

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the within described 2020 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or the availability of an appropriate exemption under the securities laws of any such jurisdiction.

NEW ISSUE
(Book-Entry Only)

RATING: S&P "AA-"
(See "RATING" herein)

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 10, 2020

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by the Authority (as defined herein) with certain tax covenants described herein, under existing law, interest on the 2020 Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals. In addition, interest on the 2020 Bonds may be subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations. Interest on the 2020 Bonds and any gain from the sale thereof is not includable in the gross income of owners thereof under the New Jersey Gross Income Tax Act, as presently executed and construed. See "TAX MATTERS" herein

\$4,575,000*

THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY
(County of Camden, New Jersey)
REVENUE BONDS, SERIES 2020
(Callable)(Bank-Qualified)

Dated: Date of Delivery

Due: August 1, as shown on the inside front cover

The \$4,575,000* aggregate principal amount of Revenue Bonds, Series 2020 ("2020 Bonds") of The Pine Hill Borough Municipal Utilities Authority ("Authority") shall be issued in fully registered book-entry-only form without coupons. The principal of the 2020 Bonds shall be paid on their respective maturity dates upon presentation and surrender of the 2020 Bonds at the principal corporate trust office of The Bank of New York Mellon, Woodland Park, New Jersey, as paying agent ("Paying Agent"). Interest on the 2020 Bonds is payable semiannually on February 1 and August 1, commencing on February 1, 2021, in each year until maturity or earlier redemption. The 2020 Bonds are subject to optional redemption prior to maturity as further described herein.

Upon initial issuance, the 2020 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the 2020 Bonds. So long as Cede & Co. is the registered owner of the 2020 Bonds, payments of the principal of and interest on the 2020 Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as herein defined) which will, in turn, remit such payments to the Beneficial Owners (as herein defined) of the 2020 Bonds. Purchasers will not receive certificates representing their ownership interest in the 2020 Bonds purchased. For so long as any purchaser is a Beneficial Owner of a 2020 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant to receive payment of the principal of and interest on such 2020 Bond. See "THE 2020 BONDS – Book-Entry Only System" herein.

The 2020 Bonds are authorized and issued pursuant to: (i) the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Laws of 1957 of the State of New Jersey ("State"), and the acts amendatory thereof and supplemented thereto ("Act"); (ii) a Bond Resolution duly adopted by the Authority on March 26, 2020 ("2020 Bond Resolution"), as supplemented by a supplemental bond resolution of the Authority duly adopted on June __, 2020 ("2020 Supplemental Bond Resolution"; together with the 2020 Bond Resolution, the "Resolution"); and (iii) a Trust Agreement, by and between the Authority and The Bank of New York Mellon, as successor trustee, ("Trustee"), dated August 1, 1962, as previously amended and supplemented (as previously amended and supplemented, the "Original Trust Agreement"), and as further supplemented by the Fifth Supplemental Trust Agreement, dated July __, 2020 ("Fifth Supplemental Trust Agreement"; together with the Original Trust Agreement, the "Trust Agreement").

The 2020 Bonds shall be direct and limited obligations of the Authority secured as to payment of the principal or redemption price of and interest on the 2020 Bonds by the Net Revenues (as defined in the Trust Agreement). The 2020 Bonds are additionally secured by payments to be made by the Borough of Pine Hill, New Jersey ("Borough"), pursuant to a Service Agreement, dated November 1, 1986, as amended and supplemented, between the Authority and the Borough ("Service Agreement"). The obligation of the Borough to pay Annual Charges pursuant to the Service Agreement, in the opinion of Bond Counsel, constitutes a valid, binding, direct and general obligation of the Borough and the Borough has the power and is obligated to levy and collect *ad valorem* taxes upon all taxable property within its boundaries for the payment of such annual charges. The Authority has no taxing power.

The 2020 Bonds are being issued to provide funds which will be used by the Authority to: (i) finance the costs of various capital improvements to the Authority's water system, including the rehabilitation of the Erial Road Water Main, installation of a backup well for Well #4 and decommissioning of Well #6 and Well #7; (ii) fund the Debt Service Reserve Account created under the Trust Agreement in an amount equal to the Debt Service Reserve Requirement established in the Trust Agreement for the 2020 Bonds; and (iii) pay the cost and expenses incidental to the issuance and delivery of the 2020 Bonds.

THE 2020 BONDS ARE NOT AND SHALL NOT BE IN ANY WAY A DEBT OR A LIABILITY OF THE STATE, THE BOROUGH (EXCEPT TO THE EXTENT SET FORTH UNDER THE SERVICE AGREEMENT), OR ANY COUNTY OR OTHER MUNICIPALITY IN THE STATE AND DO NOT AND SHALL NOT CREATE OR CONSTITUTE ANY INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE STATE OR OF THE BOROUGH,(EXCEPT TO THE EXTENT SET FORTH UNDER THE SERVICE AGREEMENT) OR OF ANY COUNTY OR OTHER MUNICIPALITY IN THE STATE, EITHER LEGAL, MORAL OR OTHERWISE.

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

The 2020 Bonds are offered when, as and if issued, subject to the prior approval of legality by the law firm of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the Authority by its Solicitor, Christopher F. Long, Esquire, of the law firm of Wade, Long, Wood & Long, L.L.C., Laurel Springs, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey, has acted as Municipal Advisor to the Authority in connection with the issuance of the 2020 Bonds. It is anticipated that the 2020 Bonds in definitive form will be available for delivery through DTC in New York, New York on or about July __, 2020.

RAYMOND JAMES®

* Preliminary, subject to change

\$4,575,000*
THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY
(County of Camden, New Jersey)
REVENUE BONDS, SERIES 2020
(Callable)(Bank-Qualified)

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS

Year (August 1)	Amount*	Interest Rate	Yield	CUSIP**
2021	\$145,000	%	%	
2022	150,000			
2023	160,000			
2024	165,000			
2025	175,000			
2026	185,000			
2027	195,000			
2028	205,000			
2029	210,000			
2030	220,000			
2031	230,000			
2032	240,000			
2033	250,000			
2034	260,000			
2035	270,000			
2036	280,000			
2037	290,000			
2038	300,000			
2039	315,000			
2040	330,000			

* Preliminary, subject to change

** Registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the 2020 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2020 Bonds as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2020 Bonds.

PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY

BOARD MEMBERS

Mark Buscher	Chairman
Thomas Knott	Vice-Chairman
Christopher Green	Secretary/Treasurer
John Odenath	Commissioner
Christine Burk	Commissioner
Thomas Hassett	Alternate Member

EXECUTIVE DIRECTOR

Debra Corson

SOLICITOR

Wade, Long, Wood & Long, L.L.C.
Laurel Springs, New Jersey

AUDITOR

Bowman & Company LLP
Woodbury and Voorhees, New Jersey

BOND COUNSEL

Parker McCay PA
Mount Laurel, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

TRUSTEE

The Bank of New York
Woodland Park, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Authority or by the Underwriter to give any information or to make any representations, other than those contained in this Official Statement in connection with the offering of the 2020 Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. 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 2020 Bonds, by any person, in any jurisdiction in which it is unlawful for such offer, solicitation or sale to be made.

Certain information set forth herein has been obtained from the Authority, the Borough of Pine Hill, DTC and other sources which are believed to be reliable but the information provided by sources other than the Authority is not guaranteed as to accuracy or completeness and it is not be construed as a representation by the Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the parties referred to above since the date hereof.

Upon issuance, the 2020 Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the Resolution or the Trust Agreement been qualified under the Trust Indenture Act of 1939, as amended. In reliance upon exemptions contained in such acts, the registration or qualification of the 2020 Bonds in accordance with applicable provisions of securities laws of the states in which the 2020 Bonds have been registered or qualified and the exemption from registration or qualifications in other states cannot be regarded as a recommendation thereof. Neither the Securities Exchange Commission nor any other federal, state, municipal or other governmental entity have passed upon the merits of the 2020 Bonds or have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE 2020 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE PRICE OF THE 2020 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2020 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES OR YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

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OFFICIAL STATEMENT

RELATING TO

\$4,575,000*

**THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY
(County of Camden, New Jersey)
REVENUE BONDS, SERIES 2020
(Callable)(Bank-Qualified)**

INTRODUCTION

This Official Statement, including the cover page hereof and the Appendices attached hereto, sets forth certain information relating to The Pine Hill Borough Municipal Utilities Authority ("Authority"), a public body corporate and politic of the State of New Jersey ("State"), to provide certain information relating to the Authority's \$4,575,000* aggregate principal amount of Revenue Bonds, Series 2020 ("2020 Bonds") to be issued by the Authority and to provide certain information relating to the service area of the Authority in the Borough of Pine Hill, County of Camden, New Jersey ("Borough").

In preparing this Official Statement, the Authority has relied upon certain information set forth in the report of Bowman & Company LLP, Woodbury and Voorhees, New Jersey, independent auditors of the Authority, attached hereto as Appendix "B", "AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY". All other information, except where otherwise noted, is provided by the Authority. Capitalized terms utilized herein and not otherwise defined shall have the meanings ascribed thereto in are defined in the Trust Agreement, by and between the Authority and The Bank of New York Mellon, as successor trustee, ("Trustee"), dated August 1, 1962, as previously amended and supplemented (as previously amended and supplemented, the "Original Trust Agreement"), and as further supplemented by the Fifth Supplemental Trust Agreement, dated July __, 2020 ("Fifth Supplemental Trust Agreement"; together with the Original Trust Agreement, the "Trust Agreement"), a copy of which is attached hereto in Appendix A - "TRUST AGREEMENT AND SERVICE AGREEMENT". The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive, or definitive, and each summary and reference is qualified in its entirety by reference to each document, statute, report or instrument.

PURPOSE OF THE 2020 BONDS

The 2020 Bonds are being issued to provide funds which will be used to: (i) finance the costs of various capital improvements to the Authority's water system, including the rehabilitation of the Erial Road Water Main, installation of a backup well for Well #4 and decommissioning of Well #6 and Well #7; (ii) fund the Debt Service Reserve Account created under the Trust Agreement in an amount equal to the Debt Service Reserve Requirement established in the Trust Agreement for the 2020 Bonds; and (iii) pay the cost and expenses incidental to the issuance and delivery of the 2020 Bonds.

The 2020 Bonds, together with all other Bonds issued and Outstanding under the Trust Agreement, are direct and limited obligations of the Authority payable solely from and equally and

* Preliminary, subject to change.

ratably secured as to payment of the principal and redemption price thereof, and interest thereon, in accordance with the provisions of the Trust Agreement solely by the Net Revenues (as defined in the Trust Agreement). See "SECURITY FOR THE 2020 BONDS" herein. The 2020 Bonds are additionally secured by payments to be made by the Borough, pursuant to a Service Agreement, dated November 1, 1986, as amended and supplemented, between the Authority and the Borough ("Service Agreement").

AUTHORIZATION FOR THE 2020 BONDS

The 2020 Bonds are authorized under and issued pursuant to: (i) the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Laws of 1957 of the State, and the acts amendatory thereof and supplemented thereto ("Act"); (ii) a Bond Resolution duly adopted by the Authority on March 26, 2020 ("2020 Bond Resolution"), as supplemented by a supplemental bond resolution of the Authority duly adopted on June __, 2020 ("2020 Supplemental Bond Resolution"; together with the 2020 Bond Resolution, the "Resolution"); and (iii) the Trust Agreement.

In accordance with the provisions of the Local Authorities Fiscal Control Law, constituting Chapter 313 of the Pamphlet Laws of 1983 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (collectively, the "Local Authorities Fiscal Control Law"), in connection with the issuance of the 2020 Bonds, the Authority submitted in an application and requested positive findings and recommendations from the Local Finance Board in the Division of Local Government Services in the Department of Community Affairs of the State ("Local Finance Board") relating to the issuance of the 2020 Bonds. After conducting a public hearing on August 14, 2019, the Local Finance Board determined, by resolution duly adopted on August 14, 2019, to issue favorable findings with respect to the proposed financing.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the 2020 Bonds.

Sources of Funds:

Par Amount of Bonds	\$ _____
[Net] Original Issue [Premium/Discount]	_____

Total Sources of Funds	\$ _____
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Uses of Funds:

Deposit to Construction Fund	\$ _____
Deposit to Debt Service Reserve Fund	_____
Cost of Issuance ¹	_____
Underwriter's Discount	_____

Total Uses of Funds	\$ _____
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⁽¹⁾ Includes printing, rating, legal fees, accounting fees, rounding amount, fiduciary fees and related expenses.

THE 2020 BONDS

Description

The 2020 Bonds will be dated the date of delivery, will mature on the dates and in the amounts shown on the inside cover page hereof and will bear interest semiannually on February 1 and August 1 (each, an "Interest Payment Date"), commencing February 1, 2021, in each year until maturity or earlier redemption, at the rates per annum set forth on the inside cover page hereof. The 2020 Bonds are subject to optional redemption prior to maturity as further described herein.

The 2020 Bonds will be issued in fully registered book-entry-only form without coupons. Individual purchases may be made in the principal amount of \$5,000 or any integral multiple thereof through book-entries made on the books and the records of DTC (as hereinafter defined) and its participants. The principal of the 2020 Bonds will be payable to the registered owners at maturity upon presentation and surrender of the 2020 Bonds at the principal corporate trust office of The Bank of New York Mellon, Woodland Park, New Jersey, as paying agent ("Paying Agent"). Interest on each 2020 Bond shall be payable to the owner of record thereof appearing on the registration books kept by the Authority for such purpose at the principal office of the Paying Agent, as of the close of business on the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date ("Record Date").

So long as The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., is the registered owner of the 2020 Bonds, payments of the principal of and interest on the 2020 Bonds will be made directly to Cede & Co., as nominee for DTC. Disbursements of such payments to the participants of DTC ("DTC Participants") is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as herein defined) of the 2020 Bonds is the responsibility of the DTC Participants and not the Authority or the Paying Agent. See "THE 2020 BONDS--Book-Entry-Only System" herein.

Book-Entry Only System¹

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the 2020 Bonds, payment of principal and interest, and other payments on the 2020 Bonds to DTC Participants or Beneficial Owners (as each such terms is hereinafter defined), confirmation and transfer of beneficial ownership interests in the 2020 Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Authority. Accordingly, the Authority does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the 2020 Bonds. The 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2020 Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions

¹ Source: The Depository Trust Company

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

Purchases of the 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2020 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 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 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 2020 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices, if any, shall be sent to DTC. If less than all of the 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2020 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 Authority or its designated Paying

Agent 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the 2020 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 Authority or its designated Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or its designated Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the Authority or its designated Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

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

THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS DIRECT OR INDIRECT DTC PARTICIPANTS OR THAT DIRECT OR INDIRECT DTC PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE 2020 BONDS: (1) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE 2020 BONDS; (2) CONFIRMATION OF OWNERSHIP INTERESTS IN THE 2020 BONDS; OR (3) REDEMPTION OR OTHER NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT DTC PARTICIPANTS OR INDIRECT DTC PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SEC, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

THE AUTHORITY, THE TRUSTEE AND THE UNDERWRITER WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT DTC PARTICIPANTS, INDIRECT DTC PARTICIPANTS OR BENEFICIAL OWNERS OF THE 2020 BONDS WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT DTC PARTICIPANT; (2) THE PAYMENT BY DTC TO ANY DIRECT DTC PARTICIPANT OR BY ANY DIRECT DTC PARTICIPANT OR INDIRECT DTC

PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON ANY 2020 BONDS; (3) THE DELIVERY BY DTC, ANY DIRECT DTC PARTICIPANT OR ANY INDIRECT DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE TRUST AGREEMENT TO BE GIVEN TO THE HOLDERS OF THE 2020 BONDS; (4) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2020 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, ANY DIRECT DTC PARTICIPANT OR ANY INDIRECT DTC PARTICIPANT.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2020 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE 2020 BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2020 BONDS.

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the 2020 Bonds, the following provisions would apply: (i) the 2020 Bonds may be exchanged for an equal aggregate principal amount of 2020 Bonds in other authorized denominations, of the same maturity, upon surrender thereof at the principal corporate trust office of the Paying Agent ; (ii) the transfer of any 2020 Bonds may be registered on the books maintained by the Paying Agent for such purpose only upon the surrender thereof to the Paying Agent together with the duly executed assignment in form satisfactory to the Authority and the Paying Agent; and (iii) for every exchange or registration of transfer of 2020 Bonds, the Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the 2020 Bonds.

Interest on the 2020 Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date, whether or not a business day.

Redemption of 2020 Bonds

The 2020 Bonds maturing on and after August 1, 2029, are subject to optional redemption prior to maturity, at the election of the Authority on August 1, 2028, and on any date thereafter, as a whole or in part from such maturities as of the Authority shall determine, and within a single maturity by lot, at a redemption price equal to 100% of the principal amount to be redeemed (together with interest accrued thereon to the date for such redemption).

Notice of Redemption

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage pre-paid not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to the owner of every 2020 Bond of which all or a portion is to be redeemed at his or her last address, if any, appearing on the registration books of the Paying Agent. So long as the 2020 Bonds are issued in book-entry-only form, all notices of redemption will be sent only to DTC and not be sent to the Beneficial Owners of the 2020 Bonds. Failure of an owner of the 2020 Bonds to receive such notice or of DTC to advise any Participant or any failure of a Participant to notify any Beneficial Owner of the

2020 Bonds shall not affect the validity of any proceedings for the redemption of 2020 Bonds. Such notice shall specify: (i) the series and maturity of the 2020 Bonds to be redeemed; (ii) the redemption date and the place or places where amounts that are due and payable upon such redemption will be payable; (iii) if less than all of the 2020 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of the 2020 Bonds to be redeemed; (iv) in the case of a 2020 Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed; (v) that on the redemption date there shall become due and payable with respect to each 2020 Bond or portion thereof to be redeemed the redemption price; and (vi) that from and after the redemption date interest on such 2020 Bonds or portion thereof to be redeemed shall cease to accrue and be payable.

SECURITY FOR THE 2020 BONDS

General

The 2020 Bonds are direct and limited obligations of the Authority. The Authority has no power to levy or collect taxes, and the 2020 Bonds are not and shall not be in any way a debt or liability of the State, any county or municipality, including the Borough (except to the extent set forth in the Service Agreement) and do not and shall not create or constitute any indebtedness, liability or obligation of the State, or of any county or municipality, including the Borough (except to the extent set forth in the Service Agreement) either legal, moral or otherwise.

The provisions of the Trust Agreement shall be deemed to be and shall constitute a contract between the Authority and the owners of the 2020 Bonds, and the pledge and assignment made in the Trust Agreement and the covenants and agreements set forth in the Trust Agreement to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the owners of any and all of the 2020 Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the 2020 Bonds over any other thereof except as expressly provided in or pursuant to the Trust Agreement.

Net Revenues

The 2020 Bonds are payable solely from and secured as to payment from the Net Revenues. Net Revenues include all rates, fees, rentals or other charges or income received by the Authority or accrued to the Authority from the operation of the Water System, all as calculated in accordance with sound accounting practice, remaining after deduction only of Operating Expenses.

Rate Covenant

Under the Trust Agreement, the Authority has covenanted to make, impose, charge and collect rates and charges from its System in accordance with the terms of the Act and other applicable laws of the State, so that its Net Revenues will be sufficient:

- (a) to pay the expenses of operating and maintaining the Water System; and
- (b) to provide in each Fiscal Year, an additional amount: (i) sufficient to provide for paying the interest on all Bond then outstanding under the Trust Agreement; (ii) sufficient to provide for paying the principal of all Bonds then outstanding under the Trust Agreement; (iii) equal to twenty percent (20%) of the maximum amounts provided in items (i) and (ii) above for such fiscal year; (iv) sufficient to provide to meet the Debt Service Reserve

Requirement, if any; and (v) sufficient to provide for making deposits to the Renewal and Replacement Fund required under the Trust Agreement.

In the event that the Authority's Net Revenues are insufficient to meet the obligations set forth in subsections (a) and (b) above, the Authority covenants to revise its schedule of service charges in accordance with the Act so that the amounts which are reasonably expected to be collected (taking into consideration reasonable reserves for uncollectible accounts) will be sufficient to produce the amounts required in subsections (a) and (b) above.

2020 Bonds Debt Service Reserve Funds

As further security for the payment of the 2020 Bonds, the Fifth Supplemental Trust Agreement creates and pledges for the payment of the principal or redemption price of and interest on the 2020 Bonds Debt Service Reserve Fund. The 2020 Bonds Debt Service Reserve Fund are to be funded in an amount equal to the 2020 Bonds Debt Service Reserve Fund Requirement. The 2020 Bonds Debt Service Reserve Fund Requirement is equal to the lesser of: (i) 10% of principal amount of the 2020 Bonds; (ii) maximum annual debt service on the 2020 Bonds; or (iii) 125% of average annual debt service on the 2020 Bonds. The 2020 Bonds Debt Service Reserve Fund shall be used to make up any deficiencies in the 2020 Bonds Debt Service Account in the Debt Service Fund after first exhausting any available moneys in the General Fund and in the Renewal and Replacement Fund. (See Appendix A – "TRUST AGREEMENT AND SERVICE AGREEMENT" herein.)

Service Agreement

In the Service Agreement, the Authority has agreed, among other things, to operate, maintain and (to the extent feasible) enlarge the System, and to impose Service Charges with respect to all water service provided by the Water System. The Borough has agreed that it shall not construct or permit the construction of any water supply, distribution system, or other facilities for distribution of water within the Borough unless the Authority shall have given it written consent to such construction.

In the Service Agreement, the Authority has agreed to make and impose service charges with respect to all water services provided by the Water System. The Borough has agreed to pay to the Authority Annual Charges in an amount which, together with the Authority's collected service charges and non-operating income, will be sufficient to pay: (1) operation and maintenance of the Water System; (2) debt service requirements or other payments due on the Authority's Obligations (which include the 2020 Bonds); (3) to pay or provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority by the Borough, any other municipality any county or any person, or from any other cause; and (4) to maintain such reserve or sinking fund requirements to provide for expenses of the operation or maintenance of the Water System or for any interest on or principal or redemption price of Bonds or for any such deficits as may be required by the terms of any contract of the Authority or bond resolution or be deemed necessary or desirable by the Authority.

The Authority is required annually to deliver to the Borough the Authority's audit for the preceding fiscal year, the Authority's budget for the current fiscal year, and a certificate of the Authority stating the amount of the Annual Charge for the current fiscal year (estimated) and for the preceding fiscal year and the amount of any unpaid current Annual Charge and prior Annual Charge. The Borough is required to pay to the Authority the amount of such current and prior Annual Charge, and to budget, appropriate and levy and collect ad valorem taxes upon all taxable property within the Borough sufficient to pay such Annual Charge, including any deficiency for unpaid Annual Charges for prior or current fiscal years. The Authority is required to reimburse the Borough for Annual Charges paid by the

Borough under the Service Agreement at such times as the Authority's operations will permit. The obligation of the Borough to pay Annual Charges pursuant to the Service Agreement, in the opinion of Bond Counsel, constitutes a valid, binding, direct and general obligation of the Borough and the Borough has the power and is obligated to levy and collect *ad valorem* taxes upon all taxable property within its boundaries for the payment of such annual charges. The Service Agreement also requires the Borough to consent to the issuance of any Additional Bonds. (See Appendix A – "TRUST AGREEMENT AND SERVICE AGREEMENT" herein.)

Additional Bonds

Under the Trust Agreement, the Authority may issue Additional Bonds for the purpose of raising funds to pay, or complete the payment of, the costs of constructing or acquiring additions, extensions and impartments to the Water System. Additional Bonds may be issued only if they have been authorized by a resolution duly adopted by the Authority. Additional Bonds may not be issued unless the Trustee shall have received, among other things, a: (i) certificate of the registered municipal accountant certifying that the Net Revenues derived from the operation of the Water System during the twelve (12) complete months immediately preceding the date of delivery of the Additional Bonds shall have been not less than 120% of the largest amounts provided to be deposited in the Sinking Fund in any succeeding fiscal year for the purpose of paying the principal of and interest on any Bonds theretofore issued under and secured by the Trust Agreement plus 100% of the largest amounts to be deposited in the Reserve Account and in the Renewal and Replacement Fund in any succeeding fiscal year; and (ii) a certificate of the Authority's Consulting Engineer certifying that, based on his/her estimate, the average of the annual Net Revenues estimated to be derived from the operation of the Water System will not be less than 130% of the largest amounts to be provided to be deposited in the Sinking Fund in any succeeding fiscal year for the purpose of paying the principal of and interest on any Bonds issued under and secured by the Trust Agreement plus 100% of the largest amounts to be deposited in the Reserve Account and in the Renewal and Replacement Fund in any succeeding fiscal year. (See Appendix A – "TRUST AGREEMENT AND SERVICE AGREEMENT" herein)

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PINE HILL MUNICIPAL UTILITIES AUTHORITY

Statement of Revenue, Expenses and Changes in Net Position

For the Fiscal Years Ended July 31, 2019, 2018, and 2017

	2019 (1)	Restated 2018 (2)	2017
Operating Revenues:			
Service Charges	\$ 2,331,949.29	\$ 2,161,257.79	\$ 2,121,555.52
Connection Fees	56,075.00	2,525.00	-
Other Operating Revenues	51,617.39	13,725.77	84,429.02
Total Operating Revenues	<u>2,439,641.68</u>	<u>2,177,508.56</u>	<u>2,205,984.54</u>
Operating Expenses:			
Administration			
Salaries and Wages	249,668.16	243,682.75	289,140.33
Fringe Benefits	391,665.50	282,199.30	295,096.64
Other Expenses	241,110.87	264,594.37	248,478.51
Cost of Providing Services			
Salaries and Wages	364,218.76	351,487.47	335,166.78
Fringe Benefits	421,825.81	307,552.96	335,189.15
Other Expenses	544,918.25	607,652.79	529,800.95
Major Repairs and Other Expenses	71,480.21	97,855.87	70,671.42
Depreciation	386,242.07	339,115.67	371,813.83
Total Operating Expenses	<u>2,671,129.63</u>	<u>2,494,141.18</u>	<u>2,475,357.61</u>
Operating Loss	(231,487.95)	(316,632.62)	(269,373.07)
Non-operating Revenue (Expenses):			
Investment Income	69,396.32	26,671.90	1,705.73
Interest Expense	(68,034.67)	(81,038.00)	(87,512.68)
Other Non-operating Income	194,301.39	189,812.12	226,907.38
Total Non-operating Revenue	<u>195,663.04</u>	<u>135,446.02</u>	<u>141,100.43</u>
Change in Net Position			
Before Capital Contributions	(35,824.91)	(181,186.60)	(128,272.64)
Capital Contributions	-	231,539.55	-
Change in Net Position	(35,824.91)	50,352.95	(128,272.64)
Net Position August 1	<u>5,034,456.51</u>	<u>6,098,386.20</u>	<u>6,226,658.84</u>
Restatement	-	(1,114,282.64)	-
Net Position August 1, as restated	<u>5,034,456.51</u>	<u>4,984,103.56</u>	<u>6,226,658.84</u>
Net Position July 31	<u>\$ 4,998,631.60</u>	<u>\$ 5,034,456.51</u>	<u>\$ 6,098,386.20</u>

(1) Unaudited; Net Pension Liability and Expense is estimated using 2018 numbers due to unavailability of the 2019 information.

(2) Net Position restated to reflect Authority's Net OPEB liability.

**PINE HILL MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF DEBT SERVICE**

Year End (July 31)	<u>Existing Debt (1)</u>			<u>Revenue Bonds, Series 2020</u>			Grand Total
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2020	\$105,119.18	\$35,497.77	\$140,616.95				
2021	109,725.86	30,641.09	140,366.95	\$145,000.00			
2022	114,576.04	25,540.91	140,116.95	150,000.00			
2023	119,682.61	20,184.34	139,866.95	160,000.00			
2024	125,059.15	14,557.80	139,616.95	165,000.00			
2025	130,719.96	8,646.99	139,366.95	175,000.00			
2026	70,354.18	2,654.66	73,008.84	185,000.00			
2027	17,765.19	1,143.76	18,908.95	195,000.00			
2028	17,765.19	993.76	18,758.95	205,000.00			
2029	17,765.19	843.76	18,608.95	210,000.00			
2030	17,765.19	693.76	18,458.95	220,000.00			
2031	17,765.19	543.76	18,308.95	230,000.00			
2032	17,765.19	393.76	18,158.95	240,000.00			
2033	17,765.19	240.63	18,005.82	250,000.00			
2034	13,510.39	81.25	13,591.64	260,000.00			
2035				270,000.00			
2036				280,000.00			
2037				290,000.00			
2038				300,000.00			
2039				315,000.00			
2040				330,000.00			
	<u>\$913,103.70</u>	<u>\$142,658.00</u>	<u>\$1,055,761.70</u>	<u>\$4,575,000.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>

(1) As of July 31, 2019. Does not include debt service allocated to the Authority's Sewer Utility.

Source: Authority Auditor.

THE AUTHORITY

General

The Authority, a public body corporate and politic of the State, was created by virtue of an ordinance adopted on March 9, 1959, by the Borough Council of the Borough. The Authority was created for the purpose of constructing, maintaining and operating water supply and distribution and wastewater collection system within the municipal boundaries of the Borough.

The Authority has broad powers under the Act including, among others, the following: to hold, operate and administer its property, to provide for and secure the payment of any bonds and rights of holders thereof, to charge and collect user charges for the use of its facilities and to revise such user charges to ensure that the revenues of the Authority will at all times be adequate to pay all operating and maintenance expenses, including reserves, insurance, extensions and replacements, and to pay the principal of and interest on any Bonds, and to maintain such reserves or sinking funds that may be required by the terms of any contract of the Authority; and to make and enforce rules and regulations of the management of its business and affairs.

The Authority's address is 907 Turnerville Road, Pine Hill, New Jersey 08021 and its telephone number is (856) 783-0739.

Information relating to the Authority can be obtained by visiting the Authority's web site at www.phmua.org.

Management

The governing body of the Authority consists of five members and two alternates, each of whom are appointed for five year terms on a staggered basis by the Borough Council of the Borough. The present Directors, their offices on the Authority's Board and the expiration dates of their terms as Directors are as follows:

<u>Director</u>	<u>Authority of Office</u>	<u>Expiration of Term</u>
Carl M. Buscher	Chairman	January 31, 2023
Thomas Knott	Vice Chairman	January 31, 2024
Christopher Green	Secretary/Treasurer	January 31, 2021
John Odenath	Commissioner	January 31, 2022
Christine Burke	Commissioner	January 31, 2025
Thomas Hassett	Alternate Member	January 31, 2023
Vacant	Alternate Member	January 31, 2021

<u>Staff</u>	<u>Authority Office</u>
Debra Corson	Executive Director
Patricia Garvey	Recording Secretary
Christopher F. Long, Esq.	Solicitor
David C. Patterson, Esq.	Conflict Solicitor
Hugh Dougherty, Pennoni	Engineer

The Authority currently employs 9 full time personnel.

THE WATER SYSTEM

General

The water transmission and distribution system network consists of approximately 40 to 45 miles of water mains composed of ACP, cast iron and ductile iron pipe in sizes ranging up to 12 inch diameter. The proposed capital program calls for the replacement of sub-standard pipes (2 to 4 inch diameter) of various materials and the looping of dead end water lines. The water conveyance system at present has approximately 3,326 accounts.

Main & Valves - Maintenance

The Authority performs all required maintenance and repair of the system components including fire hydrants. The Authority employees flush parts of the system periodically and exercise the valves of fire hydrants. Any defective valves and fire hydrants are replaced as required. The preventative maintenance program for underground conveyance facilities involves both field investigations and systematic scheduling of flushing operations, repair and replacement. The continual operation of the system and related adjustment of supply routing has meant that the valves in place are being exercised more regularly. The experience is being used in turn for improved inspection and servicing of valves and hydrants on a preventative basis.

The number of breaks and leaks are low in number, but each failure is investigated to determine the failure mode. In this way plans can be prepared to prevent such occurrences and to facilitate repairs.

Storage and Supply

The Authority water system consists of three operating wells and three standpipes. The system capacity is 2.66 million gallons per day for delivery and treatment and 1.3 million gallons per day for storage. Each well station is constantly monitored for satisfactory operation and each site is visited daily for inspection, servicing equipment and insuring that the disinfection system is operating at the correct design level. The required operating load is rotated among the wells in order to balance the wear on the units and to allow for recharge of the aquifer when possible.

Quality Standards Adherence

The Authority currently meets all physical, chemical, radiological and bacteriological water quality standards established by the New Jersey Department of Environmental Protection under its Safe Drinking Water Act. In addition to sending water samples to certified testing laboratories on a monthly basis, the Authority has a certified lab who regularly samples the disinfected level not only at the well site, but also at the extremities of the conveyance system to ensure that all water delivered to the customers and citizens of the Borough is safe to consume.

Purchased Water

The Authority presently purchases 210,000 GPD from New Jersey American Water to supplement our water system.

Capital Programming

The Authority has for many years operated under a state approved budget. Now that the system has started to age, the decision was made to establish a capital budget projected over a fixed period of years. Under this scheme, capital programs are projected for a five-year period and a detailed budget is adopted for the first year of the five.

Service Area and Services Unit

The Authority's present water and sewer service is entirely within the boundaries of the Borough. The Authority currently has approximately 4,877 units serviced by its sewer system and approximately 3,323 units serviced by its water system.

WATER RATES

All classes of users are charged a connection fee of \$1,925.00 per unit. The minimum quarterly charges for residential users are currently \$4.80 per thousand gallons. Water is billed quarterly by the Authority. Metered water consumption is used by the Authority for calculating water billings for all classes of users. All billing is done by the Authority on a computerized system. Below is the water rate schedule.

<u>Meter Size</u>	<u>Number of Meters</u>	<u>Quarterly Meter Fee</u>	<u>Quarters</u>
1/2" - 5/8"	3,072	\$ 27.50	4
3/4"	117	27.50	4
1"	48	218.75	4
1 1/2"	64	328.00	4
2"	15	437.50	4
3"	0	656.25	4
4"	0	875.00	4
6"	3	1,312.50	4
8"	0	1,750.00	4

The current schedule of water service charges was placed into effect on July 1, 2019. The connection fee was placed into effect on April 17, 2013. Prior to that, the connection fee was \$1,695 and has been in effect since June 20, 2012. Connection fees are payable in full at the time of connection.

The Authority charges a penalty of 1 1/2% per month on overdue balances. It is the policy to discontinue supplying water to customers with outstanding balances not paid for one quarter.

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TEN LARGEST USERS

<u>Customer Name</u>	<u>Billings</u>
Chalet Gardens Apartments	\$131,688.20
Mansions Apartments	61,091.45
Pine Hill Gardens Apartments	44,683.80
Cedar Brook Apartments	35,944.30
Glenn Eyre Apartments	29,574.45
Pine Hill Board of Education	17,141.80
Trump National Golf Club	11,045.15
Pine Hill Borough	3,711.40
Pine Hill Car Wash	2,432.15
Northeast Autec	<u>2,331.47</u>
TOTAL	<u>\$339,644.17</u>

LOCAL AUTHORITIES FISCAL CONTROL LAW

Since 1983, the Authority has been regulated by the Local Authorities Fiscal Control Law, *N.J.S.A. 40A:5A-1 et seq.* ("Authorities Law"). The Authorities Law regulates the local financial operations and debt of independent local authorities. The purpose of the Authorities Law, according to the Senate, County and Municipal Government Committee Statement that accompanied the 1983 legislation, was to strengthen the credit standing of municipalities, counties and independent financing authorities, by extending a proven system of financial regulation to what was a largely unregulated area of local debt financing.

The Authorities Law assigns financial control responsibilities over local authorities to the Local Finance Board and the Director of Local Government Services in the State Department of Community Affairs. The Local Finance Board reviews, conducts hearings, and issues findings and recommendations on any proposed project financing of an authority and on any financing agreement between a local government unit and an authority. The Local Finance Board also prescribes minimum audit requirements to be followed by authorities in the conduct of their annual audits. The Director of Local Government Services also reviews and approves annual budgets of authorities.

The Authorities Law provides a mechanism for meeting unsound financial conditions of local authorities. If the Director of the Division of Local Government Services finds that a local authority is faced with financial difficulties, the Director is to convene a hearing before the Local Finance Board. If the Local Finance Board determines that a serious continuing financial difficult exists, and that the authority or local government unit has not undertaken a remedial plan, the Local Finance Board may order implementation of a financial plan. The financial plan shall assure the payment of debt service or provide relief from undue financial burdens on residents the affected local government unit or users of the authority's services and facilities.

Pursuant to the Authorities Law, the Authority submitted an application to the Local Finance Board in connection with the transactions described herein. On August 14, 2019, the Local Finance Board reviewed said application and passed a resolution which contained positive findings concerning the financing described herein.

LITIGATION

In the opinion of Christopher F. Long, Esquire, of the law firm Wade, Long, Wood & Long, L.L.C., Laurel Springs, New Jersey, as solicitor to the Authority ("Solicitor"), there is no controversy or litigation of any nature now pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2020 Bonds or the security pledged therefore, or in any way questioning or affecting the validity of the 2020 Bonds or any proceedings of the Authority taken with respect to the issuance and sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2020 Bonds. In addition, there is no controversy or litigation pending or threatened relating to the existence or powers of the Authority or which would materially affect its financial position.

TAX MATTERS

Federal

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Authority, assuming continuing compliance by the Authority with the tax covenants described below, under existing law, interest on the 2020 Bonds is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the 2020 Bonds received or accrued by a foreign corporation subject to the branch profits tax will be included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the 2020 Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the Authority that it will comply with the applicable requirements of the Code, including requirements relating to, inter alia, the use and investment of proceeds of the 2020 Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Authority to comply with such covenants could result in the interest on the 2020 Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that affect the tax-exempt status of the interest on the 2020 Bonds.

Ownership of the 2020 Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and to individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the 2020 Bonds will

constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the 2020 Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the 2020 Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The Authority has designated the 2020 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or carry "qualified tax-exempt obligations" is deductible.

Owners of the 2020 Bonds should consult their own tax advisers as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

New Jersey

Bond Counsel is also of the opinion that interest on the 2020 Bonds and any gain from the sale thereof are not includable in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in New Jersey that, if enacted, could alter or amend the Federal and New Jersey tax matters referred to above or adversely affect the market value of the 2020 Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to bonds or 2020 Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2020 Bonds.

PROSPECTIVE PURCHASERS OF THE 2020 BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS REGARDING ANY FEDERAL AND STATE INCOME TAX LEGISLATION, WHETHER CURRENTLY PENDING OR PROPOSED, REGULATORY INITIATIVES OR LITIGATION. THE OPINIONS EXPRESSED BY BOND COUNSEL ARE BASED UPON EXISTING LEGISLATION AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY AUTHORITIES AS OF THE DATE OF ISSUANCE AND DELIVERY OF THE 2020 BONDS AND BOND COUNSEL HAS EXPRESSED NO OPINION AS OF ANY DATE SUBSEQUENT THERETO OR WITH RESPECT TO ANY PENDING LEGISLATION, REGULATORY INITIATIVES OR LITIGATION.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule"), the Authority and the Borough will, prior to the issuance of the 2020 Bonds, enter into an agreement ("Continuing Disclosure Agreement") with The Bank of New York Mellon, Woodland Park, New Jersey, as dissemination agent, substantially in the form set forth in Appendix "F", attached hereto.

A failure by the Authority to comply with the provisions of the Continuing Disclosure Agreement will not constitute a default under the 2020 Bonds, and holders and beneficial owners are limited to the remedies set forth in the Continuing Disclosure Agreement. However, failure by the Authority to comply with the Continuing Disclosure Agreement must be reported in accordance with the Rule and must be considered by any broker or dealer before recommending the purchase or sale of the 2020 Bonds in the secondary market. Consequently, such failure may adversely affect the transferability and liquidity of the 2020 Bonds and their market price.

Within the five years immediately preceding the date of this Official Statement, the Authority previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ended July 31, 2015, 2016 and 2017; and (ii) operating data for the fiscal years ended July 31, 2015, 2016 and 2017. Additionally, the Authority previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; and (ii) operating data, all as described above. Such notices have since been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The Authority appointed Phoenix Advisors, LLC in July 2015 to serve as continuing disclosure agent.

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements operating data for the fiscal year ended December 31, 2016. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of its operating data, as described above. The Borough has engaged Acacia Financial Group, Inc. to serve as continuing disclosure agent.

LEGALITY FOR INVESTMENT

Section 62 of the Act, *N.J.S.A. 40:14B-62*, provides that the State and all public officers, municipalities, counties, political subdivisions and public bodies and agencies thereof, all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, 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 Bonds of the Authority, including the 2020 Bonds, and such Bonds are authorized security for any and all public deposits.

UNDERWRITING

The 2020 Bonds have been purchased from the Authority by Raymond James & Associates, Inc., New York, New York ("Underwriter"), at a purchase price of \$_____. The purchase price of the 2020 Bonds reflects the par amount of the 2020 Bonds, less an Underwriter's discount of \$_____, [plus/less] [net] original issue [premium/discount] of \$_____. The Underwriter is obligated to purchase all of the 2020 Bonds if any 2020 Bonds are purchased.

The Underwriter intends to offer the 2020 Bonds to the public initially at the offering prices set forth on the inside 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 2020 Bonds to the public. The Underwriter may offer and sell the 2020 Bonds to certain dealers (including dealers depositing 2020 Bonds into investment trusts) at prices lower than the public offering price set forth on the inside cover page, and such public offering price may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL BANKRUPTCY

The undertaking of a local governmental unit should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et. seq., as amended by the Bankruptcy Reform Act of 1978, effective October 1, 1979, and other bankruptcy laws affecting creditor's rights and political subdivisions in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Act of 1978 with only minor changes.

Reference should also be made to *N.J.S.A. 52:27-40 et seq.* which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation of otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

INDEPENDENT AUDITORS

The audited financial statements of the Authority for the years ending July 31, 2018 and 2017 set forth in Appendix "B" to this Official Statement have been examined by Bowman & Company LLP, Woodbury and Voorhees, New Jersey, independent Certified Public Accountants and the compiled financial statements of the Borough for the year ending December 31, 2019 together with the audited financial statements of the Borough for the years ending December 31, 2018, 2017, 2016, 2015 and 2014 set forth in Appendix "D" to this Official Statement have been examined by Bowman & Company LLP, Woodbury and Voorhees, New Jersey, independent Certified Public Accountants, and are included herein in reliance upon the authority of said firms as experts in accounting and auditing matters.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, sale and delivery of the 2020 Bonds are subject to the approval of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Authority, whose approving legal opinion will be delivered with the 2020 Bonds substantially in the

form set forth as Appendix "E" hereto. Certain legal matters will be passed on for the Authority by its Solicitor.

The various legal opinions to be delivered concurrently with the delivery of the 2020 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the Authority with respect to the issuance of the 2020 Bonds ("Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

RISK FACTORS

Recent Healthcare Developments

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus ("Coronavirus"), which was first detected in China and has spread to other countries, including the United States, has been declared a pandemic by the World Health Organization, a national emergency by the President of the United States ("President") and a state of emergency by the Governor of the State ("Governor"). The spread of the Coronavirus has affected global economics and financial markets, which has led to volatility and reduced liquidity. Virtually all sectors of the United States economy, with the exception of essential services, have been reduced or shutdown resulting in significant reductions in the GDP. Additionally, unemployment in the United States has reached historic levels.

In response, and as noted above, the President declared a national emergency on March 13, 2020, which made available federal resources to combat the spread of the virus. Subsequently, the federal government has adopted multiple bills authorizing various forms of aid including, but not limited to, Medicaid expansion, unemployment benefits and paid emergency leave, immediate cash relief for individuals and a broad lending program for businesses and governmental entities. The Federal Reserve has also lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending and liquidity programs to banks, money market mutual funds, businesses and certain governmental entities.

The State has also taken action to assist residents effected by the Coronavirus. In particular, on March 28, 2020, the Governor announced a ninety (90) day forbearance program for mortgage payments for borrowers economically impacted by the Coronavirus. Additionally, the income tax filing deadline and the corporation business tax filing deadline has been extended from April 15 to July 15 and the State fiscal year has been extended to September 30, 2020. Further, pursuant to Executive Order 130, the Governor authorized municipalities in the State to adopt a resolution instituting a grace period concluding on June 1, 2020 for: (i) the payment of second quarter taxes for municipalities on a calendar

year budget cycle; and (ii) the payment of fourth quarter taxes for municipalities on a fiscal year budget cycle. As the Authority is not the primary public body responsible for the collection of taxes, it cannot control the extent to which these grace periods will be granted by the Borough, if at all. As part of a planned multi-stage approach to restart the State's economy, the Governor has signed a series of executive orders beginning on April 29, 2020 permitting the resumption of certain activities. Additional executive orders relating to the resumption of certain activities may be executed by the Governor in the future as part of the planned multi-stage approach to restart the State's economy.

Ultimately, the Authority cannot predict, and does not predict, the duration, severity or ultimate impact of the Coronavirus, or the intervening legislative and gubernatorial measures in response thereto, upon global, State-wide and local economies and operations, including that of the Authority.

The Authority has provided and intends to continue to provide essential services in and for the Borough including sewer and water utility services. In addition, the Authority is closely monitoring the spread and effects of the Coronavirus and interacts regularly with other appropriate governmental agencies in this regard, including taking such actions as it deems beneficial to prevent the spread of the Coronavirus.

Cyber Security

The Authority relies on a large and complex technology environment to conduct their various operations. As a result, the Authority faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Authority has invested in multiple forms of cybersecurity and operational safeguards. Specifically, the Authority has an extensive security system in place, including network firewalls and established administrative rights and restrictions, with varying level of approvals, implemented entity-wide, for access to network drives and applications that are reviewed regularly to ensure proper internal control and protections and provide relevant employees and staff with cyberattack training. In addition, the Authority maintain insurance coverage for cyberattacks and related events.

RATING

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("Rating Agency"), has assigned its municipal bond rating of "AA-" to the 2020 Bonds.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Authority has furnished to the Rating Agency certain information and materials concerning the 2020 Bonds and the Authority. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the 2020 Bonds.

APPENDICES

Appendix "A" to this Official Statement includes the Copies of the Trust Agreement and Service Agreement.

Appendix "B" to this Official Statement contains audited financial statements of the Authority for the year ended July 31, 2018. A copy of the audit prepared by Bowman & Company LLP, Woodbury and Voorhees, New Jersey and containing the financial statements, and complete Reports of Audit may be obtained upon request to the office of the Secretary/Treasurer of the Authority.

Appendix "C" to this Official Statement consists of certain general and financial information concerning the Borough which has been provided by the Borough from public documents of the Borough and from other public or official documents or publications (including, in some limited instances, official documents or publications of the Authority) which are referred to therein. The Authority (except in those limited instances in which the Authority has provided information) has not confirmed the accuracy or completeness of said information, and the Authority (except in those limited instances in which the Authority has provided information) disclaims any responsibility for the accuracy or completeness thereof.

Appendix "D" to this Official Statement consists of the financial statements of the Borough.

Appendix "E" to this Official Statement consists of the form of Bond Counsel's legal opinion.

Appendix "F" to this Official Statement consists of a form of the Continuing Disclosure Agreement.

NO DEFAULT

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

PREPARATION OF OFFICIAL STATEMENT

The Authority hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm same to the purchasers of the 2020 Bonds, by certificates signed by various Authority officials.

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

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

Bowman & Company LLP, Woodbury and Voorhees, New Jersey, compiled this Official Statement from information obtained from Authority management and other various sources they consider to be reliable and makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information. Bowman & Company LLP does take responsibility for the financial statements, appearing in Appendices "B" and "D" hereto, to the extent specified in the respective Independent Auditor's Reports.

Concurrently with the delivery of the 2020 Bonds, the Authority will furnish a certificate to the effect that nothing has come to the Authority's attention that would lead the Authority to believe that the Official Statement, in final form, contains any untrue statement of a material fact or omits to state any information necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

MISCELLANEOUS

The references herein to the 2020 Bonds, the Resolution, the Trust Agreement, the Act and certain other statutes are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such statutes and documents for full and complete statements of such provisions. Copies of the Resolution and the forms of the 2020 Bonds, respectively, are on file for inspection during normal business hours at the offices of the Authority, 907 Turnerville Road, Pine Hill, New Jersey 08021, and at the principal corporate trust office of the Trustee at The Bank of New York Mellon, 385 Rifle Camp Road, Woodland Park, New Jersey 07424.

Any statements which are outlined in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the 2020 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY

By: _____
DEBRA CORSON, Executive Director

Dated: June __, 2020

APPENDIX A

TRUST AGREEMENT AND SERVICE AGREEMENT

Page 21. Section 2.08 - last sentence change "year 2001" to read:
"year 2002"

Page 21. Section 2.08 (a) at end of page remove ; and add the following:

"and stating the increased amount required to be deposited in the reserve account established and created pursuant to the provisions of Article 5 hereof, which increased amount shall be equal to not less than the largest amount of principal and interest maturing and becoming due on the Bonds in any succeeding fiscal year and stating the amount of the increased quarterly deposits required to be made into such Reserve Account, which shall be at least sufficient to provide the increased amount required to be deposited in the Reserve Account not later than 5 years following the date of delivery of the additional Bonds;

Page 37. last paragraph (2) change date of "July 31, 1966" to read: "July 31, 1967"

Page 38. Schedule changes as follows:

Delete entirely 1966 ... \$3,000

change 1967 to \$3,000
1968 4,000
1971 8,000
1972 9,000
1974 12,000
1976 13,000
1978 14,000
1981 16,000
1985 19,000
1986 20,000
2002 38,000

Page 43. Same Schedule appears as on Page 38. and the above changes to be made.

THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY

AND

FIRST CAMDEN NATIONAL BANK
AND TRUST COMPANY,
TRUSTEE

Camden, New Jersey

Trust Agreement

DATED AS OF AUGUST 1, 1962

Relating to the issuance of
\$700,000 Water Revenue Bonds, Series A

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This Trust Agreement, dated for convenience of reference as of August 1, 1962, by and between THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY, a public body corporate and politic (hereinafter sometimes called the "Authority"), and FIRST CAMDEN NATIONAL BANK AND TRUST COMPANY, a banking corporation, with trust powers, duly organized and existing under the laws of the United States of America and having its principal office in Camden, New Jersey,

WITNESSETH:

WHEREAS, the Borough of Pine Hill, in the County of Camden, State of New Jersey (hereinafter sometimes called the "Borough"), is authorized by the provisions of Chapter 183 of the Laws of New Jersey of 1957, as amended (hereinafter sometimes called the "Municipal Utilities Authorities Law"), by means and through the agency of a municipal utilities authority, to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and to acquire, construct, maintain, operate or improve works for the collection, treatment, purification or disposal of sewage or other wastes; and

WHEREAS, the Borough has, pursuant to the provisions of Chapter 183 of the Laws of New Jersey of 1957, as amended, by ordinance heretofore finally adopted, created The Pine Hill Borough Municipal Utilities Authority; and

WHEREAS, the Authority deems it necessary and in the best public interests of the Borough, and the inhabitants thereof, and in keeping with the intent and purpose of the Municipal Utilities Authorities Law, to acquire, by purchase, all existing facilities and the franchise of the Pine Valley Water Works substantially and as more particularly described in the Engineering Report, dated July, 1962, prepared by John

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G. Reutter and Associates, Consulting Engineers of Camden, New Jersey; to acquire, by purchase, certain water mains and other facilities located within the Borough of Pine Hill and owned by the Borough of Clementon substantially and as more particularly described in the Engineering Report, dated July, 1962, prepared by John G. Reutter and Associates, Consulting Engineers; and to construct and acquire certain other water facilities consisting of wells, pumps, standpipe, pipe, valves and fire hydrants substantially in accordance with and as more particularly described in the plans and specifications therefor prepared by John G. Reutter and Associates, Consulting Engineers, and heretofore filed with and approved by this Authority; all at an estimated cost of not exceeding \$700,000 and all hereinafter sometimes called "Water System"; and

WHEREAS, for the purpose of paying the estimated cost of acquisition and construction of said Water System in the Borough of Pine Hill, hereinafter referred to, the Authority has determined to issue, and by resolution heretofore duly adopted has authorized the initial issuance of revenue bonds in the aggregate principal amount of not exceeding Seven Hundred Thousand Dollars (\$700,000), each designated as "Water Revenue Bond, Series A" (said revenue bonds and all Additional Revenue Bonds at any time issued under this Trust Agreement being hereinafter sometimes called the "Bonds"); and

WHEREAS, the estimated revenues to be derived by the Authority from the operation of the Water System, in each year hereafter, and hereinafter pledged to the payment of the Bonds, will be sufficient to pay the principal of and interest on the Bonds initially issued hereunder as the same mature and become due, and all sinking fund, reserve and other payments provided for herein; and

WHEREAS, the principal of and interest on the Bonds and all of the sinking fund, reserve and other payments provided for herein will be payable solely from the revenues derived from the operation of the Water System and the payment thereof shall not constitute an indebtedness or liability of the State of New Jersey or the Borough of Pine Hill, within the meaning of any constitutional or statutory debt limitation or provision nor lien upon any property of the Authority, except the revenues derived from the operation of the Water System, and no holder of

any Bond issued hereunder shall ever have the right to require or compel the exercise of the ad valorem taxing power of the State of New Jersey or the Borough; and

WHEREAS, the Authority represents that it has full power and authority to issue the Bonds and to pledge the revenues derived from the operation of the Water System, as hereinafter set forth, all pursuant to the Municipal Utilities Authorities Law, and has taken all actions necessary to authorize its proper officers to acknowledge, execute, sign, seal and deliver this Trust Agreement and to execute, sign, seal and deliver the Bonds; and

WHEREAS, the Bonds to be initially issued and secured hereby, the interest coupons to be attached thereto, the provisions for registration to be endorsed thereon, and the Trustee's authentication certificate to be endorsed on all Bonds issued hereunder are to be substantially in the following forms, respectively, with appropriate omissions and insertions or variations permitted or authorized as hereinafter provided, viz:

[FORM OF BONDS]

UNITED STATES OF AMERICA
STATE OF NEW JERSEY
THE PINE HILL BOROUGH
MUNICIPAL UTILITIES AUTHORITY
WATER REVENUE BONDS, SERIES A

No. \$1,000

KNOW ALL MEN BY THESE PRESENTS: That The Pine Hill Borough Municipal Utilities Authority (hereinafter sometimes called the

"Authority"), a public body corporate and politic, created and existing under the provisions of Chapter 183 of the Laws of New Jersey of 1957, as amended, for value received hereby promises to pay upon surrender of this Bond, soldly from the special fund provided therefor as herein-after set forth, to the bearer or, if this Bond be registered as to principal, to the registered owner hereof, on the first day of August, 19... (or earlier as hereinafter referred to), the principal sum of One Thousand Dollars (\$1,000), and to pay from said special fund interest thereon from from the date hereof at the rate of ... per centum (..%) per annum, said interest being payable semi-annually on February 1 and August 1 in each year, with interest falling due on and prior to maturity being payable only upon presentation and surrender of the appropriate attached interest coupons as they severally become due. Both principal of and interest on this Bond are payable in lawful money of the United States of America at the principal office of First Camden National Bank and Trust Company, Camden, New Jersey. The principal of this Bond, if registered, is payable at the principal office of the Trustee in like lawful money.

This Bond is one of a duly authorized issue of Bonds designated "Water Revenue Bonds, Series A" (hereinafter called the "Bonds"), aggregating in principal the sum of not exceeding Seven Hundred Thousand Dollars (\$700,000) and issued under and by virtue of the authority contained in and conferred by the Municipal Utilities Authorities Law of the State of New Jersey, constituting Chapter 183 of the Laws of New Jersey of 1957, as amended, and other applicable provisions of law, for the purpose of paying the cost of acquisition and construction of a Water System in the Borough of Pine Hill, in the County of Camden, State of New Jersey. The Bonds are also issued pursuant and subject to the provisions, terms and conditions of a resolution heretofore duly adopted by the Authority and a Trust Agreement (said Trust Agreement, together with all trust agreements supplemental thereto as therein permitted, being herein called the "Trust Agreement"), dated as of August 1, 1962, by and between the Authority and First Camden National Bank and Trust Company, Camden, New Jersey, as Trustee. Reference is hereby made to said resolution and Trust Agreement for the provisions, among others, with respect to the custody and application of the proceeds of Bonds issued under said Trust Agreement, the collection and disposition of revenues, the funds

charged with and pledged to the payment of the Bonds in principal and interest, the nature and extent of the security, the terms and conditions under which the Bonds are or may be issued, the terms and conditions under which Additional Bonds may be issued, the rights, duties and obligations of the Authority and of the Trustee and the rights of the holders of the Bonds, to all of which provisions the holder of this Bond assents by acceptance hereof.

The Bonds are payable as to both principal and interest solely from and secured by a lien on the net revenues derived by the Authority from the operation of said Water System, in the manner provided in the Trust Agreement. Neither this Bond nor the coupons hereto attached shall be or constitute an indebtedness of the State of New Jersey or the Borough of Pine Hill within the meaning of any constitutional or statutory debt limitation or provision and it is expressly agreed that this Bond and the obligation evidenced thereby shall not constitute nor be a lien upon any property of the Authority, except said net revenues, and no holder of this Bond shall ever have the right to require or compel the exercise of the ad valorem taxing power of the State of New Jersey or the Borough for the payment of this Bond or any interest due hereon and the Authority is not and shall never be under any obligation to pay the principal of or interest on this Bond except from said net revenues, in the manner provided in the Trust Agreement. The Trust Agreement provides for fixing, revising, maintaining and collecting rates, fees, rentals and other charges for the services and facilities of said Water System so as to provide revenues, adequate at all times, to pay the principal of and interest on the Bonds as the same mature and become due, to make all other payments required by said Trust Agreement and to pay all costs of operating and maintaining said Water System.

The bonds of the Series of bonds of which this Bond is one are redeemable prior to their stated dates of maturity, as a whole, on any date not earlier than August 1, 1972, from any moneys made available for such purpose other than by operation of the Bond Redemption Account, at the price of par and accrued interest to the date fixed for redemption, plus the following premiums, expressed in percentages of the principal amount of the Bonds so redeemed, if redeemed in the following periods:

PERIOD		REDEMPTION PREMIUMS
FROM	TO	
August 1, 1972	July 31, 1973	5 %
August 1, 1973	July 31, 1974	4 3/4
August 1, 1974	July 31, 1975	4 1/2
August 1, 1975	July 31, 1976	4 1/4
August 1, 1976	July 31, 1977	4
August 1, 1977	July 31, 1978	3 3/4
August 1, 1978	July 31, 1979	3 1/2
August 1, 1979	July 31, 1980	3 1/4
August 1, 1980	July 31, 1981	3
August 1, 1981	July 31, 1982	2 3/4
August 1, 1982	July 31, 1983	2 1/2
August 1, 1983	July 31, 1984	2 1/4
August 1, 1984	July 31, 1985	2
August 1, 1985	July 31, 1986	1 3/4
August 1, 1986	July 31, 1987	1 1/2
August 1, 1987	July 31, 1988	1 1/4
August 1, 1988	July 31, 1989	1
August 1, 1989	July 31, 1990	3/4
August 1, 1990	July 31, 1991	1/2
August 1, 1991	July 31, 1992	1/4
August 1, 1992 and thereafter		None

The bonds of the Series of bonds of which this Bond is one are redeemable prior to their stated date of maturity, in part, by lot in the manner provided in the Trust Agreement, on August 1, 1967 or on any interest payment date thereafter, from moneys in the separate account in the Bond Redemption Account established and maintained for the bonds of the Series of bonds of which this Bond is one, at the price of par and accrued interest to the date fixed for redemption.

The bonds of the Series of bonds of which this Bond is one are redeemable prior to their stated date of maturity, in part, by lot in the manner provided in the Trust Agreement, on August 1, 1967 or on any interest payment date thereafter, from moneys in the separate account in the Surplus Revenue Redemption Account established and maintained for the bonds of the Series of bonds of which this Bond is one, at the price of par and accrued interest to the date fixed for redemption, plus the following premiums, expressed in percentages of the principal amount of the Bonds so redeemed, if redeemed in the following periods:

PERIOD		REDEMPTION PREMIUMS
BOTH DATES INCLUSIVE		
From	To	
August 1, 1967	July 31, 1968	4 %
August 1, 1968	July 31, 1969	3 3/4
August 1, 1969	July 31, 1970	3 1/2
August 1, 1970	July 31, 1971	3 1/4
August 1, 1971	July 31, 1972	3
August 1, 1972	July 31, 1973	2 3/4
August 1, 1973	July 31, 1974	2 1/2
August 1, 1974	July 31, 1975	2 1/4
August 1, 1975	July 31, 1976	2
August 1, 1976	July 31, 1977	1 3/4
August 1, 1977	July 31, 1978	1 1/2
August 1, 1978	July 31, 1979	1 1/4
August 1, 1979	July 31, 1980	1
August 1, 1980	July 31, 1981	3/4
August 1, 1981	July 31, 1982	1/2
August 1, 1982	July 31, 1983	1/4
August 1, 1983 and thereafter		None

Any such redemption, either in whole or in part, shall be made upon at least thirty (30) days' prior notice by publication and otherwise as provided in the Trust Agreement and shall be made in the manner and under the terms and conditions provided in the Trust Agreement.

This Bond constitutes a negotiable instrument within the meaning of the Negotiable Instruments Law of the State of New Jersey. This Bond is transferable by delivery, except that at the option of the holder it may be registered as to principal alone in accordance with the provisions endorsed hereon and subject to the terms and conditions set forth in the Trust Agreement. Such registration of this Bond as to principal shall not restrain the negotiability of its coupons, which shall remain payable to bearer and be transferable by delivery, whether or not this Bond is registered. Subject to the provisions for registration endorsed hereon and contained in the Trust Agreement, nothing contained in this Bond or in the Trust Agreement shall affect or impair the negotiability of this Bond which is issued with the intent that the laws of the State of New Jersey shall govern its construction.

It is hereby certified, recited and declared that all acts, conditions,

hereto the hereinafter mentioned Bond shall have been duly called for redemption and payment thereof duly provided for,").

.....
Chairman

.....
Secretary

[ON REVERSE SIDE OF BONDS]

PROVISIONS FOR REGISTRATION

This Bond may be registered in the name of the holder as to principal alone on books of the Authority kept by the Trustee under the within mentioned Trust Agreement, as Bond Registrar, upon presentation hereof to the Bond Registrar which shall make notation of such registration in the registration blank below, after which no transfer of this Bond shall be valid unless made on such books and endorsed hereon by the Bond Registrar at the request of the registered holder or his duly authorized agent or representative, but this Bond may be discharged from registration by being in like manner transferred to bearer, after which it shall be transferable by delivery. From time to time at the option of the holder this Bond may again be registered as to principal or transferred to bearer as before. Such registration shall not impair the negotiability by delivery of the coupons attached to this Bond.

(No writing in this blank except by the Registrar)

Date of Registration	Name of Registered Holder	Signature of Bond Registrar
.....
.....
.....

and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, exist, have happened and have been performed in regular and due form and time as required by the Constitution and statutes of the State of New Jersey applicable thereto and that the issuance of the Bonds is in full compliance with all constitutional and statutory limitations, provisions and restrictions.

In Witness Whereof, The Pine Hill Borough Municipal Utilities Authority has caused this Bond to be executed by the manual signature of its Chairman, its corporate seal to be affixed, imprinted, lithographed or reproduced hereon and attested by the facsimile signature of its Secretary, and the interest coupons hereto attached to be executed with the facsimile signatures of said Chairman and Secretary and this Bond to be dated August 1, 1962.

.....
Chairman

ATTEST:

.....
Secretary

[FORM OF INTEREST COUPONS]

No. \$

On, 19..., (*) The Pine Hill Borough Municipal Utilities Authority, will pay to bearer for value received and upon surrender of this coupon at the principal office of First Camden National Bank and Trust Company, Camden, New Jersey, the sum of Dollars (\$) in lawful money of the United States of America, solely from the special sources referred to in, and for the semi-annual interest then due on, its Water Revenue Bond, Series A, dated August 1, 1962, No.

(PRINTER: Insert at point marked by asterisk, in coupons coming due February 1, 1968 and thereafter the following words: "unless prior

[TO BE ENDORSED ON ALL BONDS]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds issued under the provisions of the within mentioned Trust Agreement.

FIRST CAMDEN NATIONAL BANK AND TRUST COMPANY,
Trustee

By:
Authorized Officer

Now therefore, This Trust Agreement witnesseth, that in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the holders thereof, and also for and in consideration of the sum of One Dollar (\$1.00) to the Authority in hand paid by the Trustee at or before the execution and delivery of this Trust Agreement, the receipt of which is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become holders thereof, and in order to secure the payment of all the Bonds at any time issued and outstanding hereunder and the interest thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein and herein contained, the Authority has pledged and does hereby pledge to the Trustee the rates, fees, rentals or other charges or income derived by the Authority from the operation of the Water System to be constructed or acquired by the Authority out of the proceeds of the Bonds, to the extent provided in this Trust Agreement, as security for the payment of the Bonds and the interest thereon and as security for the satisfaction of any other obligation assumed by them in connection with such Bonds, and it is mutually agreed and covenanted by and between the parties hereto, for the equal and proportionate benefit and security of all and singular the present and future holders of the Bonds and inter-

est coupons issued and to be issued under this Trust Agreement, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond, by reason of priority in the issue, sale or negotiation thereof, or otherwise, as follows:

ARTICLE I
DEFINITIONS

SECTION 1.01. In addition to words and terms elsewhere defined herein the following words and terms, as used in this Trust Agreement, shall have the following meanings, unless some other meaning is plainly intended:

The term "Municipal Utilities Authorities Law" shall mean Chapter 183 of the Laws of New Jersey of 1957, as amended.

The term "Authority" shall mean The Pine Hill Borough Municipal Utilities Authority.

The term "Trustee" shall mean First Camden National Bank and Trust Company, Camden, New Jersey, or its successor hereafter appointed in the manner provided in this Trust Agreement.

The term "Bonds" shall mean the Seven Hundred Thousand Dollars (\$700,000) Water Revenue Bonds, Series A, originally authorized pursuant to Section 2.07 hereof and authenticated and delivered under and pursuant to the provisions hereof and shall include any Additional Bonds hereafter authenticated and delivered under and pursuant to the provisions hereof.

The term "Additional Bonds" shall mean Bonds of the Authority authenticated and delivered under and pursuant to the provisions hereof, other than the Seven Hundred Thousand Dollars (\$700,000) Water Revenue Bonds, Series A, originally authorized pursuant to Section 2.07 hereof.

The term "Term Bonds" shall mean the bonds of a Series of Bonds, or any part of a Series of Bonds, maturing on one principal maturity

The term "Consulting Engineer" shall mean the engineer or engineering firm or corporation at the time employed by the Authority under the provisions of Section 8.05 of this Trust Agreement to perform and carry out the duties imposed on the Consulting Engineer by this Trust Agreement.

The term "Fiscal Year" shall mean a year commencing on August 1 and ending on July 31.

The term "principal underwriter" shall mean the firm or corporation designated by the purchaser or purchasers named in the resolutions mentioned in Sections 2.07 and 2.08 of this Trust Agreement or, in the event any firm or corporation shall succeed to the business of such principal underwriter by assignment, merger or otherwise, such successor firm or corporation. In the event that such principal underwriter shall retire from active business leaving no successor, the provisions of this Trust Agreement which relate to the principal underwriter shall no longer be in force.

SECTION 1.02. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond", "coupon", "owner", "holder", and "person" shall include the plural as well as the singular number, the word "person" shall include corporations and associations, including public bodies, as well as natural persons, and the word "holder" or "Bondholder" when used herein with respect to Bonds issued hereunder shall mean the holder or registered owner, as the case may be, of Bonds at the time issued and outstanding hereunder. The words "Trust Agreement" shall include this Trust Agreement and each trust agreement supplemental hereto.

ARTICLE II
FORM, EXECUTION, AUTHENTICATION, DELIVERY
AND REGISTRATION OF BONDS

SECTION 2.01. No Bonds may be issued under the provisions of this Trust Agreement except in accordance with the provisions of this Article.

date not earlier than August 1, 2002, and the principal of which is payable from the fixed, mandatory amounts provided to be deposited in each fiscal year, in the separate account in the Bond Redemption Account for the payment of such principal on or prior to maturity.

The term "Holder of Bonds" or "Bondholder", or any similar term, shall mean any person who shall be the bearer or owner of any outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any outstanding Bond or Bonds which shall at the time be registered other than to bearer, or of any coupons representing interest accrued or to accrue on said Bonds.

The term "Water System" shall mean the complete water system, referred to in the third preamble hereof, to be acquired and constructed by the Authority, together with any and all additions, extensions and improvements thereto or to any part thereof, hereafter constructed or acquired.

The term "Revenue" or "Gross Revenues" shall mean all rates, fees, rentals or other charges or income received by the Authority or accrued to the Authority from the operation of the Water System, all as calculated in accordance with sound accounting practice.

The term "Operating Expenses" shall mean the current expenses, paid or accrued, of operation, maintenance and ordinary current repairs of the Water System and shall include, without limiting the generality of the foregoing, insurance premiums, administrative expenses of the Authority relating solely to the Water System (including engineering, legal and accounting fees and expenses and fees and expenses of the Trustee), an operating reserve in an amount certified from time to time by the Consulting Engineer as the reasonable amount necessary for three months' cost of operation, maintenance and ordinary current repairs of the Water System, and such other reasonable current expenses as shall be in accordance with sound accounting practice. "Operating Expenses" shall not include any allowance for depreciation or renewals or replacements of capital assets of the Water System.

The term "Net Revenue" shall mean the Gross Revenues, as hereinabove defined, remaining after deduction only of Operating Expenses, as hereinabove defined.

SECTION 2.02. The Bonds are issuable initially as coupon Bonds, registrable as to principal alone, and shall be substantially in the form hereinabove set forth, with such appropriate omissions and insertions or variations as are permitted or required by this Trust Agreement and with additional changes as may be necessary or appropriate to comply with the terms of the sale of the Bonds, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to the rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

SECTION 2.03. The Bonds shall be dated, shall bear interest from their date until payment, such interest to the maturity thereof being payable semi-annually on the 1st days of February and August in each year, and shall be stated to mature on the 1st day of August in each year of maturity and may be subject to the right of prior redemption, all as hereinafter provided.

The Bonds shall be executed by the manual or facsimile signature of the duly qualified and authorized Chairman of the Authority, and the corporate seal of the Authority shall be affixed, imprinted, lithographed or reproduced thereon or thereto and attested by the manual or facsimile signature of the Secretary of the Authority; provided, that one of such signatures shall be manually executed thereon.

The coupons attached to the Bonds shall be substantially in the form hereinabove set forth and shall be executed with the facsimile signatures of said Chairman and Secretary.

In the event that any officer whose signature appears on the Bonds or coupons ceases to hold office before the delivery of the Bonds, his signature shall nevertheless be valid and sufficient for all purposes, and also any Bond may bear the signatures of, or may be signed by, such persons as at the actual time of the execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond such persons may not have been such officers.

Both the principal of and interest on the Bonds shall be payable in lawful money of the United States of America on their respective dates of payment. Both the interest on all Bonds, and the principal of

such Bonds, unless registered as to principal, shall be payable at the principal office of First Camden National Bank and Trust Company, Camden, New Jersey (herein sometimes called the "Paying Agent"), or at such other place or places for Additional Bonds as shall hereafter be designated by resolution of the Authority. Payment of the interest on the Bonds falling due on and prior to maturity shall be made only upon presentation and surrender of the coupons representing such interest as the same respectively fall due. The principal of all Bonds registered as to principal alone shall be payable at the principal office of the Trustee.

SECTION 2.04. Only such of the Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinabove set forth, duly executed by the Trustee, shall be entitled to any right or benefit under this Trust Agreement. No Bond and no coupon appertaining to any Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Trust Agreement. The Trustee's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time. Before authenticating or delivering any Bonds the Trustee shall detach and cancel all matured coupons, if any, appertaining thereto. Such cancelled coupons shall be held by the Trustee; provided, however, that the coupons so cancelled may at any time be recreated by the Trustee in the manner provided in Section 3.14 of this Trust Agreement.

SECTION 2.05. Title to any Bond, unless such Bond is registered in the manner hereinabove provided, and to any interest coupon shall pass by delivery in the same manner as a negotiable instrument payable to bearer. The Authority shall cause books for the registration and for the transfer of Bonds as provided in this Trust Agreement to be kept by the Trustee as Bond Registrar. At the option of the bearer, any Bond may be registered as to principal alone on such books upon presentation thereof to the Bond Registrar which shall make notation of such registration thereon. Any such Bond registered as to principal

Bond Registrar nor the Paying Agents shall be affected by any notice to the contrary.

SECTION 2.07. There shall be initially issued under and secured by this Trust Agreement revenue bonds of the Authority in the aggregate principal amount of Seven Hundred Thousand Dollars (\$700,000) for the purpose of paying the cost of acquisition and construction of the Water System referred to and described in the third preamble hereof. Said revenue bonds shall be designated "Water Revenue Bonds, Series A", shall be dated as of the 1st day of August, 1962, shall bear interest from their date until paid at a rate or rates not exceeding six per centum (6%) per annum, shall be in the denomination of One Thousand Dollars (\$1,000.00) each, shall be numbered from No. 1 to No. 700, both inclusive, and shall mature (subject to the right of prior redemption as hereinabove set forth) on August 1, 2002.

Each of said Bonds shall be executed substantially in the form and manner hereinabove set forth and deposited with the Trustee for authentication, but before said Bonds shall be authenticated and delivered by the Trustee there shall be filed with the Trustee the following:

- (a) A certified copy of a resolution adopted by the Authority, certified by the Secretary of the Authority, awarding the Bonds, specifying the interest rate of the Bonds and directing the authentication and delivery of the Bonds to or upon the order of the purchasers therein named upon payment of the purchase price therein set forth;
- (b) An opinion of counsel for the Authority stating that the signer is of the opinion that the issuance of said Bonds and the execution of this Trust Agreement have been duly authorized, that all conditions precedent to the delivery of said Bonds have been fulfilled and that said Bonds have been duly sold in accordance with all requirements of law.

When the documents mentioned above shall have been filed with the Trustee and when said Bonds shall have been executed and authenticated as required by this Trust Agreement, the Trustee shall deliver said Bonds at one time to or upon the order of the purchasers named in the resolution mentioned in clause (a) of this Section, but only upon

alone may thereafter be transferred only upon an assignment duly executed by the registered owner or his attorney in such form as shall be satisfactory to the Bond Registrar, such transfer to be made on such books and endorsed on the Bond by the Bond Registrar. Such transfer may be to bearer and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of any Bond registered as to principal alone, unless registered to bearer, shall be payable only to or upon the order of the registered owner or his legal representative, but the coupons appertaining to any Bond registered as to principal alone shall remain payable to bearer notwithstanding such registration.

In all cases in which registered Bonds shall be transferred hereunder, the Authority or the Trustee may make a charge for every such transfer of Bonds sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such transfer, and in addition the Authority may charge a sum sufficient to reimburse it for any expenses incurred in connection with such transfer. Neither the Authority nor the Trustee shall be required to make any such transfer of Bonds during the ten (10) days next preceding and interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, after any such Bond has been selected for redemption.

SECTION 2.06. As to any Bond registered as to principal alone, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Authority, the Trustee, the Bond Registrar and the Paying Agents may deem and treat the bearer of any Bond which shall not at the time be registered as to principal, and the bearer of any coupon appertaining to any coupon Bond whether such Bond shall be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Authority, the Trustee, the

payment to the Trustee of the purchase price of said Bonds together with accrued interest thereon and only if bond counsel retained to approve the Bonds thereupon provides a copy of an opinion, addressed to the Authority, stating that the signer is of the opinion that the issuance of said Bonds and the execution of this Trust Agreement have been duly authorized and that said Bonds are valid and legally binding obligations of the Authority payable from the sources and in the manner set forth in this Trust Agreement. The Trustee shall be entitled to rely upon such resolution as to the name of the purchasers and the amount of the purchase price.

The proceeds, including accrued interest and premium, if any, of the Bonds issued under the provisions of this Section shall be applied by the Trustee, simultaneously with the delivery of the Bonds, as follows:

- (a) The accrued interest received from the sale of the Bonds shall be deposited with the Trustee to the credit of the Sinking Fund hereinafter provided for, in the Bond Principal and Interest Account.
- (b) The remainder of the proceeds shall be deposited with the Trustee to the credit of a separate account for the Water Revenue Bonds, Series A, in the special fund hereinafter created and designated "Water System Construction Fund" (hereinafter sometimes called the "Construction Fund"), except such sum as shall be required to pay the interest becoming due on the Bonds during the eighteen (18) month period immediately succeeding the date of delivery of the Bonds to the purchaser thereof which shall be deposited in the Bond Principal and Interest Account in the Sinking Fund hereinafter provided for and applied by the Trustee to the payment of interest becoming due on the Bonds during such period and except the sum of Three Thousand Dollars (\$3,000) which shall be deposited in the Operating Expense Fund hereinafter provided for and used and applied in the same manner as other moneys deposited therein pursuant to the provisions of Article V hereof and except the sum of Ten Thousand Dollars (\$10,000) which shall be deposited in the Reserve Account in the Sinking Fund hereinafter provided for and used and applied in the same

manner as other moneys deposited therein pursuant to the provisions of Article V hereof.

SECTION 2.08. To the extent necessary to provide funds to pay the cost of constructing or acquiring additions, extensions and improvements to the Water System, Additional Bonds may be issued under and secured by this Trust Agreement, at one time or from time to time, in addition to the Bonds issued under the provisions of Section 2.07 of this Article. Such Additional Bonds may be either serial bonds or Term Bonds and, for the purpose of determining the approximately level annual debt service hereinafter referred to, the mandatory deposits into the Bond Redemption Account in the Sinking Fund provided for any Term Bonds shall be deemed to be serial maturities. Such Additional Bonds shall be dated as of the 1st day of February or August, and shall become due on August 1st of each year of maturity and shall be stated to mature in such manner so as, together with all Bonds then outstanding, to provide an approximately level annual debt service on all Bonds then outstanding and the Additional Bonds proposed to be issued and shall bear interest, payable semi-annually on February 1st and August 1st of each year, from their date until their payment at any rate not exceeding the maximum rate provided by the enabling laws or any amendment thereof, and shall each be designated "Water Revenue Bond, Series . . ."; provided that Additional Bonds issued to pay the cost of completion of an authorized purpose shall be designated as the same Series as the Bonds originally issued for such purpose. For the purpose of this paragraph, the Bonds originally authorized herein and maturing in the year 2001 shall be deemed Term Bonds.

Such Additional Bonds shall be executed substantially in the form and manner hereinabove set forth, with such changes as may be necessary or appropriate to conform to the provisions of the resolutions authorizing the issuance of such Bonds, and deposited with the Trustee for authentication, but before such Bonds shall be authenticated and delivered by the Trustee, there shall be filed with the Trustee the following:

(a) A certified copy of a resolution adopted by the Authority, certified by the Secretary of the Authority, authorizing the issuance of such Additional Bonds;

(b) A certified copy of a resolution adopted by the Authority, certified by the Secretary of the Authority, awarding such Additional Bonds, specifying the interest rate of such Additional Bonds and directing the authentication and delivery of such Additional Bonds to or upon the order of the purchasers therein named upon payment of the purchase price therein set forth;

(c) A certificate, executed by a Registered Municipal Accountant of the State of New Jersey, certifying that the Net Revenues derived from the operation of the Water System during the twelve (12) complete months immediately preceding the date of delivery of the Additional Bonds shall have been not less than one hundred twenty per centum (120%) of the largest amounts provided to be deposited in the Sinking Fund, hereinafter created and established, pursuant to the provisions of clauses (b) and (c) of Section 5.06 of this Trust Agreement, in any succeeding fiscal year, for the purpose of paying the principal of and interest on any Bonds theretofore issued under and secured by this Trust Agreement and then outstanding plus one hundred per centum (100%) of the largest amounts provided to be deposited in the Reserve Account in said Sinking Fund and in the Renewal and Replacement Fund, pursuant to the provisions of clauses (d) and (e) of Section 5.06 of this Trust Agreement, in any succeeding fiscal year;

(d) A certificate, executed by the Consulting Engineer, certifying that, based on his estimates of the revenues to be derived from the operation of the Water System, the average of the annual Net Revenues estimated to be derived from the operation of the Water System, including the additions, extensions or improvements thereto to be constructed from the proceeds of the Additional Bonds proposed to be issued, during each of the three fiscal years immediately succeeding the date of completion of the additions, extensions or improvements to the Sewerage System to be constructed from the proceeds of the Additional Bonds proposed to be issued, will be not less than one hundred thirty per centum (130%) of the largest amounts provided to be deposited in the Sinking Fund, hereinafter created and established, pursuant to the provisions of clauses (b) and (c) of Section 5.06 of this Trust Agreement, in any succeeding fiscal year, for the purpose of paying the principal of and interest on any Bonds theretofore issued

under and secured by this Trust Agreement and then outstanding and the Additional Bonds proposed to be issued plus one hundred per centum (100%) of the largest amounts provided to be deposited in the Reserve Account in said Sinking Fund and in the Renewal and Replacement Fund, pursuant to the provisions of clauses (d) and (e) of Section 5.06 of this Trust Agreement, in any succeeding fiscal year;

(e) A certificate, executed by the Trustee, certifying that all payments into the various Funds and Accounts herein provided for have been made in full, as provided by this Trust Agreement, to the date of delivery of the Additional Bonds and that such Funds and Accounts are then current and there are no deficiencies in the amounts provided to be on deposit therein pursuant to the provisions hereof; and

(f) An opinion of counsel for the Authority stating that the signer is of the opinion that the issuance of such Additional Bonds has been duly authorized and that all conditions precedent to the delivery of such Additional Bonds have been fulfilled and that said Bonds have been duly sold in accordance with all requirements of law.

Additional Bonds may be issued under and secured by this Trust Agreement, at one time or from time to time, for the purpose and to the extent necessary (as shown by the certificate of the Consulting Engineer hereinafter referred to in this paragraph) to provide funds to complete payment of the cost of constructing or acquiring the Water System hereinbefore referred to in the third preamble of this Trust Agreement or for the purpose and to the extent necessary (as shown by the certificate of the Consulting Engineer hereinafter referred to in this paragraph) to provide funds to complete payment of the cost of constructing and acquiring additions, extensions and improvements to the Water System financed by Additional Bonds issued pursuant to the authorization contained in the first and second paragraphs of this Section 2.08. Such Additional Bonds shall be authorized and issued under the same limitations, conditions and restrictions as the Additional Bonds hereinbefore referred to in the first paragraph of this Section, with the exception that in lieu of the certificates prescribed by clauses (c) and (d) above there shall be filed with the Trustee a certificate, executed by the Consulting Engineer, giving his estimate

of the date on which the Water System referred to in the third preamble of this Trust Agreement will be completed and certifying that according to his estimate of the total amount required for paying the balance of the cost of such Water System referred to in the third preamble of this Trust Agreement, the proceeds of such Additional Bonds will be required for paying such balance or, as the case may be, giving his estimate of the date on which the additions, extensions and improvements to the Water System financed by Additional Bonds issued pursuant to the authorization contained in the first and second paragraphs of this Section 2.08 will be completed and certifying that according to his estimate of the total amount required for paying the balance of the cost of such additions, extensions and improvements, the proceeds of the Additional Bonds proposed to be issued will be required for paying such balance.

When the documents mentioned above shall have been filed with the Trustee and when the Bonds described in the resolutions mentioned in clauses (a) and (b) of this Section have been executed and authenticated as required by this Trust Agreement, the Trustee shall deliver such Bonds at one time to or upon the order of the purchasers named in the resolution mentioned in clause (b) of this Section, but only upon payment to the Trustee of the purchase price of such Bonds and only if bond counsel retained to approve the Bonds theretofore provides a copy of an opinion, addressed to the Authority, stating that the signer is of the opinion that the issuance of said Bonds and the execution of this Trust Agreement have been duly authorized and that said Bonds are valid and legally binding obligations of the Authority payable from the sources and in the manner set forth in this Trust Agreement. The Trustee shall be entitled to rely upon such resolution as to the names of the purchasers and the amount of such purchase price.

Such Additional Bonds shall be on a parity and rank equally with all other Bonds issued under this Trust Agreement as to lien on and source and security for payment from the Net Revenues derived from the operations of the Water System and from the Sinking Fund, and the separate accounts therein, and in all other respects, and upon the issuance of any such Additional Bonds all payments into the Sinking Fund and the separate accounts therein shall be proportionately increased as necessary over the amounts provided by this Trust Agree-

ment to be therein deposited for the Water Revenue Bonds, Series A, initially issued hereunder, and all of the provisions of this Trust Agreement, except as to details inconsistent therewith, shall apply to and be for the benefit and security and protection of the holders of such Additional Bonds as fully and to the same extent as for the holders of the Water Revenue Bonds, Series A, initially issued hereunder.

The proceeds (excluding accrued interest and any premium) of all Additional Bonds issued under the provisions of this Section shall be deposited with the Trustee to the credit of a special account in the Construction Fund created and established for the particular Series of Bonds and shall be used for the purpose for which said Additional Bonds were authorized to be issued; provided that the proceeds (excluding accrued interest and any premium) of Additional Bonds issued to provide funds to complete payment of the cost of constructing or acquiring the Water System referred to in the third preamble hereof shall be deposited to the credit of the special account in the Construction Fund created and established for the Series A Bonds initially issued hereunder. The amount of accrued interest and premium, if any, shall be deposited with the Trustee to the credit of the Sinking Fund in the Bond Principal and Interest Account and appropriate separate account in the Bond Redemption Account, respectively.

SECTION 2.09. In case any Bond shall become mutilated or be improperly cancelled, or be destroyed, stolen or lost, the Authority may, in its discretion, adopt a resolution and thereby authorize the issuance and delivery of a new Bond with all unmatured coupons attached of like tenor as the Bond and attached coupons, if any, so mutilated, improperly cancelled, destroyed, stolen or lost, in exchange and substitution for such mutilated or improperly cancelled Bond and attached coupons, if any, or in lieu of and substitution for the Bond and attached coupons, if any, destroyed, stolen or lost, upon the holder furnishing the Authority and the Trustee proof of his ownership thereof and proof of such mutilation, improper cancellation, destruction, theft or loss satisfactory to the Authority and the Trustee, upon his giving to the Authority and the Trustee an indemnity bond in such amount as they may require, and upon his compliance with such other reasonable regulations and conditions as they may prescribe and paying such expenses as they may incur. All Bonds and coupons so surrendered

tion of the Bond Redemption Account, at the price of par and accrued interest to the date fixed for redemption, plus the following premiums, expressed in percentages of the principal amount of the Series A Bonds so redeemed, if redeemed in the following periods:

PERIOD BOTH DATES INCLUSIVE		REDEMPTION PREMIUMS
From	To	
August 1, 1972	July 31, 1973	5 %
August 1, 1973	July 31, 1974	4¾
August 1, 1974	July 31, 1975	4½
August 1, 1975	July 31, 1976	4¼
August 1, 1976	July 31, 1977	4
August 1, 1977	July 31, 1978	3¾
August 1, 1978	July 31, 1979	3½
August 1, 1979	July 31, 1980	3¼
August 1, 1980	July 31, 1981	3
August 1, 1981	July 31, 1982	2¾
August 1, 1982	July 31, 1983	2½
August 1, 1983	July 31, 1984	2¼
August 1, 1984	July 31, 1985	2
August 1, 1985	July 31, 1986	1¾
August 1, 1986	July 31, 1987	1½
August 1, 1987	July 31, 1988	1¼
August 1, 1988	July 31, 1989	1
August 1, 1989	July 31, 1990	¾
August 1, 1990	July 31, 1991	½
August 1, 1991	July 31, 1992	¼
August 1, 1992 and thereafter		None

The Series A Bonds shall be redeemable prior to their stated date of maturity, in part, by lot in the manner provided in this Trust Agreement, on August 1, 1967 or on any interest payment date thereafter, from moneys in the separate account in the Bond Redemption Account established and maintained for the Series A Bonds, at the price of par and accrued interest to the date fixed for redemption.

The Series A Bonds shall be redeemable prior to their stated date of maturity, in part, by lot in the manner provided in this Trust Agreement, on August 1, 1967 or on any interest payment date thereafter, from moneys in the separate account in the Surplus Revenue Redemption Account established and maintained for the Series A Bonds, at the price of par and accrued interest to the date fixed for redemption, plus

shall be cancelled by the Trustee and held for the account of the Authority. If any Bond or coupon shall have matured or be about to mature, instead of issuing a substitute Bond or coupon, the Authority may cause the same to be paid upon being indemnified as aforesaid, and if such Bond or coupon be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds and coupons issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the Authority, whether or not the lost, stolen or destroyed Bonds or coupons be at any time found by anyone. Such duplicate Bonds and coupons shall in all respects be identical with those replaced except that they shall bear on their face the following additional clause:

"This Bond is issued to replace a lost, cancelled or destroyed Bond."

Such duplicate Bonds or coupons shall be signed by the same officers who signed the original Bonds, provided, however, that in the event the officers who executed the original Bonds no longer hold office, then the new Bonds shall be signed by the officers then in office. Such duplicate Bonds and coupons shall be entitled to equal proportionate benefits and rights as to lien and source and security for payment from the revenues and other funds as provided herein with all other Bonds and coupons issued hereunder, the obligations of the Authority upon the new Bonds being identical with its obligations upon the original Bonds and the rights of the holder being the same as those conferred by the original Bonds.

ARTICLE III REDEMPTION OF BONDS

SECTION 3.01. The Bonds originally issued under the provisions of this Trust Agreement at the time outstanding may be called for redemption by the Authority as follows:

The Series A Bonds shall be redeemable prior to their stated dates of maturity, as a whole, on any date not earlier than August 1, 1972, from any moneys made available for such purpose other than by opera-

the following premiums, expressed in percentages of the principal amount of the Series A Bonds so redeemed, if redeemed in the following periods:

PERIOD BOTH DATES INCLUSIVE		REDEMPTION PREMIUMS
From	To	
August 1, 1967	July 31, 1968	4 %
August 1, 1968	July 31, 1969	3¾
August 1, 1969	July 31, 1970	3½
August 1, 1970	July 31, 1971	3¼
August 1, 1971	July 31, 1972	3
August 1, 1972	July 31, 1973	2¾
August 1, 1973	July 31, 1974	2½
August 1, 1974	July 31, 1975	2¼
August 1, 1975	July 31, 1976	2
August 1, 1976	July 31, 1977	1¾
August 1, 1977	July 31, 1978	1½
August 1, 1978	July 31, 1979	1¼
August 1, 1979	July 31, 1980	1
August 1, 1980	July 31, 1981	¾
August 1, 1981	July 31, 1982	½
August 1, 1982	July 31, 1983	¼
August 1, 1983 and thereafter		None

Any Additional Bonds issued pursuant to this Trust Agreement may have such provisions for prior redemption at such prices, including premiums, as shall be provided in the resolution or resolutions authorizing the issuance thereof; provided, however, that any redemption in part may be made only an interest payment date.

If less than all of the Bonds of any Series shall be called for prior redemption, the Bonds of such Series shall be redeemed in inverse order of maturities and if less than a full maturity is to be redeemed, the particular Bonds of such Series to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee, in its discretion, may determine.

SECTION 3.02. A notice of any such redemption, either in whole or in part, signed by the Trustee, (s) shall be published by the Trustee, at least once at least thirty (30) days before the redemption date, in a financial newspaper or journal published in the English language in the

City of Philadelphia, Pennsylvania, (b) shall be filed with the Paying Agents and (c) shall be mailed, postage prepaid, to all registered owners of Bonds to be redeemed at their addresses as they appear on the registration books; but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds then outstanding shall be called for redemption, the distinctive numbers of such Bonds to be redeemed.

SECTION 3.03. Notice having been published and filed in the manner and under the conditions hereinabove provided, the Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds on such date. On the date so designated for redemption, notice having been published and filed and moneys for payment of the redemption price being held in a separate account by the Trustee, or the Paying Agents, in trust for the holders of the Bonds to be redeemed, all as provided in this Trust Agreement, interest on the Bonds so called for redemption shall cease to accrue, the coupons for interest on any Bonds so called for redemption maturing subsequent to the redemption date shall be void, such Bonds shall cease to be entitled to any lien, benefit or security under this Trust Agreement, and the holders or registered owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

SECTION 3.04. All unpaid interest installments represented by coupons which shall have matured on or prior to the date of redemption designated in such notice shall continue to be payable to the bearers severally and respectively upon the presentation and surrender of such coupons.

SECTION 3.05. Bonds so redeemed and all unmatured coupons appertaining thereto shall be cancelled by the Trustee upon the surrender thereof.

SECTION 3.06. Bonds which have been duly called for redemption under the provisions of this Article, or with respect to which irrev-

shall be applied to the payment of the cost of the Water System herein provided for and, pending such application, shall be subject to a lien and charge in favor of the holders of the Bonds issued and outstanding under this Trust Agreement and for the further security of such holders until paid out or transferred as herein provided.

SECTION 4.02. Payment of the cost of the acquisition and construction of said Water System shall be made from the Construction Fund. All payments from the Construction Fund shall be subject to the provisions and restrictions set forth in this Article, and the Authority covenants that it will not cause or permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions. This Article shall be construed and is intended to apply fully to additions, extensions or improvements to the Water System, of any kind or nature, hereafter authorized and financed pursuant to the provisions of this Trust Agreement, notwithstanding that such additions, extensions or improvements are not specifically referred to in this Article.

SECTION 4.03. For the purposes of this Trust Agreement the cost of the acquisition and construction of the Water System shall include without intending thereby to limit or restrict or to extend any proper definition of such cost under the provisions of law, the following:

(a) Obligations incurred for labor and materials and to contractors, builders and materialmen in connection with the acquisition and construction of the Water System, for machinery and equipment, and for the restoration or relocation of property damaged or destroyed in connection with such construction;

(b) The cost of acquiring by purchase, if such purchase shall be deemed expedient, and the amount of any award or final judgment in or any settlement or compromise of any proceeding to acquire by condemnation, such lands, property rights, right-of-way, franchises, easements and other interests as may be deemed necessary or convenient and authorized for the acquisition and construction of the Water System, options and partial payments thereon, and the amount of any damages incident to or consequent upon the acquisition and construction of the Water System;

ocable instructions to call for redemption at the earliest redemption date have been given to the Trustee, in form satisfactory to it, and for the payment of the redemption price of which and accrued interest to the date fixed for redemption moneys shall be held in separate accounts by the Trustee, or the Paying Agents, in trust for the holders of the Bonds to be redeemed, as provided in this Trust Agreement, shall not be deemed to be outstanding under the provisions of this Trust Agreement.

ARTICLE IV

CUSTODY AND APPLICATION OF PROCEEDS OF BONDS

SECTION 4.01. A special fund is hereby created and designated "Water System Construction Fund" (herein sometimes called the "Construction Fund"), to the credit of which such deposits shall be made as are required by the provisions of Section 2.07 and 2.08 of this Trust Agreement. A separate account in the Construction Fund shall be created and established for the Water Revenue Bonds, Series A, and for each issue of Additional Bonds, except Additional Bonds issued to pay the cost of completion of the Water System described in the third preamble hereof or issued to pay the cost of completion of additions, extensions and improvements to such Water System, in which case the separate account created and established for the issue of Bonds initially issued for the purpose shall constitute the separate account for the issue of Additional Bonds, and all of the provisions of this Trust Agreement relating to the Construction Fund shall, and shall be deemed to, apply to each such separate account as though the same were a separate Construction Fund for the issue of Additional Bonds for which such separate account was created and all such provisions herein for the Water Revenue Bonds, Series A, shall apply fully to each separate account for any Additional Bonds hereafter issued. Any moneys received from any other source for the construction or acquisition of additions, extensions and improvements to the Water System shall be deposited to the credit of the appropriate separate account in the Construction Fund.

The moneys in the Construction Fund shall be held by the Trustee in trust, and, subject to the provisions of Section 4.08 of this Article,

(c) The fees and expenses of the Trustee during construction and taxes or other municipal or governmental charges lawfully levied or assessed during construction upon the Water System or any property acquired therefor, and premiums on insurance (if any) in connection with the Water System during acquisition and construction;

(d) The cost of borings and other preliminary investigation to determine foundation or other conditions, expenses necessary or incident to determining the design and construction of the Water System and fees and expenses of the Consulting Engineer for making studies, surveys and estimates of cost and of revenues and other estimates and for the preparing plans and specifications and supervising construction, as well as for the performance of all other duties of the Consulting Engineer set forth herein in relation to the acquisition and construction of the Water System or the issuance of Bonds therefor;

(e) Legal expenses and fees, financing charges, cost of audits and of preparing and issuing the Bonds, and all other items of expense not elsewhere in this Section specified incident to the construction, acquisition and equipment of the Water System, the financing thereof, the placing of the same in operation, and the cost of acquisition of lands, property rights, rights-of-way, franchises, easements, servitudes, and interest therein, including abstracts of title, title insurance, cost of surveys and other expenses in connection with such acquisition.

SECTION 4.04. Payments from the Construction Fund shall be made in accordance with the provisions of this Section. Before any such payments shall be made the Authority shall file with the Trustee:

(a) A requisition, signed by any officer of the Authority designated by resolution of the Authority for such purpose, stating in respect of each payment to be made:

- (1) The item number of the payment,
- (2) The name of the person, firm or corporation to whom payment is due,
- (3) The amount to be paid,

in a separate special account corresponding to the appropriate separate account in the Construction Fund, in the name of the Authority. Each such obligation shall be paid by the Authority by check, drawn on such separate special account.

SECTION 4.05 If any requisition contains any item for the payment of the purchase price or cost of any lands, rights, easements, servitudes, franchises or interests in or relating to lands, there shall be attached to such requisition, in addition to the certificates mentioned in Section 4.04 of this Article:

(a) A Certificate of the Chairman of the Authority to the effect that such lands, rights, easements, servitudes, franchises or interests are being acquired in furtherance of the acquisition of the site for the Water System, or any part thereof, or in furtherance of the acquisition and construction of the Water System, or any part thereof, and

(b) A written opinion of counsel for the Authority stating that the signer is of the opinion that the Authority is authorized under the provisions of law to acquire such lands, rights, easements, servitudes, franchises or interests for and on behalf of the Authority and that the Authority will have, upon the payment of such items, title in fee simple to, or perpetual easements or servitudes for the purposes of the Water System over such lands or properties, free from all liens or encumbrances except liens, charges, encumbrances or other defects of title which do not have a materially adverse effect upon the Authority's right to use such lands or properties for the purposes intended or which have been adequately guarded against by a bond or other form of indemnity or, if such payment be a payment for an option to purchase or for a quitclaim deed or a lease or a release or on a contract of purchase or is otherwise for the acquisition of a right or interest in lands less than a fee simple or a perpetual easement or servitude, or if such payment be a part payment for any such purposes, the written approval of the acquisition of such lesser right or interest, signed by such counsel for the Authority, or, in lieu of the opinion required by this clause, a firm undertaking by a reputable title insurance company to issue its title insurance policy covering such lands, rights, easements, servitudes, franchises or interests in or relating to such lands and a written opinion of counsel for the Authority

that any objections or exceptions to be noted thereon are not, in the opinion of the signer, of a material nature.

SECTION 4.06. The Authority covenants that no payment will be made from the Construction Fund for labor or materials or to contractors, builders or materialmen on account of the acquisition and construction of the Water System, or any part thereof, unless such part is located on lands good and marketable title to which is owned or can be acquired by the Authority in fee simple or over which the Authority shall have acquired or can acquire perpetual easements or servitudes for the purposes of the Water System.

SECTION 4.07. All requisitions, certificates and opinions received by the Trustee, as required in this Article as conditions of payment from the Construction Fund, may be relied upon by and shall be retained in the possession of the Trustee, subject at all times to the inspection by the Authority, the Consulting Engineer, the principal underwriter, the agents and representatives thereof, and any other interested person.

SECTION 4.08. When the acquisition and construction of the Water System herein authorized shall have been completed, which fact shall be evidenced to the Trustee by a certificate, filed with the Trustee, stating the date of completion of the Water System, signed by the Chairman and Secretary of the Authority, and approved by the Consulting Engineer, the balance in the separate account in the Construction Fund not reserved by the Authority with the approval of the Consulting Engineer for the payment of any remaining part of the cost of the acquisition and construction of the Water System herein authorized or for the particular purpose for which said separate account was established shall be transferred by the Trustee as follows: (1) to the Reserve Account in the Sinking Fund, to the extent necessary to make the amount then on deposit in said account equal to the maximum amount required to be on deposit therein pursuant to the provisions of Article V hereof; (2) the balance, if any, to the Renewal and Replacement Fund to the extent necessary to make the amount then on deposit in said fund equal to the maximum amount required to be on deposit therein pursuant to the provisions of Article V hereof; and (3) the balance, if any, to the corresponding separate account in the Surplus Revenue Redemption Account in the Sinking Fund created and established for the particular Series of Bonds from which such balance was originally received as proceeds.

(4) The purpose, by general classification, for which the payment is to be made,

(5) That obligations in the stated amounts have been incurred by the Authority and that each item thereof is a proper charge against the Construction Fund and has not been paid,

(6) That there has not been recorded in the manner prescribed by law, or filed with or served upon the Authority notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the persons or firms named in such requisition, which has not been released or will not be released simultaneously with the payment of such obligations, and

(b) A copy of a resolution duly adopted by the Authority, certified by the Secretary of the Authority, and attached to such requisition approving the same and certifying that each such obligation has been properly incurred and is then due and unpaid and that, insofar as such obligation was incurred for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed, in furtherance of the acquisition and construction of the Water System or delivered at the site of the work for that purpose, or delivered for storage or fabrication at a place or places approved by the Authority.

(c) A certificate of the Consulting Engineer, attached to such requisition approving the same and certifying that each such obligation has been properly incurred and that, insofar as such obligation was incurred for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed, in furtherance of the acquisition and construction of the Water System or delivered at the site of the work for that purpose, or delivered for storage or fabrication at a place or places approved by the Authority.

Upon receipt of each requisition and accompanying resolution the Trustee shall transfer from the moneys in the appropriate separate account in the Construction Fund an amount equal to the total of the amounts to be paid as set forth in such requisition and deposit the same

In making any such transfer the Trustee may rely upon (a) a certificate filed with it by the Authority signed by the Chairman of the Authority, and approved by the Consulting Engineer, as to any items of such cost then remaining unpaid and as to any estimate in such certificate of the amount of any items of such cost the actual amount of which is not finally determined, and (b) a certificate, signed by counsel for the Authority, as to the status and amount of any claims then outstanding affecting such cost. The Trustee may require the filing of such certificates as a condition of such transfer.

If at any time within two (2) years after such transfer there shall be filed with the Trustee a certificate, signed by the Chairman and Secretary of the Authority, and by the Consulting Engineer, stating that the cost of the particular improvement being financed by Bonds issued hereunder has been finally determined and that the part of such cost then remaining unpaid exceeds the amount reserved by the Trustee under this Section, an amount equal to such excess shall forthwith be re-transferred by the Trustee from the corresponding separate account in the Surplus Revenue Redemption Account in the Sinking Fund, the Renewal and Replacement Fund and the Reserve Account in the Sinking Fund, to the extent necessary and in such order, to the Construction Fund and thereafter applied, upon requisition as above provided, to meet such unpaid costs; provided, however, that the amount so re-transferred shall not exceed the amount transferred from the Construction Fund to the corresponding separate account in the Surplus Revenue Redemption Account in the Sinking Fund, the Renewal and Replacement Fund and the Reserve Account in the Sinking Fund under the provisions of this Section.

ARTICLE V

REVENUES AND FUNDS

SECTION 5.01. The Authority covenants that before the Bonds herein authorized are delivered to the principal underwriter it will fix and place in effect a schedule of rates, fees, rentals or other charges for

the use of the services and facilities of the Water System, and all parts thereof, which rates, fees, rentals or other charges in such initial schedule will be in substantial conformity with and not less than the rates, fees, rentals or other charges recommended by John G. Beutter & Associates, Consulting Engineers, of Camden, New Jersey, in their Engineering Report, dated July, 1962, to the Authority and transmitted to and accepted by the Authority and that, thereafter, it will at all times fix, establish, maintain and collect such rates, fees, rentals or other charges for the use of the services and facilities of the Water System, and all parts thereof, as will always, together with any other funds, including connection charges received from users of the services and facilities of the Water System referred to in the third preamble hereof subsequent to the date of completion of the acquisition and construction thereof as evidenced by the certificate required to be filed with the Trustee pursuant to the provisions of Section 4.08 hereof, legally available for such purposes and applied to such purposes, provide revenues and income in each fiscal year at least sufficient to pay all costs of operating and maintaining the Water System during such fiscal year; and

(a) To provide for making deposits to the credit of the Sinking Fund under the provisions of this Article of the following amounts (in order to provide for the payment of the interest on the Bonds as the same shall fall due and for the retirement of all of the Bonds under the provisions of this Trust Agreement on or before their stated dates of maturity):

(1) In each fiscal year an amount sufficient to provide for paying the interest on all Bonds then outstanding under this Trust Agreement as the same shall fall due and an amount sufficient to pay the principal of all serial Bonds then outstanding under this Trust Agreement maturing during such fiscal year,

(2) In each fiscal year beginning with the fiscal year ending July 31, 1966, the following amounts, respectively (together with any additional amounts required for Additional Bonds by the resolution referred to in clause (a) of Section 2.08 of this Trust Agreement):

opportunity for such recommendations to be made, it will revise such rates, fees, rentals or other charges as may be necessary or proper in order that the revenues or income derived from the operation of the Water System will be sufficient at all times to make all of the payments referred to in the first paragraph of this Section 5.01.

The Authority covenants that forthwith upon the adoption of any revised schedule of rates, fees, rentals or other charges certified copies thereof will be filed with the Trustee and mailed to the principal underwriter and to any Bondholder who files his name and address with the Secretary of the Authority for such purpose.

SECTION 5.02. The Authority covenants that rates, fees, rentals or other charges will be classified in a reasonable way to cover all users, including the Borough of Pine Hill and all public bodies of any character or nature, of the services and facilities of the Water System, so that the rates, fees, rentals or other charges may be uniform in application to all such users falling within any reasonable class regardless of the status or character of any person, firm or corporation, public or private, participating in such use, that no reduced rate or rates, fees, rentals or other charges will be allowed within any such class and that no free use of the services and facilities of the Water System will be permitted; provided, however, that nothing herein is intended or shall be construed as requiring the Authority to charge the Borough of Pine Hill for services or facilities provided to the Borough of Pine Hill by means of or for fire hydrants installed, maintained and operated on public property or thoroughfares.

SECTION 5.03. A special fund is hereby created and designated "Water System Revenue Fund" (hereinafter sometimes called the "Revenue Fund"). The Authority covenants that all Gross Revenues derived from the operation or ownership of the Water System will be collected by the Authority and deposited, promptly, with the Trustee or in the name of the Trustee with a Depositary or Depositaries (hereinafter defined), to the credit of the Revenue Fund, except as provided in Section 6.01 hereof, and that statements giving the amount of each such deposit with any such Depositary and the name of the Depositary will be forwarded promptly to the Trustee by the Authority and by such Depositary.

Fiscal Year Ending July 31,	Amount	Fiscal Year Ending July 31,	Amount
1966	\$ 3,000	1985	\$18,000
1967	4,000	1986	19,000
1968	5,000	1987	20,000
1969	6,000	1988	21,000
1970	7,000	1989	22,000
1971	9,000	1990	23,000
1972	10,000	1991	24,000
1973	11,000	1992	25,000
1974	11,000	1993	26,000
1975	12,000	1994	27,000
1976	12,000	1995	28,000
1977	13,000	1996	30,000
1978	13,000	1997	31,000
1979	14,000	1998	32,000
1980	15,000	1999	34,000
1981	15,000	2000	35,000
1982	16,000	2001	37,000
1983	17,000	2002	37,000
1984	18,000		

(3) In each fiscal year an amount equal to twenty per cent (20%) of the maximum amounts provided in subdivisions (1) and (2) above for such fiscal years; and

(b) To provide for making the deposits to the credit of the Reserve Account in the Sinking Fund of the amounts required under the provisions of this Article; and

(c) To provide for making the deposits to the credit of the Renewal and Replacement Fund of the amounts required under the provisions of this Article.

The Authority further covenants that the rates, fees, rentals or other charges will not be reduced without the written approval of the Trustee and that as often as necessary in each fiscal year and not less than once in each fiscal year it will request the Consulting Engineer to make recommendations as to a revision of such rates, fees, rentals or other charges and will file a copy of such request with the Trustee and mail a copy thereof to the principal underwriter and to any Bondholder filing his name and address with the Secretary of the Authority for such purpose and, upon receiving such recommendations in the annual report described in Section 8.03 or in a special report or giving reasonable

SECTION 5.04. The Authority covenants that on or before the 15th day of May in each fiscal year it will prepare and adopt, with the advice and assistance of the Consulting Engineer, a preliminary budget of the Operating Expenses, including the reserve provided for in the definition of Operating Expenses in Section 1.01 hereof, for the ensuing fiscal year. Copies of each such preliminary budget shall be filed with the Trustee and mailed to the principal underwriter and to any Bondholder filing his name and address with the Secretary of the Authority for such purpose. The Authority further covenants that it will comply with any reasonable request of the Consulting Engineer as to the classifications in which such budget shall be prepared, particularly with respect to the divisions into which such budget shall be divided.

If the holders of five per centum (5%) in aggregate principal amount of the Bonds then outstanding, or the principal underwriter shall so request in writing on or before the 15th day of June in any year, the Authority shall hold a public hearing on or before the first day of July in such year at which any Bondholder may appear in person or by agent or attorney and present any objections he may have to the final adoption of such budget. Notice of the time and place of such hearing shall be mailed, at least ten (10) days before the date fixed by the Authority for the hearing, to the Trustee and the principal underwriter and each Bondholder who shall have filed his name and address with the Secretary of the Authority for such purpose.

The Authority further covenants that on or before the 1st day of each fiscal year it will finally adopt the budget of Operating Expenses for such fiscal year (herein sometimes called the "Annual Budget") and that the total appropriations in any division thereof will not exceed the total appropriations in the corresponding division in the preliminary budget. Copies of the Annual Budget shall be filed with the Trustee and mailed to the principal underwriter and to any Bondholder filing his name and address with the Secretary of the Authority for such purpose.

If for any reason the Authority shall not have adopted the Annual Budget on or before the 1st day of any fiscal year, the preliminary budget for such fiscal year, or, if there is none, the budget for the preceding fiscal year, shall, until the adoption of the Annual Budget, be deemed to be in force and shall be treated as the Annual Budget under the provisions of this Article.

The Authority may, with the advice and assistance of the Consulting Engineer and only upon the written approval of the Consulting Engineer, at any time prepare and adopt an amended or supplemental Annual Budget for the remainder of the then current fiscal year, and when so adopted, the Annual Budget as so amended or supplemented shall be treated as the Annual Budget under the provisions of this Article. Copies of any such amended or supplemental Annual Budget shall be filed with the Trustee and mailed to the principal underwriter and to any Bondholder filing his name and address with the Secretary of the Authority for such purpose.

The Authority covenants that the Operating Expenses incurred in any fiscal year will not exceed the reasonable and necessary amount thereof, and that it will not expend any amount or incur any obligations for maintenance, repair and operation in excess of the amounts provided for Operating Expenses in the Annual Budget, except as provided in Section 5.10 of this Article. Nothing in this Section contained shall limit the amount which the Authority may expend for such reasonable and necessary Operating Expenses in any year provided any amounts expended therefor in excess of the Annual Budget shall be received by the Authority from some source other than the revenues of the Water System and other than connection charge moneys deposited in the Revenue Fund pursuant to Article VI of this Trust Agreement, and the Authority shall not be entitled to reimbursement for such expenditures or amounts.

SECTION 5.05. The moneys in the Revenue Fund shall be held by the Trustee in trust and applied as hereinafter provided, and, pending such application, shall be subject to a lien and charge in favor of the holders of the Bonds issued and outstanding under this Trust Agreement and for the further security of such holders until paid out or transferred as herein provided.

SECTION 5.06. A special fund is hereby created and designated "Operating Expense Fund" (herein sometimes called the "Operating Expense Fund"). Another special fund is hereby created and designated "Water System Water Revenue Bond Principal and Interest Sinking Fund" (herein sometimes called the "Sinking Fund"). There are hereby created four (4) separate accounts in the Sinking Fund

designated "Bond Principal and Interest Account", "Bond Redemption Account", "Reserve Account" and "Surplus Revenue Redemption Account", respectively. Another special fund is hereby created and designated "Water System Renewal and Replacement Fund" (herein sometimes called the "Renewal and Replacement Fund").

It shall be the duty of the Trustee, on or before the 20th day of each October, January, April and July in each fiscal year, beginning with the first of such months which next succeeds the month in which all or any part of the Water System is placed in operation, to withdraw from the Revenue Fund an amount equal to the amount of all moneys then on deposit in the Revenue Fund and deposit the sums so withdrawn to the credit of the following accounts or funds in the following order:

(a) To the credit of the Operating Expense Fund, beginning on the 20th day of the first month in which a withdrawal is made from the Revenue Fund as above provided, such amount thereof (or the entire amount if less than the required amount) as shall, be equal, or shall be required to make the sum then on deposit in the Operating Expense Fund equal, to an operating reserve in an amount certified, from time to time, by the Consulting Engineer as the reasonable amount necessary for three months' cost of operation, maintenance and ordinary current repairs of the Sewerage System, and one-fourth ($\frac{1}{4}$) of the amount of Operating Expenses set forth in the Annual Budget for the fiscal year during which such deposit is made, exclusive of such operating expense reserve; and

(b) To the credit of the Bond Principal and Interest Account, beginning on the 20th day of the first month in which a withdrawal is made from the Revenue Fund as above provided such amount of the balance remaining after making the deposit under clause (a) above (or the entire balance if less than the required amount) as shall, together with any other moneys then on deposit in the Bond Principal and Interest Account for the purpose of paying interest on the Bonds, be equal to one-half ($\frac{1}{2}$) of the amount of interest becoming due on the Bonds on the next semi-annual interest payment date; provided, however, that if such first deposit date is less than six (6) months prior to the next semi-annual interest payment then such quarterly deposit shall be increased propor-

tionately, as necessary, so as to provide the amount necessary to pay in full the amount of interest becoming due on the Bonds on such semi-annual interest payment date, and, beginning on the fourth quarterly payment date preceding the first maturity date of any serial Bonds issued pursuant to this Trust Agreement, such amount thereof as shall be equal to one-fourth ($\frac{1}{4}$) of the amount of principal of the Bonds maturing on the next principal maturity date; and

(c) To the credit of the Bond Redemption Account, in which there shall be established a separate account for the \$700,000 Water Revenue Bonds, Series A (and for each Series of Additional Bonds), in the following respective fiscal years, such amount of the balance remaining after making the deposits under clauses (a) and (b) above (or the entire balance if less than the required amount) as shall be equal to one-fourth ($\frac{1}{4}$) of the respective amount set forth below opposite each such fiscal year and one-fourth ($\frac{1}{4}$) of any such additional amounts required for Additional Bonds by the resolution referred to in clause (a) of Section 2.08 of this Trust Agreement:

Fiscal Year Ending July 31,	Amount	Fiscal Year Ending July 31,	Amount
1966.....	\$ 3,000	1985.....	\$18,000
1967.....	4,000	1986.....	19,000
1968.....	5,000	1987.....	20,000
1969.....	6,000	1988.....	21,000
1970.....	7,000	1989.....	22,000
1971.....	9,000	1990.....	23,000
1972.....	10,000	1991.....	24,000
1973.....	11,000	1992.....	25,000
1974.....	11,000	1993.....	26,000
1975.....	12,000	1994.....	27,000
1976.....	12,000	1995.....	28,000
1977.....	13,000	1996.....	30,000
1978.....	13,000	1997.....	31,000
1979.....	14,000	1998.....	32,000
1980.....	15,000	1999.....	34,000
1981.....	15,000	2000.....	35,000
1982.....	16,000	2001.....	37,000
1983.....	17,000	2002.....	37,000
1984.....	18,000		

(d) To the credit of the Reserve Account, beginning on the 20th day of the first month in which a withdrawal is made from the Revenue Fund as above provided, such amount of the balance remaining after making the deposits under clauses (a), (b) and (c) above (or the entire balance if less than the required amount) as shall be equal to one-fourth ($\frac{1}{4}$) of Five Thousand Dollars (\$5,000) plus such additional amount as may be required by the provisions of any resolution authorizing the issuance of Additional Bonds under and pursuant to this Trust Agreement; provided, that when there has been deposited therein and so long as there shall remain therein the sum of Forty-five Thousand Dollars (\$45,000) plus such additional amount as may be required by the provisions of any resolution authorizing the issuance of Additional Bonds under and pursuant to this Trust Agreement, no further deposits need be made into such Account. Withdrawals from such Account shall be replaced in the same manner and at the same times as original deposits are required to be made therein; and

(e) To the credit of the Renewal and Replacement Fund, beginning on the 20th day of the first month in which a withdrawal is made from the Revenue Fund as above provided, such amount of the balance remaining after making the deposits under clauses (a), (b), (c) and (d) above (or the entire balance if less than the required amount) as shall be equal to one-fourth ($\frac{1}{4}$) of Three Thousand Dollars (\$3,000) plus such additional amount as may be required by the provisions of any resolution authorizing the issuance of additional Bonds under and pursuant to this Trust Agreement; provided, that when there has been deposited therein and so long as there shall remain therein the sum of Twenty Thousand Dollars (\$20,000) plus such additional amount as may be required by the provisions of any resolution authorizing the issuance of Additional Bonds under and pursuant to this Trust Agreement, no further deposits need be made into such Fund. Withdrawals from such Fund shall be replaced in the same manner and at the same times as original deposits are required to be made therein; and

(f) To the credit of the Reserve Account, beginning on the 20th day of the first month in which there is a balance remaining after making the deposits under clauses (a), (b), (c), (d) and (e) above and thereafter on the 20th day of each month in which there

is such a balance, such amount of such balance (or the entire balance if less than the necessary amount) as is necessary to make the amount on deposit to the credit of the Reserve Account equal to the sum of Forty-five Thousand Dollars (\$45,000) plus such additional amount as may be required by the provisions of any resolution authorizing the issuance of Additional Bonds under and pursuant to this Trust Agreement; provided, that when there has been deposited therein and so long as there shall remain therein an amount equal to the sum of Forty-five Thousand Dollars (\$45,000) plus such additional as may be required by the provisions of any resolution authorizing the issuance of Additional Bonds under and pursuant to this Trust Agreement, no further deposits need be made into such Account. Withdrawals from such Account shall be replaced in the same manner and at the same times as original deposits are made pursuant to this clause (f); and

(g) To the credit of the Renewal and Replacement Fund, beginning on the 20th day of the first month in which there is a balance remaining after making the deposits under clauses (a), (b), (c), (d), (e) and (f) above and thereafter on the 20th day of each month in which there is such a balance, such amount of such balance (or the entire balance if less than the necessary amount) as is necessary to make the amount on deposit to the credit of the Renewal and Replacement Fund equal to Twenty Thousand Dollars (\$20,000) plus such additional amount as may be required by the provisions of any resolution authorizing the issuance of Additional Bonds under and pursuant to this Trust Agreement; provided, that when there has been deposited therein and so long as there shall remain therein the sum of Twenty Thousand Dollars (\$20,000), no further deposits need be made into such Fund. Withdrawals from such Fund shall be replaced in the same manner and at the same times as original deposits are made pursuant to this clause (g); and

(h) Any balance then remaining shall be apportioned between each Series of Bonds then outstanding in proportion to the principal amount, as originally issued, of each Series of Bonds. The amounts so apportioned to each Series of Bonds may be used for the payment of all or any part of the cost of construction or acquisition of additions, extensions or improvements to the Water

provided by clauses (a), (b), (c), (d) and (e) above, including any deficiencies for prior deposits provided for under such clauses (a), (b), (c), (d) and (e) the deficiency shall be made up on the subsequent payment dates in addition to and at the same time and in the same order of priority as the deposits which would otherwise be required by clauses (a), (b), (c), (d) and (e) above on the subsequent payment dates.

SECTION 5.07. The Trustee shall, from time to time, withdraw from the Bond Principal and Interest Account and set aside or deposit in trust with the Paying Agents sufficient moneys for paying the principal of and interest on the Bonds as such principal and interest becomes due.

SECTION 5.08. Moneys held for the credit of the Reserve Account shall be used for the purpose of paying the principal of and interest on the Bonds whenever and to the extent that the moneys held for the credit of the Bond Principal and Interest Account are insufficient for such purpose; provided, however, that moneys on deposit in the Reserve Account may be used to make the deposit into the Bond Redemption Account, in the year 2002, required to be made pursuant to the provisions of clause (c) of Section 5.06 hereof. If at any time the moneys held for the credit of the Reserve Account shall exceed the maximum requirements for the Reserve Account under the provisions of clause (d) of Section 5.06 of this Article, such excess shall be transferred by the Trustee to the credit of the Surplus Revenue Redemption Account and shall be apportioned between the separate accounts therein established and maintained for each Series of Bonds in the same manner as other deposits into the Surplus Revenue Redemption Account pursuant to this Trust Agreement.

SECTION 5.09. Except as hereinafter provided in this Section and Section 8.06 of this Trust Agreement, or except in case of an emergency caused by some extraordinary occurrence, so characterized in a certified copy of a resolution adopted by the Authority and filed with the Trustee stating that the moneys to the credit of the Revenue Fund are insufficient to meet such emergency, moneys held for the credit of the Renewal and Replacement Fund shall be held as a reserve for the purpose of paying the cost of unusual or extraordinary maintenance or

System and upon receipt by the Trustee of a resolution of the Authority, certified by the Secretary thereof, directing such use and stating the amount to be so used, together with a certificate, executed by the Consulting Engineer, stating that the proposed additions, extensions and improvements are proper and necessary in furtherance of the authorized purposes of the Authority, the Trustee shall so use and apply the amount stated in the resolution but before any payments are made for the cost of construction or acquisition of such additions, extensions and improvements, the Authority shall file with the Trustee the same proofs and showings required for payments from the Construction Fund pursuant to Sections 4.04 and 4.05 of this Trust Agreement and such payments shall be made in the manner and upon the proofs and showings hereinabove provided for payments from the Construction Fund.

In the event that the Authority deems it advisable to accumulate any such balances for the purpose of paying all or any part of the cost of construction or acquisition of additions, extensions or improvements to the Water System, the Authority shall adopt a resolution so stating and upon receipt of a copy of such resolution of the Authority, certified by the Secretary thereof, the Trustee shall accumulate such balances in accordance with said resolution.

In the event that the Authority does not, by resolution filed with the Trustee not later than the first day of October in each fiscal year, so direct the Trustee to apply such balances to the payment of all or any part of the cost of construction or acquisition of additions, extensions or improvements to the Water System, as aforesaid, or to accumulate such balances, as aforesaid, the Trustee shall deposit the amounts so apportioned to each Series of Bonds to the credit of the Surplus Revenue Redemption Account (in which there shall be established a separate account for the \$700,000 Water Revenue Bonds, Series A and for each Series of Additional Bonds), in the respective separate accounts therein established and maintained for each Series of Bonds.

If on any payment date the moneys withdrawn by the Trustee from the Revenue Fund are insufficient to make the maximum deposits

repairs, renewals and replacements, the cost of replacing equipment, the acquisition of equipment, and the construction or acquisition of capital additions or improvements to the Water System, and shall be disbursed only for such purposes.

Payments from the Renewal and Replacement Fund, except the transfers which the Trustee is authorized to make as hereinafter provided in this Section, shall be made in the manner and upon the proofs and showings hereinabove provided for payments from the Construction Fund.

The Trustee shall from time to time transfer any moneys from the Renewal and Replacement Fund to the credit of the Surplus Revenue Redemption Account upon the receipt of a certified copy of a resolution duly adopted by the Authority and approved in writing by the Consulting Engineer directing such transfer and certifying that the amount so to be transferred is not required for the purposes for which the Renewal and Replacement Fund has been created and shall be apportioned between each separate account in the Surplus Revenue Redemption Account in proportion to the principal amount, as originally issued, of each Series of Bonds for which such separate accounts are established.

If at any time the amounts to the credit of the Bond Principal and Interest Account and Reserve Account shall be insufficient for the purpose of paying the principal of and interest on the Bonds as such principal and interest becomes due, then the Trustee shall transfer from the Renewal and Replacement Fund to the credit of the Bond Principal and Interest Account an amount sufficient to make up any such deficiency. Any moneys so transferred from the Renewal and Replacement Fund shall be restored by the Trustee from the first available moneys in the Revenue Fund, subject to the same conditions as are prescribed for deposits to the credit of the Renewal and Replacement Fund under the provisions of Section 5.06 of this Article.

SECTION 5.10. Moneys held for the credit of the Operating Expense Fund shall be used for the purpose of paying Operating Expenses of the Water System but before any such payments shall be made, the Authority shall file with the Trustee a requisition, signed by any officer

of the Authority designated by resolution of the Authority for such purpose, stating in respect of each payment to be made:

(a) That obligations in the stated amounts have been incurred in maintaining, repairing and operating the Water System and that either all or part, as the case may be, of such obligations have not been paid.

(b) That there has not been recorded in the manner prescribed by law, or filed with, or served upon the Authority notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any persons, firms, corporations or public body, agency or instrumentality for Operating Expenses incurred by the Authority, which has not been released or will not be released simultaneously with the payment of such obligation, and

(c) That the total amount of such payments will not be in excess of the unencumbered balance of the appropriate Annual Budget or any amendment thereof or supplement thereto; provided, however, that, in lieu of stating that such amount is not in excess of such unencumbered balance, the Trustee shall accept a certified copy of a resolution of the Authority approving such payments, but no such resolution shall be adopted except in case of an emergency caused by some extraordinary occurrence which shall be recited in the resolution; provided, however, that during the first two (2) fiscal years of operation of the Water System, the Trustee shall accept a certified copy of a resolution of the Authority approving such payments and finding that the same are necessary and that such payments do not exceed by more than ten percent (10%) the particular allocation for such payment contained in the Annual Budget and any amendment thereof. The form of such resolution shall be satisfactory to the Trustee.

Upon receipt of each such requisition the Trustee shall transfer the amount of such requisition from the Operating Expense Fund and deposit the same in a special account in the name of the Authority and payment under such requisitions shall be made by the Authority by checks drawn against said special account.

receipt by the Trustee of a certified copy of a resolution of the Authority so stating, no Bonds shall be called for redemption by the Trustee unless, on the forty-fifth (45th) day preceding any interest payment date on which Bonds are subject to redemption, there shall have been on deposit in the appropriate separate accounts in the Bond Redemption Account and in the appropriate separate accounts in the Surplus Revenue Redemption Account, respectively, sums sufficient to redeem not less than Ten Thousand Dollars (\$10,000) aggregate principal amount of Bonds and to pay the redemption premium, if any, and all necessary and proper expenses in connection therewith, in which event, the Trustee shall call for redemption on such interest payment date immediately succeeding said forty-fifth (45th) day, such amount of Bonds then subject to redemption as with the redemption premium, if any, and all necessary and proper expenses incurred in connection therewith, will exhaust all moneys on deposit in the appropriate separate accounts in the Bond Redemption Account and in the appropriate separate accounts in the Surplus Revenue Redemption Account, respectively, on said forty-fifth (45th) day, as nearly as may be practicable. Such redemption shall be made pursuant to the provisions of Article III of this Trust Agreement. Not less than thirty (30) days before the redemption date, the Trustee shall withdraw from the Bond Principal and Interest Account and the appropriate separate accounts in the Bond Redemption Account and the appropriate separate accounts in the Surplus Revenue Redemption Account, respectively, and set aside in separate accounts or deposit with the Paying Agents the respective amounts required for paying the interest on, and the principal and redemption premium of, the Bonds so called for redemption from the appropriate separate accounts in the Bond Redemption Account and the appropriate separate accounts in the Surplus Revenue Redemption Account, respectively, and shall pay all expenses in connection with such redemption from the appropriate separate accounts in the Bond Redemption Account and the appropriate separate accounts in the Surplus Revenue Redemption Account, respectively.

SECTION 5.12. Subject to the terms and conditions set forth in this Trust Agreement, moneys to the credit of the Bond Principal and Interest Account, the Reserve Account, the Bond Redemption Account and

SECTION 5.11. Moneys held for the credit of the Bond Redemption Account and the Surplus Revenue Redemption Account, respectively, shall be applied to the retirement of Bonds issued under the provisions of this Trust Agreement as follows:

(a) The Trustee may, in its discretion, endeavor to purchase Bonds secured hereby and then outstanding, on the most advantageous terms at a price not exceeding the price at which the Bonds may be redeemed by operation of the Bond Redemption Account and by operation of the Surplus Revenue Redemption Account, respectively, on the next ensuing redemption date either by purchase in the open market or by publishing an appropriate notice at least once at least fourteen (14) days prior to the receipt of tenders in a newspaper or financial journal published in the City of Philadelphia, Pennsylvania, calling for tenders of Bonds for purchase by the Trustee. The Trustee shall pay the interest accrued on Bonds so tendered and purchased to the date of delivery thereof from the Bond Principal and Interest Account, and the purchase price from the separate account in the Bond Redemption Account for each Series of Bonds and the separate account in the Surplus Revenue Redemption Account for each Series of Bonds, respectively, but no such purchase shall be made by the Trustee within the period of forty-five (45) days next preceding any interest payment date; and

(b) Subject to the provisions of Article III of this Trust Agreement, the Trustee shall call for redemption on each interest payment date on which Bonds are subject to redemption, from moneys in the appropriate separate accounts in the Bond Redemption Account for each Series of Bonds and from moneys in the appropriate separate accounts in the Surplus Revenue Redemption Account, respectively, such amount of Bonds then subject to redemption as with the redemption premium, if any, and all necessary and proper expenses incurred in connection therewith, will exhaust all moneys on deposit in the appropriate separate accounts in the Bond Redemption Account and in the appropriate separate accounts in the Surplus Revenue Redemption Account, respectively, on the forty-fifth (45th) day preceding such interest payment dates, as nearly as may be practicable; provided, however, that upon

the Surplus Revenue Redemption Account shall be held in trust and disbursed by the Trustee for (a) the payment of interest upon the Bonds issued hereunder as such interest falls due or (b) the payment of the principal of such Bonds at maturity or (c) the payment of the purchase price or redemption price of such Bonds before maturity, and such moneys are hereby pledged to and charged with the payments mentioned in this Section, in the manner hereinbefore provided.

SECTION 5.13. All moneys which the Trustee shall have withdrawn from the Sinking Fund or shall have received from any other source and set aside, or deposited with the Paying Agents, for the purpose of paying any of the bonds hereby secured, either at the maturity thereof or upon call for redemption, or for the purpose of paying any maturing coupons appertaining to any of the Bonds hereby secured, shall be held in trust for the respective holders of such Bonds or coupons. Any moneys which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the holders of such Bonds or of such coupons for the period of ten (10) years after the date on which such Bonds or such coupons shall have become payable shall be paid to such officer, board or body as may then be entitled by law to receive the same, and thereafter the holders of such Bonds or coupons shall look only to such officer, board or body, as the case may be, for payment and then only to the extent of the amounts so received without any interest thereon, and the Trustee and the Paying Agents shall have no responsibility with respect to such moneys.

SECTION 5.14. All Bonds paid, redeemed or purchased, either at or before maturity, shall be delivered to the Trustee when such payment, redemption or purchase is made, together with all unmatured coupons, if any, appertaining thereto, and such Bonds and coupons shall thereupon be cancelled. All interest coupons shall be cancelled upon their payment and delivered to the Trustee. All cancelled Bonds and coupons shall be held by the Trustee until this Trust Agreement shall be released; provided, however, that Bonds and coupons so cancelled may at any time be cremated by the Trustee in the presence of two (2) of its authorized officers, who shall execute a certificate of cremation in duplicate describing the Bonds and coupons so cremated, and one (1) executed certificate shall be filed with the Secretary of the Authority, and the remaining executed certificate shall be retained by the Trustee.

ARTICLE VI
WATER SYSTEM
CONNECTION CHARGE FUND

SECTION 6.01. A special fund is hereby created and designated "Water System Connection Charge Fund" (hereinafter sometimes called the "Connection Charge Fund"). The Authority covenants that all connection charges, if any, received from users of the services and facilities of the Water System referred to in the third preamble of this Trust Agreement prior to the date of completion of the acquisition and construction of such Water System as evidence by the certificate required to be filed with the Trustee pursuant to the provisions of Section 4.08 hereof will, as collected by the Authority, be deposited, promptly, with the Trustee or in the name of the Trustee with a Depository or Depositories (hereinafter defined), to the credit of the Connection Charge Fund, and that statements giving the amount of each such deposit with any such Depository and the name of the Depository will be forwarded promptly to the Trustee by the Authority and by such Depository.

Funds on deposit in the Connection Charge Fund may be used only for the purpose of paying the cost of completion of the acquisition and construction of such Water System hereinbefore provided for in the event, and to the extent that funds on deposit in the separate account in the Construction Fund established for the initial Water Revenue Bonds, Series A are insufficient to pay such cost of completion of acquisition and construction of such Water System.

Payments from the Connection Charge Fund shall be made in the same manner, and upon the same proofs and showings, as are provided and required by the terms of Section 4.04 of this Trust Agreement for payments from the Construction Fund.

Within the ten (10) days next succeeding the date of completion of acquisition and construction of such Water System as evidenced by the certificate required to be filed with the Trustee pursuant to the provisions of Section 4.08 hereof, the Trustee shall transfer all funds on deposit in the Connection Charge Fund to, and deposit the same in, the Revenue Fund for use and application in the same manner as for other

funds required to be deposited in the Revenue Fund and the Connection Charge Fund shall be abolished and no further deposits shall be made therein.

The Authority, further, covenants that all connection charges received from users of the services and facilities of the Water System subsequent to the date of completion of the acquisition and construction of such Water System as evidenced by the certificate required to be filed with the Trustee pursuant to the provisions of Section 4.08 hereof will, if not needed to pay the cost of construction of the connection for which the charge is made, as collected by the Authority, be deposited promptly, with the Trustee or in the name of the Trustee with a Depository or Depositories (hereinafter defined), to the credit of the Revenue Fund, and that statements giving the amount of each such deposit with any such Depository and the name of the Depository will be forwarded, promptly, to the Trustee by the Authority and by such Depository. All such connection charges deposited to the credit of the Revenue Fund shall be used and applied in the same manner as other funds required to be deposited in the Revenue Fund.

ARTICLE VII

DEPOSITARIES OF MONEYS, SECURITY FOR DEPOSITS
AND INVESTMENTS OF FUNDS

SECTION 7.01. All moneys received by the Authority under the provisions of this Trust Agreement shall be deposited with the Trustee or with one or more other banks or trust companies to be designated by the Authority with the approval of the Trustee (each such Depository, including the Trustee, being herein called a "Depository"). All moneys deposited under the provisions of this Trust Agreement with the Trustee, or any other Depository shall be held in trust and applied only in accordance with the provisions of this Trust Agreement, and shall not be subject to lien or attachment by any creditor of the Authority.

No moneys shall be deposited with any Depository, other than the Trustee, in an amount exceeding one hundred per centum (100%) of

the amount which an officer of such Depository shall certify to the Trustee as the combined capital and surplus of such Depository.

All moneys deposited with the Trustee, or any other Depository hereunder, in excess of the amount insured against loss by the depositor by the Federal Deposit Insurance Corporation, shall be continuously secured, for the benefit of the Authority and the holders of the Bonds, by lodging with the Federal Reserve Bank or the Trustee, as custodian, as collateral security, direct obligations of the United States Government having a market value (exclusive of accrued interest) not less than the amount of such deposit; provided, however, that in the case of the Trustee it shall not be necessary for it to lodge such collateral security with any other bank or trust company, but it shall suffice if it lodges such collateral security with its Trust Department as custodian; and provided further, that it shall not be necessary for the Paying Agents to give security for the deposit of any moneys with them for the payment of the principal or the redemption premium or the interest on any Bonds issued hereunder, or for the Trustee to give security for, or pay interest on, any moneys which shall be represented by obligations purchased under the provisions of this Article as an investment of such moneys.

All moneys deposited with each Depository, including the Trustee, shall be credited to the particular Fund or Account to which such moneys belong.

SECTION 7.02. Moneys on deposit to the credit of the Construction Fund shall be invested by the Trustee, upon receipt of a copy of a resolution of the Authority, certified by the Secretary of the Authority, directing such investment and the amount of such moneys to be so invested and describing the securities to be purchased, in direct obligations of the United States Government which shall mature or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the respective dates, as estimated by the Consulting Engineer, when moneys held for the credit of said Fund will be required for the purposes thereof and it shall be the duty of the Authority to give such instructions to the Trustee subject to and in conformity with the estimates and progress reports prepared from time to time by the Consulting Engineer and submitted to the Authority.

Upon delivery to the Trustee of a copy of a resolution of the Authority, certified by the Secretary of the Authority, giving appropriate directions, moneys on deposit to the credit of the Reserve Account and the Renewal and Replacement Fund, shall be invested in direct obligations of the United States Government which shall mature or which shall be subject to redemption by the holder thereof, at the option of the holder, not later than five (5) years from the date of purchase thereof, the exact maturities of which shall be selected by the Authority and the Trustee after considering the date when such moneys are expected to be needed for the purposes intended.

Upon delivery to the Trustee of a copy of a resolution of the Authority certified by the Secretary of the Authority, giving appropriate directions, moneys on deposit to the credit of the Bond Principal and Interest Account, the Bond Redemption Account and the Surplus Revenue Redemption Account which shall not be needed to make payments required hereunder within the succeeding six (6) months, shall be invested in direct obligations of the United States Government which shall mature or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the respective dates, as estimated by the Trustee, when moneys held for the credit of said Accounts will be required for the purposes intended, the exact maturities to be selected by the Authority and the Trustee after considering the date when such moneys are expected to be so needed for the purposes intended.

Obligations so purchased as an investment of moneys in any such Fund or Account shall be deemed at all times to be a part of such Fund or Account, shall at all times, for the purposes of this Trust Agreement, be valued at the cost thereof at the time of purchase, without regard to fluctuation in market value, and the interest accruing thereon and any profit realized from such investment shall be credited to such Fund or Account, and any loss resulting from such investment shall be charged to such Fund or Account. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from such Fund or Account. Neither the Trustee, nor the Authority shall be liable or responsible for any loss resulting from any such investment.

ARTICLE VIII

PARTICULAR COVENANTS

SECTION 8.01. The Authority covenants that it will promptly pay the principal of and the interest on every Bond issued under the provisions of this Trust Agreement at the places, on the dates and in the manner provided herein and in said Bonds and in any coupons thereto appertaining, and any premium required for the retirement of said Bonds by purchase or redemption, according to the true intent and meaning thereof. Except as in this Trust Agreement otherwise provided, the principal, interest and premiums are payable solely from rates, fees, rentals or other charges or income derived by the Authority from the operation of the Water System, all of which rates, fees, rentals or other charges or income are hereby pledged to the payment thereof in the manner and in the order of priority and to the extent hereinabove particularly specified and all as provided in this Trust Agreement and the Municipal Utilities Authorities Law hereinbefore referred to.

The interest on the Bonds, until the maturity thereof, shall be payable on presentation and surrender of the several coupons for such interest as they respectively fall due.

SECTION 8.02. The Authority covenants, that upon the receipt of the proceeds of the Bonds issued under the provisions of Section 2.07 or Section 2.08 of this Trust Agreement, it will to the full extent of its legal powers, proceed to acquire and construct the Water System substantially in accordance with the plans and specifications therefor, heretofore prepared by the Consulting Engineer, and approved by the Authority, and in conformity with law and all requirements of all governmental agencies having jurisdiction thereover, and that it will complete such acquisition and construction with all expedition practicable.

The Authority further covenants and agrees that before entering into any construction contract it will secure the approval of the Consulting Engineer of such contract and of the plans and specifications referred to therein, and that it will require each person, firm or corporation with whom it may contract for labor or materials in connection with the acquisition and construction of the Water System, or any part thereof, to furnish a performance bond in the full amount of any

contract exceeding Five Thousand Dollars (\$5,000.00) in amount, and to carry such workmen's compensation or employer's liability insurance as may be required by law and such public liability, property damage and builder's risk insurance, if any, as may be recommended by the Consulting Engineer. The Authority further covenants and agrees that the proceeds of any such performance bond will forthwith, upon receipt of such proceeds, be applied toward the completion of the contract in connection with which such performance bond shall have been furnished.

The Authority further covenants and agrees that no such contract will provide that payments thereunder shall be made by the Authority in excess of ninety per centum (90%) of monthly estimates, approved by the Consulting Engineer, of moneys due the contractor for work performed or materials furnished during the preceding month; provided, however, that after ninety-five per centum (95%) of the contract price is due the contractor for work performed or materials furnished, the amount withheld for such work or materials may be reduced to an amount not less than the cost of the work to be performed, and the materials to be furnished under such contract.

SECTION 8.03. The Authority covenants that it is fully authorized to operate the Water System, that it will establish and enforce reasonable rules and regulations governing the use thereof and the operation thereof, and that all compensation, salaries, fees and wages and other administrative expenses paid by it in connection with the maintenance, repair and operation thereof will be reasonable, that no more persons will be employed by it than are necessary, that it will maintain and operate said Water System in an efficient and economical manner, that it will at all times maintain the same in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements, and that it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to said Water System.

SECTION 8.04. The Authority covenants that it will pay all taxes and assessments or other municipal or governmental charges lawfully levied or assessed upon or in respect of the Water System or any fees, rentals or other charges or income therefrom when the same shall become due, that it will duly observe and comply with all valid require-

ments of any municipal or governmental authority relative to the Water System, that it will not create or suffer to be created any lien or charge upon the Water System or upon the fees, rentals or other charges or income therefrom except the lien and charge of the Bonds secured hereby upon such fees, rentals or other charges or income, and that it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Water System or the fees, rentals or other charges or income therefrom; provided, however, that nothing in this Section contained shall require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

SECTION 8.05. The Authority covenants that during the acquisition and construction of the Water System as hereinbefore authorized it will employ the Consulting Engineer, or some other independent engineer or engineering firm or corporation to supervise the acquisition and construction thereof and to perform the other duties required by this Trust Agreement. John G. Reutter & Associates, of Camden, New Jersey, are now employed by the Authority as Consulting Engineer in the acquisition and construction of the Water System as hereinbefore authorized. The Authority further covenants that during the acquisition and construction of any additions, extensions or improvements to the Water System as herein authorized, it will employ an independent engineer or engineering firm or corporation to supervise the acquisition and construction thereof and to perform other duties required by this Trust Agreement.

After the completion of acquisition and construction of the Water System as hereinbefore authorized the Authority may retain, on an annual basis, and shall retain, from time to time, as necessary for the performance of duties imposed on the Consulting Engineer by this Trust Agreement, the Consulting Engineer or some other independent engineer or engineering firm or corporation approved by the Trustee, to generally supervise the operation, maintenance and repair of the Water System, to make an annual inspection of the Water System,

to aid in preparation of and to approve the Annual Budget, or any amended or supplemental Annual Budget, of Operating Expenses hereinbefore referred to, and generally to make recommendations concerning the Water System. The Consulting Engineer or his successor shall be required to make an annual report concerning the condition of the Water System and his recommendations as to repairs and maintenance, improvements in operating procedures and any changes in rates, fees, rentals or other charges for the services and facilities of the Water System required to fulfill the covenant of the Authority contained in Section 3.01 hereof, and to file the report with the Trustee and to mail not less than two (2) copies of the report to the principal underwriter and to any Bondholder who files his name and address with the Secretary of the Authority for such purpose.

SECTION 8.06. The Authority covenants that it will insure and at all times keep the Water System insured, until the Bonds secured hereby, and the interest thereon, shall have been paid or provision for such payment shall have been made, in a responsible insurance company or companies authorized and qualified to assume the risk thereof, against physical loss or damage however caused, with such exceptions as are ordinarily required by insurers of structures or facilities of similar type, in the amount recommended by the Consulting Engineer, but not less than the amount of the depreciated cost of the portion of the Water System subject to insurance; provided, however, that such insurance may provide for the deduction from each claim for loss or damage (except in case of a total loss) of not more than Two Hundred Fifty Dollars (\$250).

The Authority further covenants that, if and when war risk insurance is obtainable, it will obtain such insurance on the Water System in such amount and during such period as is customary for facilities of similar type.

All such policies shall be obtained from insurance companies which are admitted to do business in the State of New Jersey, shall be for the benefit of the Trustee and the Authority as their interests shall appear, shall be made payable to the Trustee and shall be deposited with the Trustee, and the Trustee shall have the sole right to receive the proceeds of such insurance and to collect and receipt for claims thereunder. The proceeds of any and all such insurance shall be held by the Trustee

as security for the Bonds issued hereunder until paid out as hereinafter provided.

The Authority covenants that, immediately after any damage to or destruction of the Water System, it will cause the Consulting Engineer to prepare plans and specifications for repairing, replacing or reconstructing the damaged or destroyed property (either in accordance with the original or a different design) and an estimate of the cost thereof, and to file copies of such estimate with the Authority, the Trustee and the principal underwriter.

The proceeds of all insurance referred to in this Section shall be available for, and shall to the extent necessary be applied to, the repair, replacement or reconstruction of the damaged or destroyed property, and shall be disbursed by the Trustee in the manner and upon the showings hereinabove provided in Section 4.04 of this Trust Agreement for payments from the Construction Fund. If such proceeds are more than sufficient for such purpose the balance remaining shall be deposited to the credit of the Renewal and Replacement Fund or the Bond Redemption Account and apportioned between the separate accounts therein in the same manner as other deposits therein, as the Authority by resolution may determine. If such proceeds shall be insufficient for such purpose, the deficiency may be supplied by the Trustee, upon requisition of the Authority, from any moneys in the Renewal and Replacement Fund.

The Authority covenants that, if the cost of repairing, replacing or reconstructing the damaged or destroyed property as estimated by the Consulting Engineer shall not exceed the proceeds of insurance and other moneys available for such purpose, it will forthwith commence and diligently proceed with the repair, replacement or reconstruction of the damaged or destroyed property according to plans and specifications prepared by the Consulting Engineer.

The proceeds of any insurance not applied within eighteen (18) months after their receipt by the Trustee, to repairing, replacing or reconstructing the damaged or destroyed property, unless the Authority shall advise the Trustee in writing that it has been prevented from so doing because of conditions beyond its control or unless the Authority, with the consent of the holders of a majority in principal amount of all the Bonds then outstanding, shall otherwise direct, shall be deposited to the credit of the Bond Redemption Account and apportioned

between the separate accounts therein in the same manner as other deposits therein.

SECTION 8.07. The Authority covenants that, until the Bonds secured hereby and the interest thereon shall have been paid or provision for such payment shall have been made, it will at all times carry in a responsible insurance company or companies authorized and qualified to assume the risk thereof public liability, property damage, strike, riot and other insurance in such amounts and covering such risks as the Consulting Engineer may recommend and as are customarily insured against by others operating facilities of a similar type.

Copies of all estimates and recommendations made by the Consulting Engineer under the provisions of this Section shall be filed with the Authority and the Trustee and mailed to the principal underwriter upon its request and to any Bondholder who files his name and address with the Secretary of the Authority for such purpose.

SECTION 8.08. Within the first three (3) months of each fiscal year the Authority shall mail to the Trustee, the principal underwriter and any Bondholder who files his name and address with the Secretary of the Authority for such purpose, a schedule of all insurance policies referred to in Sections 8.06 and 8.07 of this Article which are then in effect, stating with respect to each policy the name of the insurer, the amount, number and expiration date, and the hazards and risks covered thereby. All such insurance policies shall be open to the inspection of the Bondholders and their agents and representatives. The Trustee is hereby authorized in its own name to demand, collect, sue and receipt for any insurance money which may become due and payable under any policies payable to it.

Any appraisal or adjustment of any loss or damage under any policy payable to the Trustee and any settlement or payment of indemnity under any such policy which may be agreed upon between the Authority and any insurer shall be evidenced to the Trustee by a certificate, signed by the Chairman and Secretary of the Authority and approved by the Consulting Engineer, which certificate may be relied upon by the Trustee as conclusive. The Trustee shall in no way be liable or responsible for the collection of insurance moneys in case of any loss or damage.

SECTION 8.09. The Authority covenants and agrees that, until the Bonds secured hereby, and the interest thereon, shall have been paid or provision for such payment shall have been made, none of the revenues or income of the Water System will be used for any purpose other than as provided in this Trust Agreement and no contract or contracts will be entered into or any action taken by which the rights of the Trustee or of the Bondholders might be impaired or diminished.

SECTION 8.10. The Authority covenants that it will, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Trust Agreement.

SECTION 8.11. The Authority covenants that it will keep an accurate record of the rates, fees, rentals or other charges or income collected from the Water System, and of the application of such revenues. Such records shall be open to the inspection of the Bondholders and their agents and representatives and the Trustee at reasonable times.

The Authority further covenants that at least quarterly in each fiscal year it will cause to be filed with the Trustee and mailed to the principal underwriter and all Bondholders who shall have filed their names and addresses with the Secretary of the Authority for such purposes, copies of any revisions of the rates, fees, rentals or other charges scheduled during the preceding quarter and a report setting forth in respect of the preceding quarter a statement of receipts and disbursements of all Funds and Accounts created and established pursuant to this Trust Agreement and a statement of the sums then on deposit in each of such Funds and Accounts.

The Authority further covenants that within four (4) months after the close of each fiscal year it will cause an audit to be made of its books and accounts relating to the Water System during the preceding fiscal year by a registered municipal accountant of New Jersey or an independent certified public accountant of New Jersey of recognized ability and standing. Promptly thereafter reports of each such audit shall be filed with the Authority and the Trustee, and copies of such reports shall be mailed by the Authority to the principal underwriter and all Bondholders who shall have filed their names and addresses with the Secretary of the Authority for such purposes. Each such audit

report shall set forth in respect of the preceding fiscal year (or lesser period in the case of the first such report):

- (a) an income and expense account of the Water System,
- (b) all deposits to the credit of and withdrawals from each Fund and Account created under the provisions of this Trust Agreement,
- (c) the details of all Bonds issued, paid, purchased or redeemed,
- (d) a balance sheet as of the end of such fiscal year, and for such purpose the registered municipal accountant of New Jersey or independent certified public accountant of New Jersey making such audit report may rely on a certificate of the Trustee as to the obligations purchased and held by the Trustee or any Depository as an investment of moneys in any Fund or Account pursuant to this Trust Agreement or lodged by the Trustee or Depository, as collateral security under this Trust Agreement, with the Federal Reserve Bank or other bank or trust company, as custodian.
- (e) the amounts on deposit at the end of such fiscal year to the credit of each such Fund and Account, showing the respective amounts on deposit to the credit of each such Fund and Account in each Depository and any security held therefor, and showing the details of any investment thereof, and,
- (f) the amounts of the proceeds received from any sales of property pursuant to the provisions of Section 8.12 of this Article,
- (g) a list of all insurance policies then held by the Authority or Trustee pursuant to this Trust Agreement,

and also the findings of such registered municipal accountant or certified public accountant whether the moneys received by the Authority under the provisions of this Trust Agreement have been applied in accordance with the provisions of this Trust Agreement. Such quarterly reports and annual audit reports shall be open to the inspection of the Bondholders and their agents and representatives.

The Authority further covenants that it will cause any additional reports or audits relating to the Water System to be made as re-

quired by law and that, as often as may be requested, it will furnish to the Trustee, the principal underwriter and the holder of any Bond issued hereunder such other information concerning the Water System or the operation thereof as any of them may reasonably request. The cost of such reports and audits shall be treated as a part of the cost of operation of the Water System.

SECTION 8.12. The Authority covenants that, until the Bonds secured hereby and the interest thereon shall have been paid or provisions for such payment shall have been made, and except as in this Trust Agreement otherwise permitted, it will not sell, lease, or otherwise dispose of or encumber the Water System or any part thereof and will not create nor permit to be created any charge or lien on the revenues to be derived therefrom. The Authority may, however, from time to time, sell any machinery, fixtures, apparatus, tools, instruments or other movable property acquired by it from the proceeds of Bonds issued on account of the Water System or from the revenues thereof, if the Authority shall determine that such articles are no longer needed or are no longer useful in connection with the construction, acquisition or operation and maintenance of the Water System, and the proceeds thereof shall be applied to the replacement of the properties so sold or disposed of or shall be deposited to the credit of the Construction Fund, the Renewal and Replacement Fund or the Bond Redemption Account (by apportioning the same between the separate accounts therein the same manner as other deposits therein), as the Authority may direct. The Authority may from time to time sell such real estate forming part of the Water System as the Authority by written resolution shall declare is not needed or serves no useful purpose in connection with the maintenance and operation of the Water System, if the Trustee shall, in writing, approve such sale. The proceeds of any sale of real estate shall be disposed of as hereinabove provided for the proceeds of the sale or disposal of movable property.

Upon any sale of property under the provisions of this Section the Authority shall notify the Trustee and the principal underwriter of the property so sold and the amount and disposition of the proceeds thereof.

SECTION 8.13. The Authority covenants that it will not give or grant or cause to be given or granted consent to the construction of a water system or other facilities for the supply, treatment or distribu-

tion of water within the Borough of Pine Hill unless such water system or other facilities will upon compliance by the Authority with reasonable terms and conditions and upon payment of a reasonable price therefor be and become a part of the Water System in such manner as not to adversely affect the Bonds issued hereunder or the rights of the holders thereof and in such manner as complies fully with all of the terms and conditions of this Trust Agreement.

SECTION 8.14. The Authority covenants that in the event that any service charge with regard to any parcel of real property is not paid as and when due, it will enter upon such parcel and cause all connections thereof to the Water System to be cut and shut off until such service charge and any subsequent service charge with regard to such parcel and all interest accrued thereon shall be fully paid. The Authority further covenants that it will exercise all rights and remedies for the collection of service charges and enforcement of liens created for non-payment thereof to the extent and in the manner authorized by the Municipal Utilities Authorities Law.

ARTICLE IX

REMEDIES

SECTION 9.01. No coupon which in any way before, at, or after maturity shall have been transferred or pledged separate and apart from the Bond to which it appertains shall, unless accompanied by such Bond, be entitled, in case of default hereunder, to any benefit or from this Trust Agreement, except after the prior payment in full of the principal of all Bonds and of all coupons not so transferred or pledged. In case the time for the payment of any coupon shall be extended, whether or not such extension be by or with the consent of the Authority, such coupon shall not be entitled in case of default hereunder to the benefit or security of this Trust Agreement except subject to the prior payment in full of the principal of all Bonds then outstanding and of all coupons and interest the time for the payment of which shall not have been extended.

SECTION 9.02. Each of the following events is hereby declared an "event of default", that is to say: if

(a) payment of the principal and premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) payment of any installment of interest shall not be made within thirty (30) days after the same shall become due and payable; or

(c) the Authority shall unreasonably delay or fail to carry on with reasonable dispatch or discontinue the acquisition and construction of the Water System; or

(d) the Authority shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(e) any part of the Water System shall be destroyed or damaged to the extent of impairing its efficient operation and shall not be promptly repaired, replaced or reconstructed (whether such failure promptly to repair, replace or reconstruct the same be due to the impracticability of such repair, replacement or reconstruction or to lack of funds therefor or for any other reason); or

(f) final judgment for the payment of money shall be rendered against the Authority as a result of the ownership, control or operation of the Water System and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to conclusively set aside or stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(g) an order or decree shall be entered, with the consent or acquiescence of the Authority, appointing a receiver or receivers of the Water System or the revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Authority, shall not be vacated or discharged or stayed on appeal within ninety (90) days after the entry thereof; or

(h) any proceedings shall be instituted, with the consent or acquiescence of the Authority, for the purpose of effecting a composition between the Authority and its creditors or for the purpose

of adjusting the claims of such creditors, pursuant to any federal or state statutes now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the revenues of the Water System; or

(i) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Trust Agreement on the part of the Authority to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the holders of not less than ten per centum (10%) in principal amount of the Bonds then outstanding.

SECTION 9.03. Upon the happening and continuance of any event of default specified in Section 9.02 of this Article, then and in every such case the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then outstanding hereunder shall proceed, subject to the provisions of Section 10.02 of this Trust Agreement, to protect and enforce its rights and the rights of the Bondholders under the laws of the State of New Jersey, or under this Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by Counsel, shall deem most effectual to protect and enforce such rights. Such remedy shall include the right to the appointment of a receiver for the Water System, which receiver shall be under the duty of operating the Water System and collecting and distributing the revenues thereof pursuant to the provisions and requirements of this Trust Agreement; and, pursuant to the provisions of Sections 31 and 32 of the Municipal Utilities Authorities Law, this particular remedy may be exercised directly by the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then outstanding hereunder, anything herein contained to the contrary not-

withstanding. Additionally, the rights and remedies which the Trustee may or shall exercise include, but are not limited to, all or any of the following:

- (a) The right in its own name by any action, writ, proceeding in lieu of prerogative writ, or other proceeding to enforce all rights of the Bondholders, including the right to require the Authority to fix, establish and collect rates, fees, rents and other charges as provided by Section 5.01 of this Trust Agreement, to comply with the terms of this Trust Agreement and to perform its duties under this Trust Agreement and the Municipal Utilities Authorities Law;
- (b) The right to bring an action upon all or any part of the Bonds or coupons or claims appurtenant thereto;
- (c) The right, by action, to require the Authority to account as if it were the trustee of an express trust for the Bondholders;
- (d) The right, by action, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders; or
- (e) The right to declare all Bonds due and payable, whether or not in advance of maturity, upon thirty (30) days prior notice, in writing, to the Authority and, if all defaults shall be made good, then with the consent of the holders of twenty-five per centum (25%) in principal amount of the Bonds then outstanding hereunder, annual such declaration and its consequences.

In the enforcement of any remedy under this Trust Agreement the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Authority for principal, premium, interest or otherwise under any of the provisions of this Trust Agreement or of the Bonds and unpaid, with interest on overdue payments at the rate of six per centum (6%) per annum together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Authority, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from moneys in the Sinking

to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid coupon or any Bond unless such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

SECTION 9.05. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

SECTION 9.06. Anything in this Trust Agreement to the contrary notwithstanding, the holders of a majority in principal amount of the Bonds then outstanding hereunder shall have the right, subject to the provisions of Section 10.02 of this Trust Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Trust Agreement, and that the Trustee shall have the right to decline to follow any such directions which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 9.07. No holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder

Fund and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

SECTION 9.04. If at any time the moneys in the Sinking Fund shall not be sufficient to pay the principal of or the interest on the Bonds as the same become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied (1) to the payment of all installments of interest then due, in the order of the maturity of the installments of such interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds, and (2) to the payment of all installments of principal then due in the order of the maturity of such installments of principal.

(b) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

The provisions of this Section are in all respects subject to the provisions of Section 9.01 of this Article.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys, in trust for the proper purpose shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Authority,

unless such holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Trust Agreement or for any other remedy hereunder. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Trust Agreement, or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the outstanding Bonds and coupons.

SECTION 9.08. All rights of action under this Trust Agreement or under any of the Bonds secured hereby, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the coupons appertaining thereto or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds and coupons, subject to the provisions of this Trust Agreement.

SECTION 9.09. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 9.10. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Trust Agreement to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the holders of not less than a majority in principal amount of the Bonds then outstanding shall, waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Trust Agreement or before the completion of the enforcement of any other remedy under this Trust Agreement, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

SECTION 9.11. The Trustee shall mail to the principal underwriter and to all bondholders who shall have filed their names and addresses with the Trustee for such purpose, written notice of the occurrence of any event of default set forth in clauses (a) or (b) of Section 9.02 of this Article within thirty (30) days after any such event of default shall have occurred. The Trustee shall not, however, be subject to any liability to the principal underwriter or any bondholder by reason of its failure to mail any such notice.

ARTICLE X

CONCERNING THE TRUSTEE

SECTION 10.01. The Trustee accepts and agrees to execute the trusts imposed upon it by this Trust Agreement, but only upon the terms and conditions set forth in this Article and subject to the provisions of this Trust Agreement, to all of which the parties hereto and the respective holders of the Bonds agree.

SECTION 10.02. The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under this Trust Agreement, or to enter any appearance or in any way defend in any suit in

SECTION 10.05. Subject to the provisions of any contract between the Authority and the Trustee, the Authority shall, from the revenues of the Water System, pay to the Trustee reasonable compensation for all services performed by it hereunder and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and execution of the trusts hereby created and the performance of its powers and duties hereunder; and, from such revenues only, shall indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to its own negligence or default. If the Authority shall fail to make any payment required by this Section, the Trustee may make such payment from any moneys in its possession under the provisions of this Trust Agreement and shall be entitled to a preference therefor over any of the Bonds or coupons outstanding hereunder.

SECTION 10.06. In case at any time it shall be necessary or desirable for the Trustee to make an investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which this Trust Agreement provides for permitting or taking any action, the Trustee may rely upon any certificate required or permitted to be filed with it under the provisions of this Trust Agreement, and any such certificate shall be evidence of such fact to protect the Trustee in any action that it may or may not take or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact. Except as otherwise provided in this Trust Agreement, any request, notice or other instrument from the Authority to the Trustee shall be deemed to have been signed by the proper party or parties if signed by the Chairman or Secretary of the Authority, and the Trustee may accept a certificate signed by said Secretary as to any action taken by the Authority.

SECTION 10.07. Except as otherwise provided in this Trust Agreement, the Trustee shall not be obliged to take notice or be deemed to have notice of any event of default hereunder, unless specifically notified in writing of such event of default by the holders of not less than ten per centum (10%) in principal amount of the Bonds hereby secured and then outstanding.

which it may be made defendant, or to take any steps in the execution of the trust hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment reasonably proper to be done by it as such Trustee, without indemnity, and in any such case the Authority shall reimburse the Trustee from the revenues of the Water System for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith. If the Authority shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of this Trust Agreement and shall be entitled to a preference therefor over any of the Bonds or coupons outstanding hereunder.

SECTION 10.03. The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Authority, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee shall have no responsibility in respect of the validity or sufficiency of this Trust Agreement or the due execution or acknowledgment thereof, or in respect of the validity of the Bonds or of the coupons or the due execution or issuance thereof.

SECTION 10.04. The Trustee shall not be liable or responsible because of the failure of the Authority or any of its employees or agents to make any collections or deposits or to perform any act herein required of them or because of the loss of any moneys arising through the insolvency or the act or default or omission of any other Depository in which such moneys shall have been deposited under the provisions of this Trust Agreement. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, withdrawn or transferred in accordance with the provisions of this Trust Agreement. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

SECTION 10.08. The bank or trust company acting as Trustee under this Trust Agreement, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds or coupons issued under and secured by this Trust Agreement, and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under this Trust Agreement.

SECTION 10.09. The recitals, statements and representations contained herein and in the Bonds (excluding the Trustee's certificate on the Bonds) shall be taken and construed as made by and on the part of the Authority and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

SECTION 10.10. The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Trust Agreement, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, or upon the written opinion of any attorney, engineer or accountant believed by the Trustee to be qualified in relation to the subject matter. The Trustee shall not be bound to recognize any person as a holder of any Bond or coupon or to take any action at his request unless proof of ownership of such Bond or coupon satisfactory to the Trustee has been exhibited to or deposited with the Trustee.

SECTION 10.11. The Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing to be given to the Authority, to the principal underwriter and to any Bondholder who has filed his name and address with the Trustee for such purpose and published once in the English language in a financial newspaper or journal published in the City of Philadelphia, Pennsylvania, and a newspaper of general circulation published in the English language in Camden County, New Jersey, not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee hereunder, if such

Trustee shall be appointed before the time limited by such notice and shall then accept the trusts hereof.

SECTION 10.12. The Trustee may be removed by the Authority at any time with the approval of the Bondholders evidenced by an instrument or concurrent instruments in writing, signed by the holders of not less than a majority in principal amount of the Bonds hereby secured and then outstanding and filed with the Authority. A photostatic copy of each such instrument shall be delivered promptly by the Authority to the Trustee.

SECTION 10.13. If at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If at any time moneys on deposit with the Trustee shall not be secured as required in Section 7.01 of this Trust Agreement, a vacancy in the position of Trustee may be declared by a resolution duly passed by the Authority. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the Authority shall appoint a Trustee to fill such vacancy. The Authority shall publish notice of any such appointment made by it once in each week for four (4) consecutive weeks in a financial newspaper or journal published in the English language in the City of Philadelphia, Pennsylvania, and in a newspaper of general circulation published in the English language in Camden County, New Jersey, and before the second publication of such notice shall mail a copy thereof to the principal underwriter and to any Bondholder who has filed his name and address with the Secretary of the Authority for such purpose.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, the holder of any Bond outstanding hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee hereafter appointed shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a

combined capital and surplus aggregating not less than Five Million Dollars (\$5,000,000).

SECTION 10.14. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities, powers and trusts, and subject to all the duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of its successor or of the Authority, and upon payment of the compensation, expenses, charges and other disbursements of such predecessor which are payable pursuant to the provisions of Section 10.05 of this Article, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all property and moneys held by it hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Authority.

Notwithstanding any of the foregoing provisions of this Article, any bank or trust company having power to perform the duties and execute the trusts of this Trust Agreement and otherwise qualified to act as Trustee hereunder with or into which the bank or trust company acting as Trustee may be merged or consolidated, or to which the assets and business of such bank or trust company may be sold, shall be deemed the successor of the Trustee.

ARTICLE XI

EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOF OF OWNERSHIP OF BONDS

SECTION 11.01. Any request, direction, consent or other instrument in writing required or permitted by this Trust Agreement to be signed

or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Trust Agreement, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument, if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution.

(b) The fact of the holding of Bonds hereunder by any Bondholder and the number of such Bonds and the date of his holding the same (unless such Bonds be registered) may be proved by the affidavit of the person claiming to be such holder, if such affidavit shall be deemed by the Trustee to be satisfactory, or by a certificate executed by any trust company, bank, banker or any other depository, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker or other depository the Bonds described in such certificate. The Trustee may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The ownership of Bonds registered as to principal shall be proved by the registration books kept under the provisions of Section 2.05 of this Trust Agreement.

But nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient. Any request or consent of the holder of any Bond shall bind every future holder of the same Bond in respect of anything done by the Trustee in pursuance of such request or consent.

ARTICLE XII

SUPPLEMENTAL TRUST AGREEMENT

SECTION 12.01. The Authority and the Trustee may from time to time and at any time, enter into such trust agreements supplemental hereto as shall not be inconsistent with the terms and provisions hereof (which supplemental trust agreements shall thereafter form a part hereof):

(a) To cure any ambiguity or formal defect or omission in this Trust Agreement or in any supplemental trust agreement, or

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee.

SECTION 12.02. Subject to the terms and provisions contained in this Section and not otherwise, the holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in this Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the Authority and the Trustee of such trust agreement or trust agreements supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Trust Agreement or in any supplemental trust agreement; provided, however, that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by this Trust Agreement, for the Bonds, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental trust agreement. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the execution of

any supplemental trust agreement as authorized in Section 12.01 of this Article.

If at any time the Authority shall request the Trustee to enter into any supplemental trust agreement for any of the purposes of this Section, the Trustee shall, at the expense of the Authority, cause notice of the proposed execution of such supplemental trust agreement to be published once in each week for four (4) consecutive weeks in a financial newspaper or journal published in the English language in the City of Philadelphia, Pennsylvania, and in a newspaper of general circulation published in the English language in Camden County, New Jersey, and, on or before the date of the first publication of such notice, the Trustee shall also cause a similar notice to be mailed, postage prepaid, to all registered owners of Bonds then outstanding at their addresses as they appear on the registration books and to all other Bondholders who shall have filed their names and addresses with the Trustee for such purpose. Such notice shall briefly set forth the nature of the proposed supplemental trust agreement and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Bondholders. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail the notice required in this Section, and any such failure shall not affect the validity of such supplemental trust agreement when consented to and approved as provided in this Section.

Whenever, at any time within one (1) year after the date of the first publication of such notice, the Authority shall deliver to the Trustee an instrument or instruments purporting to be executed by the holders of not less than two-thirds ($\frac{2}{3}$) in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed supplemental trust agreement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may execute such supplemental trust agreement in substantially such form, without liability or responsibility to any holder of any Bond, whether or not such holder shall have consented thereto.

If the holders of not less than two-thirds ($\frac{2}{3}$) in aggregate principal amount of the Bonds outstanding at the time of the execution of

such supplemental trust agreement shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to the execution of such supplemental trust agreement or to object to any of the terms and provisions contained therein or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any supplemental trust agreement pursuant to the provisions of this Section, the Trust Agreement shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Trust Agreement of the Authority, the Trustee and all holders of Bonds then outstanding, shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

SECTION 12.03. The Trustee is authorized to join with the Authority in the execution of any such supplemental trust agreement and to make the further agreements and stipulations which may be contained therein. Any supplemental trust agreement executed in accordance with the provisions of this Article shall thereafter form a part of this Trust Agreement; and all of the terms and conditions contained in any such supplemental trust agreement as to any provisions authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Trust Agreement for any and all purposes. In case of the execution and delivery of any supplemental trust agreement, express reference may be made thereto in the text of any Bonds issued thereafter, if deemed necessary or desirable by the Trustee.

SECTION 12.04. In each and every case provided for in this Article the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed supplemental trust agreement, or any term or provision therein contained, is proper or desirable, having in view the purposes of such instrument, the needs of the Authority, and the rights and interests of the Bondholders, and the Trustee shall not be under any responsibility or liability to the Authority or to any Bondholder or to anyone whomsoever for its refusal in good faith to enter into any such supplemental trust agreement if such agreement is deemed by the Trustee to be contrary to the provisions of this Article.

The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Authority, as conclusive evidence that any such proposed supplemental trust agreement does or does not comply with the provisions of this Trust Agreement, and that it is or is not proper for the Trustee, under the provisions of this Article, to join in the execution of such supplemental trust agreement.

ARTICLE XIII

DEFERANCE

SECTION 13.01. If, when the Bonds secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in the Trust Agreement or shall have been duly called for redemption or irrevocable instructions to call the Bonds for redemption shall have been given by the Authority to the Trustee, the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the Bonds and coupons then outstanding shall be paid or sufficient moneys shall be held by the Trustee or the Paying Agents for such purpose, and provision shall also be made for paying all other sums payable hereunder by the Authority, then and in that case the right, title and interest of the Trustee shall thereupon cease, determine and become void, and the Trustee in such case, on demand of the Authority, shall release this Trust Agreement and shall execute such documents to evidence such release as may be reasonably required by the Authority, and shall turn over to the Authority, or to such officer, board or body as may then be entitled by law to receive the same any surplus in any account in the Sinking Fund and all balances remaining in any other Funds or Accounts other than moneys held for redemption or payment of Bonds or coupons; otherwise this Trust Agreement shall be, continue and remain in full force and effect.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

SECTION 14.01. Any bank or trust company with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the

successor of such Paying Agent for the purposes of this Trust Agreement. If the position of any Paying Agent shall become vacant for any reason, the Authority shall, within thirty (30) days thereafter, appoint a bank or trust company located in the same city, as Paying Agent to fill such vacancy; provided, however, that if the Authority shall fail to appoint such paying agent within said period, the Trustee shall make such appointment.

SECTION 14.02. Any notice, demand, direction, request or other instrument authorized or required by this Trust Agreement to be given to or filed with the Authority or the Trustee shall be deemed to have been sufficiently given or filed for all purposes of this Trust Agreement if and when sent by registered mail, return receipt requested.

To the Authority, if addressed to The Pine Hill Borough Municipal Utilities Authority, Pine Hill, New Jersey;

To the Trustee, if addressed to First Camden National Bank and Trust Company, Camden, New Jersey.

All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession, subject at all reasonable times to the inspection of the Authority, the Consulting Engineer, the principal underwriter, any Bondholder, and the agents and representatives thereof.

SECTION 14.03. Except as herein otherwise expressly provided, nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto and the holders of the Bonds issued under and secured by this Trust Agreement any right, remedy or claim, legal or equitable, under or by reason of this Trust Agreement or any provision hereof, this Trust Agreement and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders from time to time of the Bonds issued hereunder.

SECTION 14.04. Nothing in the Bonds or coupons or in this Trust Agreement shall create or constitute or be construed as creating or constituting, an indebtedness of the Authority within the meaning of any constitutional or statutory debt limitation or provision, nor a lien

upon any property of or in the State of New Jersey, the Borough or the Authority, except the Net Revenues of the Water System and connection charges in the manner hereinbefore provided. No holder of any Bond or coupon issued hereunder shall ever have the right to require or compel the exercise of the ad valorem taxing power of the State of New Jersey or the Borough or the levy of other taxes for the payment of the principal of or any interest on any Bonds or the making of any payments required by this Trust Agreement.

SECTION 14.05. In case any one or more of the provisions of this Trust Agreement or of the Bonds or coupons issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Trust Agreement or of said Bonds or coupons, but this Trust Agreement and said Bonds and coupons shall be construed and enforced as if such illegal and invalid provision had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Bonds or in this Trust Agreement shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the parties thereto to the full extent permitted by law.

SECTION 14.06. All covenants, stipulations, obligations and agreements of the Authority contained in this Trust Agreement shall be deemed to be covenants, stipulations, obligations and agreements of the Authority to the full extent authorized and permitted by the Constitution and laws of the State of New Jersey. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, agent or employee of the Authority in his individual capacity, and neither the members of the Authority nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. This Trust Agreement is executed with the intent that the laws of the State of New Jersey shall govern its construction.

SECTION 14.07. The principal underwriter shall be under no obligation to any Bondholder for any action that it may or may not take or in respect to anything that it may or may not do by reason of any

information contained in any reports or other documents received by it under the provisions of this Trust Agreement. The immunities and exemptions from liability of the principal underwriter hereunder shall extend to its partners, officers, directors, successors, employees and agents.

SECTION 14.08. This Trust Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

SECTION 14.09. Any headings preceding the text of the several Articles hereof, shall be solely for convenience of reference and shall not constitute a part of this Trust Agreement, nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, The Pine Hill Borough Municipal Utilities Authority has caused this Trust Agreement to be executed by the Chairman of said Authority and the official seal of said Authority to be impressed hereon and attested by the Secretary of said Authority and First Camden National Bank and Trust Company has caused this Trust Agreement to be executed in its behalf by its President or a Vice President, attested by its Cashier, or an Assistant Cashier, and its corporate seal to be impressed hereon, all as of the day and year first above written.

THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY

[SEAL] By Its Chairman

ATTEST: Its Secretary

FIRST CAMDEN NATIONAL BANK AND TRUST COMPANY, Trustee

[SEAL] By Vice President

ATTEST: Asst. Cashier

STATE OF NEW JERSEY, } ss.:
COUNTY OF CAMDEN }

On this day of , 19 , personally appeared before me , personally known to me and known by me to be the person who executed the foregoing instrument in the name and behalf of The Pine Hill Borough Municipal Utilities Authority, who, being by me duly sworn, did depose and say that he is Chairman of The Pine Hill Borough Municipal Utilities Authority, that The Pine Hill Borough Municipal Utilities Authority is the body corporate and politic described in and that executed the said instrument, and acknowledged said instrument so executed to be his voluntary act and deed as such officer and the voluntary act and deed of said Authority, and stated on oath that said instrument was so signed by him and sealed and attested by , Secretary of said Authority, and delivered in behalf of said Authority, by authority of a vote of said Authority, and that the seal affixed to said instrument is the official seal of said Authority.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year aforesaid.

.....
Notary Public

My Commission expires

[NOTARIAL SEAL]

STATE OF NEW JERSEY, } ss.:
COUNTY OF CAMDEN }

On this day of , 19 , personally appeared before me , personally known to me and known by me to be the person who executed the foregoing instrument in the name and behalf of First Camden National Bank and Trust Company, who, by me being duly sworn, did depose and say that he is a Vice President of said First Camden National Bank and Trust Company, the national banking association described in and that executed the said instrument and acknowledged said instrument so executed to be his voluntary act and deed as such officer and the free act and deed of said national banking association, and stated on oath that said instrument was so signed by him and sealed and attested by , an Assistant Cashier of said national banking association, and delivered in behalf of said national banking association, by authority of a vote of its directors, and that the seal affixed to said instrument is the corporate seal of said national banking association.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year aforesaid.

.....
Notary Public

My Commission expires

[NOTARIAL SEAL]

THIS FIFTH SUPPLEMENTAL TRUST AGREEMENT, dated as of July __, 2020, between THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY ("Authority"), Camden County, New Jersey, a public body, politic and corporate, constituting a political subdivision of the State of New Jersey duly created and existing under Chapter 183 of the Laws of New Jersey of 1957 ("Municipal and County Utilities Authorities Law"), and The Bank of New York, as trustee ("Trustee"), a banking corporation duly organized and validly existing under the laws of the State of New York having a corporate trust office and place of business in West Paterson, New Jersey;

WITNESSETH:

WHEREAS, the Authority was created by virtue of an ordinance duly and finally adopted on March 9, 1959, of the Borough of Pine Hill, in the County of Camden, New Jersey ("Borough"), pursuant to and in accordance with the provisions of Chapter 183 of the Laws of the State of New Jersey of 1957, and the acts amendatory thereof and supplemental thereto ("Act"); and

WHEREAS, the Authority is the owner and operator of the system providing water conveyance service ("Water System") to portions of the Borough of Pine Hill ("Borough"); and

WHEREAS, the Authority and the Trustee have heretofore entered into a Trust Agreement, dated August 1, 1962, by and between the Authority and the Trustee, as amended and supplemented to date (as amended and supplemented, the "Original Trust Agreement") to which this Fifth Supplemental Trust Agreement is a supplement (the Original Trust Agreement, as amended and supplemented by this Fifth Supplemental Trust Agreement shall be referred to herein as the "Trust Agreement"); and

WHEREAS, the Authority has heretofore issued and currently has outstanding revenue bonds issued pursuant to the Act and the Original Trust Agreement; and

WHEREAS, pursuant to Section 2.08 of the Original Trust Agreement, the Authority is authorized to issue its revenue bonds to pay the costs of constructing or acquiring additions, extensions and improvements to the Water System; and

WHEREAS, the Authority has determined there exists a need within its service area to undertake capital improvements to its Water System, consisting of: (i) the rehabilitation of the Erial Road Water Main; (ii) installation of a backup well for Well #4; and (iii) decommissioning of Well #6 and Well #7, all as more particularly described in the information on file in the offices of the Authority and the Authority's Consulting Engineer and available for inspection during normal business hours (collectively, the "Project"); and

WHEREAS, the Authority has determined to permanently finance the acquisition, construction, renovation or installation of the Project through the issuance of its Revenue Bonds, Series 2020, in one or more series, in the aggregate principal amount of not-to-exceed \$4,800,000 ("2020 Bonds"), pursuant to and in accordance with the Trust Agreement; and

WHEREAS, the Authority's 2020 Bonds are to be issued as Additional Bonds under the Original Trust Agreement, as supplemented; and

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**ARTICLE I
DEFINITIONS**

The following terms shall have the respective meanings set forth below, unless the context otherwise requires:

"**Continuing Disclosure Agreement**" shall mean that certain Continuing Disclosure Agreement executed by and between the Authority, the Borough and Trustee, as Dissemination Agent, and dated the date of issuance and delivery of the 2020 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"**DTC**" shall mean The Depository Trust Company, New York, New York and its participants.

"**Fifth Supplemental Trust Agreement**" or "**Agreement**" shall mean this Fifth Supplemental Trust Agreement, as the same may from time to time be amended and supplemented.

"**Interest Payment Date**" shall mean, with respect to the 2020 Bonds, each February 1 and August 1, commencing February 1, 2021.

"**Original Trust Agreement**" shall have the meaning set forth in the preamble to this Fifth Supplemental Trust Agreement.

"**Trust Agreement**" shall mean the Original Trust Agreement as amended and supplemented by the Fifth Supplemental Trust Agreement.

"**2020 Bonds**" shall mean any of the Additional Bonds of the Authority authorized to be issued by and pursuant to this Fifth Supplemental Trust Agreement.

"**2020 Bonds Principal and Interest Account**" shall mean the sub-account of the Bond Principal and Interest Fund created under Section 2.07 hereof.

"**2020 Bonds Debt Service Reserve Account**" shall mean the sub-account established and created under Section 2.08 hereof.

"**2020 Construction Fund Account**" shall mean the sub-account established and created under Section 2.06 hereof.

"**2020 Bonds Debt Service Reserve Fund Requirement**" shall mean \$_____ representing the maximum annual debt service on the 2020 Bonds, provided, however, that the 2020 Bonds Debt Service Reserve Fund Requirement shall not exceed the amount permitted under the Internal Revenue Code of 1986, as amended.

"**2020 Bond Resolution**" shall mean the bond resolution of the Authority adopted on March 26, 2020, authorizing the issuance, sale and delivery of the 2020 Bonds.

WHEREAS, on March 2, 2020, the Borough adopted a resolution providing its consent to the issuance of the 2020 Bonds in accordance with a Service Agreement, dated November 1, 1986, by and between the Authority and the Borough; and

WHEREAS, the Authority has full power and authority to issue the 2020 Bonds, and to pledge certain revenues in order to secure the 2020 Bonds and has taken all action necessary for the due execution and delivery of the 2020 Bonds, and to procure all necessary approvals and consents of governmental bodies having jurisdiction; and

WHEREAS, the 2020 Bonds are being issued by the Authority to provide funds which will be used to: (i) finance the costs of the Project; (ii) fund a required deposit to the Debt Service Reserve Account in an amount equal to the Debt Service Reserve Requirement in accordance with the Trust Agreement; and (iii) pay the cost and expenses incidental to the issuance and delivery of the 2020 Bonds; and

WHEREAS, the 2020 Bonds will be issued on a parity basis with the Outstanding Bonds previously issued under the Original Trust Agreement and will be secured solely by the pledge of the Net Revenues of the Authority, as more fully defined in the Original Trust Agreement.

WHEREAS, the execution and delivery of the 2020 Bonds and of this Fifth Supplemental Trust Agreement have in all respects been duly authorized by bond resolution duly adopted by the Authority and all things necessary to make the 2020 Bonds, when executed by the Authority and authenticated by the Trustee, the valid and binding legal obligations of the Authority, and to make this Fifth Supplemental Trust Agreement a valid and binding agreement, having been done;

**NOW, THEREFORE, THIS FIFTH SUPPLEMENTAL TRUST AGREEMENT,
WITNESSETH:**

That to secure the 2020 Bonds issued and outstanding hereunder and under the Original Trust Agreement, the payment of the principal or redemption price of and interest on and the performance of the covenants contained herein and therein, the Authority does hereby, in confirmation of the Original Trust Agreement, sell, assign, transfer, set-over and pledge unto the Trustee, its successors in the trust and its assigns forever, to the extent provided in the Trust Agreement, all of the rights, title and interests of the Authority in and to its Net Revenues and, except as provided in the Original Trust Agreement, the moneys and investments standing to the credit of the funds established under the Trust Agreement.

TO HAVE AND TO HOLD the same unto the Trustee, and its successors and assigns forever, together with any other revenues, property, contracts or contract rights which may, by delivery, assignment or otherwise, be subjected to the lien and security interest created by the Trust Agreement.

IN TRUST, NEVERTHELESS, for the equal and ratable benefit and security of all present and future holders of the Bonds or notes issued under the Original Trust Agreement and hereunder, without preference, priority or distinction as to lien or otherwise (except as provided in the Original Trust Agreement and herein), of any one Bond over any other Bond.

"2020 Supplemental Sale Resolution" shall mean the resolution of the Authority adopted on June __, 2020, determining certain terms and provisions of the 2020 Bonds in accordance with the provisions of Trust Agreement, in connection with the sale of the 2020 Bonds.

"Underwriter" shall mean Raymond James, Incorporated as underwriter of the 2020 Bonds.

Capitalized terms, not otherwise defined herein, shall have the meanings ascribed thereto in the Trust Agreement, unless the context clearly requires otherwise. As the context shall clearly require, words importing persons include persons, firms, associations (whether incorporated or not incorporated), corporations and other organizations of persons. Words importing the singular number include the plural number and vice versa, and words importing the masculine include the feminine.

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any beneficial ownership interest in the Bonds; (ii) the delivery to any participant, any beneficial owner or any other person, other than DTC, of any notice with respect to the 2020 Bonds, including any notice of redemption; or (iii) the payment to any participant, any beneficial owner or any other person, other than DTC, of any amount with respect to the principal of, redemption premium, if any, or the interest on the 2020 Bonds. The Authority and any Fiduciary may treat DTC as, and deem DTC to be, the absolute Owner of the 2020 Bonds for the purpose of payment of the principal of, redemption premium, if any, and the interest on the 2020 Bonds, for the purpose of giving notices of redemption and other matters with respect to such 2020 Bonds, for the purpose of registering transfers with respect to such 2020 Bonds and for all other purposes whatsoever. The Paying Agent shall pay all principal of, redemption premium, if any, and all interest on the 2020 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to satisfy and discharge fully the Authority's obligations with respect to the principal of, redemption premium, if any, and the interest on the 2020 Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive a 2020 Bond evidencing the obligation of the Authority to make payments of principal of, redemption premium, if any, and interest on the 2020 Bonds pursuant to this Trust Agreement. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions hereof, the term "Cede & Co." in this Fifth Supplemental Trust Agreement shall refer to such new nominee of DTC.

(d) (i) DTC may determine to discontinue providing its services with respect to the 2020 Bonds at any time by giving written notice to the Authority and the Fiduciaries and discharging its responsibilities with respect thereto under applicable law.

(ii) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the 2020 Bonds if the Authority so determines, and shall terminate the services of DTC with respect to the 2020 Bonds upon receipt by the Authority and the Fiduciaries of written notice from DTC to the effect that DTC has received written notice from participants having interests, as shown in the records of DTC, in an aggregate principal amount of not less than fifty percent (50%) of the aggregate principal amount of the then Outstanding 2020 Bonds and further to the effect that: (A) DTC is unable to discharge its responsibilities with respect to the 2020 Bonds; or (B) a continuation of the requirement that all of the Outstanding 2020 Bonds be registered in the registration books of the Authority kept by the Trustee in the name of Cede & Co., as nominee for DTC, is not in the best interests of the beneficial owners of the 2020 Bonds.

(iii) Upon the termination of the services of DTC with respect to the 2020 Bonds pursuant to subsection 2.04(d)(ii)(B) hereof, or upon the discontinuance or termination of the services of DTC with respect to the 2020 Bonds pursuant to subsection 2.04(d)(i) or subsection 2.04(d)(ii)(A) hereof, after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found that, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the 2020 Bonds shall no longer be restricted to being registered in the registration books of the Authority kept by the Trustee in the name of Cede & Co., as nominee for DTC, but may be registered in whatever name or names Bondholders transferring or exchanging the 2020 Bonds shall so designate.

(e) Notwithstanding any other provision of this Fifth Supplemental Trust Agreement to the contrary, so long as any 2020 Bond is registered in the name of Cede & Co., as nominee for

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ARTICLE II THE 2020 BONDS

SECTION 2.01. Authorization for the 2020 Bond. This 2020 Bonds are issued as Additional Bonds pursuant to the Act, the 2020 Bond Resolution and Article II of the Original Trust Agreement.

SECTION 2.02. 2020 Principal Amount, Designation and Series. The 2020 Bonds are hereby authorized for issuance in an aggregate principal amount of \$_____ for the purpose of financing the Project. The 2020 Bonds shall be issued in fully registered book-entry only form, in denominations of \$5,000 or any integral multiple thereof, shall be in substantially the form set forth in Exhibit "A" hereto and shall bear interest at the rates and be payable as to principal or redemption price in the amounts as specified in Exhibit "B", attached hereto. The 2020 Bonds shall be designated as, and shall be distinguished from the Bonds of all other series of Bonds issued under the Trust Agreement by the title, "The Pine Hill Borough Municipal Utilities Authority Revenue Bonds, Series 2020."

SECTION 2.03. Obligation of 2020 Bonds. The 2020 Bonds shall be issued as "Additional Bonds" pursuant to the terms of Section 2.08 of the Original Trust Agreement and, as such, shall be direct and limited obligations of the Authority secured by the Net Revenues of the Authority. The 2020 Bonds shall be, in all respects, equally and ratably secured with other Bonds which remain Outstanding and shall be entitled to the pledge and to all other provisions of the Trust Agreement on an equal basis with other Bonds which remain Outstanding.

SECTION 2.04. Date, Maturities, Interest and DTC Book-Entry System.

(a) The 2020 Bonds shall be dated the date of delivery and shall mature in the principal amounts and on the dates and bear interest, payable semiannually on February 1 and August 1, of each year (each an "Interest Payment Date"), commencing February 1, 2021, at the rates set forth in Exhibit "B", attached hereto. The 2020 Bonds shall bear interest from the most recent Interest Payment Date to which interest has been paid or provided for or, if no interest has been paid, from the date of delivery.

(b) Except as provided in subparagraph (d) of this Section 2.04, the Registered Owner of all of the 2020 Bonds shall be, and the 2020 Bonds shall be registered in the name of, Cede & Co., as nominee for DTC. Payment of interest on the 2020 Bonds shall be made by wire transfer to the account of Cede & Co. on the Interest Payment Dates for the Bonds at the address indicated for Cede & Co. in the registry books of the Authority kept by the Trustee.

(c) The 2020 Bonds shall be issued initially in the form of separate, single, fully-registered Bonds in the amount of each stated maturity on each 2020 Bond. Upon initial issuance, the ownership of each such 2020 Bond shall be registered in the registry books of the Authority kept by the Trustee in the name of Cede & Co., as nominee for DTC. With respect to Bonds registered in the registry books of the Authority kept by the Trustee in the name of Cede & Co., as nominee for DTC, the Authority and any Fiduciary shall have no responsibility or obligation to any participant or to any beneficial owner of such Bonds. Without limiting the immediately preceding sentence, the Authority and any Fiduciary shall have no responsibility or obligation with respect to: (i) the accuracy of the records of DTC, Cede & Co. or any participant with respect to

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DTC, all payments with respect to the principal of, redemption premium, if any, and the interest on such 2020 Bonds and all notices with respect thereto shall be made and given, respectively, to DTC as provided in the representation letter of the Authority addressed to DTC with respect to the 2020 Bonds.

(f) In connection with any notice or other communication to be provided to Bondholders by the Authority or the Trustee pursuant to this Fifth Supplemental Trust Agreement with respect to any consent or other action to be taken by Bondholders, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and shall give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date, to the extent possible.

SECTION 2.05. Optional Redemption. The 2020 Bonds maturing on and after August 1, 2029, are subject to optional redemption prior to maturity, at the election of the Authority on August 1, 2028, and on any date thereafter, as a whole or in part from such maturities as of the Authority shall determine, and within a single maturity by lot, at a redemption price equal to 100% of the principal amount to be redeemed (together with interest accrued thereon to the date for such redemption).

SECTION 2.06. 2020 Construction Fund Account. In accordance with Sections 2.08 of the Original Trust Agreement, there is hereby established a 2020 Construction Fund Account as part of the Construction Fund.

SECTION 2.07. 2020 Bonds Principal and Interest Account. In accordance with Sections 5.06(b) of the Original Trust Agreement, there is hereby established a 2020 Bonds Debt Service Account as part of the Debt Service Fund.

SECTION 2.08. 2020 Bonds Debt Service Reserve Fund. There is hereby established a 2020 Bonds Debt Service Reserve Fund and the Trustee shall deposit therein from the proceeds of the sale of the 2020 Bonds the amount of \$_____ representing the 2020 Bonds Debt Service Reserve Fund Requirement, which shall be used, in accordance with Section 5.06(d) of the Original Trust Agreement, to make up any deficiencies in the 2020 Bonds Principal and Interest Account in the Bonds Principal and Interest Fund established for the 2020 Bonds, after first exhausting any available moneys in the General Fund and in the Renewal, Replacement and Improvement Fund. Any excess in either the 2020 Bonds Debt Service Reserve Fund shall be transferred to the Revenue Fund annually 45 days following receipt by the Trustee of the Authority's annual audit.

SECTION 2.09. Trust Agreement to Constitute Contract. In consideration of the purchase and acceptance of any or all of the 2020 Bonds by those who shall own the same from time to time, the provisions of the Trust Agreement shall be a part of the contract of the Authority with the registered owners from time to time of the 2020 Bonds. Pledges made herein and provisions, covenants and agreements herein and in the Trust Agreement set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the registered owners of any and all of the 2020 Bonds in accordance with the true tenor and meaning of such pledges, provisions, covenants and agreements. Each and every one of the 2020 Bonds, regardless of the time or times of their issuance or authentication shall, when duly authenticated, be of equal rank, without preference, priority or distinction as to payments of principal or redemption price thereof and interest

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thereon, except as may otherwise be expressly provided herein or in the Trust Agreement, and shall, for all purposes thereof and hereof, constitute a series of "Additional Bonds" as referred to in Article II of the Original Trust Agreement.

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**ARTICLE III
APPLICATION OF PROCEEDS OF THE 2020 BONDS**

SECTION 3.01. Execution of the 2020 Bonds. The 2020 Bonds are hereby directed to be executed by, or on behalf of, the Authority and delivered to the Trustee for authentication. Thereupon, the 2020 Bonds shall be authenticated by the Trustee, and subject to the fulfillment of the criteria listed in Article II of the Original Trust Agreement, delivered by the Trustee to the Authority upon its order.

SECTION 3.02. Application of Proceeds of the 2020 Bonds. Pursuant to Section 4.02 of the 2020 Bond Resolution, proceeds of the sale of the 2020 Bonds, and other funds available to the Authority, shall be transferred to the Trustee upon closing of the 2020 Bonds and:

- (i) \$ _____ shall be deposited by the Trustee into the 2020 Bonds Debt Service Reserve Fund to meet the requirements of the 2020 Bonds Debt Service Reserve Requirement; and
- (ii) \$ _____ shall be deposited by the Trustee into the 2020 Construction Fund Account of the Construction Fund and utilized to pay the costs of the Project, including the costs of issuance of the 2020 Bonds.

SECTION 3.03. Payment of Costs and Expenses by Trustee. The Trustee is authorized to pay from the 2020 Construction Fund Account the costs and expenses of the issuance and delivery of the 2020 Bonds as set forth in the Application of Proceeds Certificate or a requisition delivered subsequent to the closing of the 2020 Bonds signed by the Chairman, Vice President or Executive Director of Authority.

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**ARTICLE IV
REVENUES**

SECTION 4.01. Transfer of Net Revenues. Confirming the granting clauses hereof and of the Original Trust Agreement and as permitted by Section 2.08 and 5.03 of the Original Trust Agreement with respect to the 2020 Bonds, the Authority directs payment to the Trustee of all Net Revenues for deposit and transfer in accordance with Exhibit "B" attached hereto.

SECTION 4.02. Covenant to Pay Principal and Interest. The Authority hereby covenants and agrees with and for the benefit of the holders, from time to time, of the 2020 Bonds, that it will pay interest on and principal thereof when due.

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**ARTICLE V
MISCELLANEOUS**

SECTION 5.01. Successor Trustee.

(a) Every successor Trustee appointed with respect to the 2020 Bonds pursuant to this Agreement shall be a commercial bank with trust powers in good standing located in or incorporated under the laws of the State of New Jersey, duly authorized to exercise trust powers and subject to examination by federal or state authorities, and having a reported capital and surplus of not less than \$100,000,000.

(b) Notwithstanding any other provision of the Trust Agreement, no removal or termination of the Trustee shall take effect until a successor shall be appointed. In case at any time the Trustee shall resign and no appointment of a successor trustee shall be made pursuant to the Original Trust Agreement prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the retiring trustee may forthwith apply to a court of competent jurisdiction for the appointment of a successor trustee. If in a proper case, no appointment of a successor trustee shall be made pursuant to the foregoing provisions of this Section within 30 days after a vacancy shall have occurred in the office of the Trustee, the Trustee or the holders of a majority of the aggregate principal amount of Bonds then Outstanding may apply to any court of competent jurisdiction to appoint a successor trustee. Such court may thereupon after such notice, if any, as it may deem proper, prescribe and appoint a successor trustee.

SECTION 5.02. Parties Interested Herein. Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon, or give to, any person or entity, other than the Authority, the Trustee, and the registered owners and Beneficial Owners of the 2020 Bonds, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, and the registered owners and Beneficial Owners of the 2020 Bonds.

SECTION 5.03. Continuing Disclosure. The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Fifth Supplemental Trust Agreement, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Section.

SECTION 5.04. Confirmation of Original Trust Agreement. The Original Trust Agreement and this Fifth Supplemental Trust Agreement shall be read, taken and construed as one and the same instrument. The provisions of the Original Trust Agreement shall remain in full force and effect unless amended and supplemented hereby.

SECTION 5.05. No Personal Recourse. No covenant or agreement contained in this Fifth Supplemental Trust Agreement or any 2020 Bond shall be deemed to be the covenant or

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agreement of any member, officer, agent or employee of the Authority in his individual capacity. No recourse shall be had for the payment of the principal of, interest on, or redemption premium (if any) payable upon the redemption of any 2020 Bonds, or for any claim based thereon or on this Fifth Supplemental Trust Agreement or on any Supplemental Trust Agreement against the Authority or any member, officer, agent or employee, past, present or future, of the Authority, or of any successor corporation, as such, either directly or through the Authority or any such successor corporation, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability of such members, officers, agents or employees being released as a condition of and as consideration for the adoption of this Fifth Supplemental Trust Agreement and the issuance of the 2020 Bonds.

SECTION 5.06. Successors and Assigns. All the covenants, promises and agreements in this Fifth Supplemental Trust Agreement contained by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns.

SECTION 5.07. Effect of Invalid Provisions. If any one or more of the provisions of this Fifth Supplemental Trust Agreement or of the 2020 Bonds shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Fifth Supplemental Trust Agreement or of the 2020 Bonds, but this Fifth Supplemental Trust Agreement and the 2020 Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

SECTION 5.08. Statutory Declaration. This Fifth Supplemental Trust Agreement is executed by virtue of the Act, the 2020 Bond Resolution and the Original Trust Agreement and pursuant to their respective provisions. Pursuant to the applicable provisions of the Act, specifically *N.J.S.A. 40:14B-30(16)*, it is hereby declared that each and every matter or course of conduct set forth or referred to herein is so set forth or referred to in order to further secure the payment of the principal or redemption price of and interest on the 2020 Bonds.

SECTION 5.09. Notices. Any notice to, or other instrument to be filed with, or demand upon the Trustee may be served, presented or made by being hand-delivered or sent by registered or certified United States mail addressed to:

The Bank of New York Mellon
385 Rifle Camp Road
Woodland Park, New Jersey 07424
Attention: Corporate Trust Administration

or such other address as shall then serve as its Principal Office.

Any notice to, or other instrument to be filed with, or demand upon the Authority shall be deemed to have been sufficiently given or served by the Trustee for all purposes by being hand-delivered or sent by registered or certified United States mail addressed to:

The Pine Hill Borough Municipal Utilities Authority
907 Tunerville Road
Pine Hill, New Jersey 08021
Attention: Executive Director

or such other address as may be filed in writing by the Authority with the Trustee.

SECTION 5.10. Descriptive Headings. The descriptive headings of the Articles and Sections of this Fifth Supplemental Trust Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions.

SECTION 5.11. Governing Law. This Fifth Supplemental Trust Agreement and the 2020 Bonds shall be governed by the laws of the State of New Jersey.

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IN WITNESS WHEREOF, THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY has caused this Fifth Supplemental Trust Agreement to be executed by its Chairman and its corporate seal to be hereunto affixed, attested by its Secretary or Assistant Secretary, and The Bank of New York Mellon has caused this Fifth Supplemental Trust Agreement to be executed by an Authorized Officer, all as of the day and year first above written.

EXHIBIT "A"

THE PINE HILL BOROUGH MUNICIPAL
UTILITIES AUTHORITY

By: _____
MARK BUSCHER, Chairman

Attest: _____
CHRISTOPHER GREEN, Secretary

[SEAL]

THE BANK OF NEW YORK MELLON

By: _____
JANET RUSSO, Vice President

Attest: _____
Authorized Signatory

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SERVICE AGREEMENT

BETWEEN

THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY

AND

THE BOROUGH OF PINE HILL, IN THE COUNTY OF CAMDEN,
NEW JERSEY

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SERVICE AGREEMENT
BETWEEN
PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY
AND
THE BOROUGH OF PINE HILL, IN THE COUNTY OF CAMDEN,
NEW JERSEY

THIS SERVICE AGREEMENT, made and dated as of the 1st day of November, 1986 (the "Agreement") between the Pine Hill Borough Municipal Utilities Authority (the "Authority"), a public body politic and corporate of the State of New Jersey (the "State"), and the Borough of Pine Hill, in the County of Camden (the "Borough"), a municipal corporation of the State, situate in said County of Camden.

WITNESSETH

WHEREAS, pursuant to the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Pamphlet Laws of 1957 of the State, approved August 22, 1957, as amended (and as may be amended and supplemented, the "Act"), the Authority was created by virtue of an ordinance duly and finally adopted March 9, 1959 by the Borough Council of the Borough (the "Governing Body") and is a public body politic and corporate of the State organized and existing under the Act, constituting a political subdivision of the State and established as an instrumentality exercising public and essential governmental functions to provide for the public health and welfare, with all necessary and proper powers to

acquire, construct, maintain, operate or improve works for (i) the accumulation, supply or distribution of water and to provide for utility services designed to provide or distribute an adequate supply of water for public and private uses, (ii) the collection, treatment, purification or disposal of sewage or other wastes and to provide for sewerage services designed to relieve the waters in, bordering or entering the Borough from pollution or threatened pollution, and (iii) improvement of conditions affecting the public health and with all the powers, privileges and authority conferred by the Act; and

WHEREAS, the Authority proposes to refinance the Outstanding Sewer Bonds through the issuance of its Bonds (the "Refunding Project"); and

WHEREAS, the Authority cannot economically finance the Refunding Project under the Act unless the Authority is aided and assisted by the Borough as provided in this Agreement; and

WHEREAS, the Borough desires to aid and assist the Authority in connection with the Refunding Project and to make it economically feasible for the Authority to proceed with the Refunding Project for the benefit of the residents and inhabitants of the Borough; and

WHEREAS, the Borough and the Authority have each determined that it will be economical and otherwise advantageous to each of them and to the residents and property owners of the Borough for the Borough and the Authority to

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enter into a contract providing for and relating to the sale and supplying of water for public and private uses and the collection, treatment and disposal of sewage or other wastes and to provide for sewerage services designed to relieve the waters in, bordering or entering the Borough from pollution or threatened pollution, which contract, among other things, shall obligate the Borough to pay to the Authority such sum or sums of money as may be necessary to provide for deficits (if any) resulting from failure or disability of the Authority to derive adequate revenues from the operation of the System (as hereinafter defined) and the Borough and Authority have each duly authorized its proper officials to enter into and execute for it this Agreement;

NOW, THEREFORE, in consideration of the premises, of the mutual covenants and agreements herein set forth, and the undertakings of each party to the other, the Authority and the Borough, each binding itself, its successors and assigns, do mutually covenant, promise and agree as follows:

ARTICLE I

Definitions

Section 101. Definitions. (a) the following terms shall have the meanings specified in the preambles to this Agreement:

"Act"
"Agreement"
"Authority"
"Borough"
"Governing Body"
"Refunding Project"
"State"

(b) unless a different meaning clearly appears from the context, the following terms shall have the following meanings:

- (1) "Accountant" means the Division or a certified public accountant of the State;
- (2) "Annual Charges" shall have the meaning given to such term in Article III hereof;
- (3) "Bond" means any bond, note or other evidence of indebtedness hereafter issued by the Authority;
- (4) "Bond Resolution" means any agreement of the Authority (whether effected by resolution, trust agreement, indenture or otherwise) with or for the benefit of holders of Bonds issued or to be issued pursuant thereto;
- (5) "Debt Service Requirement" means, with respect to any period of calculation, the principal or redemption

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price of and interest on Outstanding Bonds due during such period of calculation;

(6) "Division" means the Division of Local Government Services in the Department of Community Affairs of the State, or its successor;

(7) "Fiscal Year" means the period of twelve calendar months beginning August 1 of any year and ending July 31 of the next succeeding calendar year, or such other period of twelve consecutive calendar months as the Authority may from time to time determine;

(8) "Outstanding" means, when used with reference to Bonds and as of any particular date, all Bonds authenticated and delivered under the Bond Resolution, except (a) any Bond held by the Authority or cancelled or required to be cancelled at or before such date pursuant to the Bond Resolution, (b) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Bond Resolution and (c) Bonds which have been paid or which are deemed to have been paid within the meaning of the Bond Resolution;

(9) "Outstanding Sewer Bonds" means the Sewer Project Bonds of the Authority, originally issued in the aggregate principal amount of \$1,600,000, dated October 15, 1971;

(10) "Sections or Articles" mentioned by numbers are the respective Sections and Articles of this Agreement;

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(11) "Service Charges" means rents, rates, fees or other charges, including all water service charges or sewer service charges for direct or indirect connection with or the use of services of the System which the Authority, under the provisions of the Act, is or may be authorized to charge and collect with regard to persons or real property;

(12) "Sewer System" means the plants, structures and other real and personal property acquired, constructed or operated or to be acquired, constructed or operated by the Authority for the purposes of the Authority, including sewers, conduits, pipelines, mains, pumping and ventilating stations, sewage treatment or disposal systems, plants and works, connections, outfalls, compensating reservoirs and other plants, structures, boats, conveyances, and other real and personal property, and rights therein, and appurtenances necessary or useful and convenient for the collection, treatment, purification or disposal in a sanitary manner of any sewage, liquid or solid wastes, night soil or industrial wastes;

(13) "Surplus Revenues" means any funds which may be available for use by the Authority for any purpose, and which are not required by any contract of the Authority or Bond Resolution to be retained in any fund or account established for the security of the Authority's Bonds;

(14) "System" means, collectively, the Sewer System and the Water System; and

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(15) "Water System" means the plants, structures and other real and personal property acquired, constructed or operated or to be acquired, constructed or operated by the Authority for the purposes of the Authority, including reservoirs, basins, dams, canals, aqueducts, standpipes, conduits, pipelines, mains, pumping stations, water distribution systems, compensating reservoirs, waterworks or sources of water supply, wells, purification or filtration plants or other plants and works, connections, rights of flowage or diversion, and other plants, structures, boats, conveyances, and other real and personal property, and rights therein, and appurtenances necessary or useful and convenient for the accumulation, supply or distribution of water.

Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, words importing the masculine shall include the feminine, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities (including public bodies), as well as natural persons.

The terms "hereby", "hereof", "hereto", "herein", "hereunder", and any similar terms, as used in this Agreement refer to this Agreement.

Section 102. Severability of Invalid Provision. If any one or more of the covenants or agreements provided in this Agreement, on the part of the Authority or the Borough to be performed should be contrary to law, then such covenant or

-1.4-

covenants, agreement or agreements, shall be deemed separable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Agreement.

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ARTICLE II
The System

Section 201. Operation of Water System and Sewer System. (1) The Authority will operate and maintain and, to the extent permitted under the terms of Section 202(1) hereof, enlarge the Water System so as to supply and distribute water, subject to and in conformity with the provisions of this Agreement and with respect to any property connected thereto in accordance with the provisions of this Article.

(2) The Authority will operate and maintain and, to the extent permitted under the terms of Section 202(2) hereof, enlarge the Sewer System so as to collect, treat and dispose sewage, subject to and in conformity with the provisions of this Agreement and with respect to any property connected thereto in accordance with the provisions of this Article.

Section 202. Alteration, Renewal or Extension of System. (1) The Authority may at any time enlarge, alter or improve the Water System or renew or replace any part thereof, but the Authority shall not construct or acquire, and nothing in this Agreement shall be deemed to require the Authority to construct or acquire, any extension of any water main as an extension of the Water System unless a certificate of a consulting engineer retained by the Authority shall be delivered to the Authority stating the opinion that the estimated Service Charges to be collected with respect to the System, together with other available funds and revenues,

-2.1-

Section 203. Locations of Water System and Sewer System and Use of Public Property. (1) The Authority shall have the right to construct, maintain, operate and use such reservoirs, basins, dams, canals, aqueducts, standpipes, conduits, pipelines, mains, pumping and ventilating stations, treatment, purification and filtration plants or works, trunk, intercepting and outlet sewers, water distribution systems, waterworks, sources of water supply and wells at such places within or without the Borough, and such other plants, structures, boats and conveyances as in the judgment of the Authority are necessary to provide water supply and distribution service by means of the Water System, and to that end, may enter upon and use and connect with any existing public drains, conduits, pipelines, pumping and ventilating stations or any other public property of a similar nature within the Borough and close off and seal outlets and outfalls therefrom, and may construct, maintain and operate the Water System, free of charge by the Borough, along, over, under and in any streets, alleys, highways and other public places within the Borough.

(2) The Authority shall have the right to construct, maintain, operate and use such conduits, pipelines, mains, pumping and ventilating stations, trunk, intercepting and outlet sewers, sewage treatment and disposal systems, plants and works at such places within or without the Borough, and such other plants, structures, boats and conveyances as in the judgment of the Authority are necessary to provide sewage

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other than Annual Charges, exceed the estimated operating expenses with respect to the System for a period of not less than three years after the time of placing in operation of such extension.

(2) The Authority may at any time enlarge, alter or improve the Sewer System or renew or replace any part thereof, but the Authority shall not construct or acquire, and nothing in this Agreement shall be deemed to require the Authority to construct or acquire any extension of any sewer as an extension of the Sewer System unless a certificate of a consulting engineer retained by the Authority shall be delivered to the Authority stating the opinion that the estimated Service Charges to be collected with respect to the System, together with other available funds and revenues, other than Annual Charges, exceed the estimated operating expenses with respect to the System for a period of not less than three years after the time of placing in operation of such extension.

(3) Notwithstanding anything to the contrary in this Section 202, the Authority shall not enlarge, alter or improve the Water System or the Sewer System or renew or replace any part thereof which requires the issuance of debt by the Authority, unless the Authority first receives the written consent of the Borough to such enlargement, alteration, improvement, renewal or replacement.

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collection and disposal service by means of the Sewer System, and to that end, may enter upon and use and connect with any existing public drains, sewers, conduits, pipelines, pumping and ventilating stations and sewage treatment plants and works or any other public property of a similar nature within the Borough and close off and seal outlets and outfalls therefrom, and may construct, maintain and operate the Sewer System, free of charge by the Borough, along, over, under and in any streets, alleys, highways and other public places within the Borough.

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ARTICLE III

Charges by the Authority and
Payments by the Borough

Section 301. Service Charges. With respect to all water services, facilities or products sold, supplied or furnished by or from the System, all sewage or other wastes delivered into the System, and for all direct or indirect connections with, and all use, products and services of the System, the Authority will charge Service Charges in accordance with the Act and at least to the extent required by this Agreement and at the rates established in accordance herewith. The Service Charges shall be computed at rates estimated (together with all other available moneys, excluding Annual Charges) to be at least sufficient to provide for the receipt by the Authority in each Fiscal Year of the sum of money equal to the sum of all of the amounts necessary in such Fiscal Year (1) to pay or provide for the expenses of operation and maintenance of the System and the Debt Service Requirement during such Fiscal Year, and (2) to maintain such reserves or sinking funds as may be required by the terms of any contract of the Authority or any Bond Resolution, or as may be deemed necessary or desirable by the Authority, and (3) to comply in all respects with the terms and provisions of any Bond Resolution and of the Act, but nothing in this Section or in this Agreement shall prevent the Authority from charging Service Charges which shall be less than sufficient to comply with the foregoing requirement, provided that the Borough

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provide for expenses of the operation and maintenance of the System or for any interest on or principal or redemption price of Bonds or for any such deficits as may be required by the terms of any contract of the Authority or Bond Resolution or be deemed necessary or desirable by the Authority, over

(B) the sum of such parts (if any) of the several amounts referred to in subparagraph (A) of this Section as, prior to the end of such Fiscal Year, are properly paid and discharged or fully provided for by application, in accordance with the Act or any Bond Resolution, of (1) Service Charges collected by the Authority, (2) the proceeds of Bonds received by or for account of the Authority, (3) the proceeds of insurance received by or for account of the Authority, (4) interest received on investments of funds held for the benefit or security of the Authority or the holders of Bonds, (5) contributions received by or for account of the Authority until after the payment in full of all other obligations of the Authority including its Bonds, original or refunding or both, or (6) reserves on hand and applicable and available therefor at the beginning of such Fiscal Year.

Section 303. Rates of Service Charges. (1) The Service Charges to be prescribed, fixed and charged by the Authority pursuant to this Agreement shall be computed in

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shall have given its written consent in the manner herein provided to such lesser Service Charges.

Section 302. Annual Charges. For the sale and supplying of water in the Borough and for the treatment and disposal of sewage originating in the Borough and to assure continuance of such sale and supplying of water and such treatment and disposal of sewage, all at reasonable rates of Service Charges, the Authority will charge the Borough and the Borough shall make payment to the Authority of Annual Charges computed and to be paid as set forth in this Agreement. The Annual Charges made and to be charged by the Authority to and payable by the Borough for or with respect to any Fiscal Year shall be the sum of money equal to the excess (if any) of

(A) the sum of all of the amounts necessary or expended in such Fiscal Year (1) to pay or provide for the expenses of the operation and maintenance of the System, including (without limitation) sewerage treatment charges, water purchases, water charges, insurance, renewals, replacements, extensions, enlargements, alterations and betterments, but excluding depreciation, (2) to pay or provide for the Debt Service Requirement during such Fiscal Year, (3) to pay or provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority by the Borough, any other municipality, any county or any person, or from any other cause, and (4) to maintain such reserve or sinking fund to

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accordance with and at the rates shown on the schedule of such charges attached hereto as Schedule A. The Authority may from time to time modify such schedule but only by amendments adopted in conformity with the restrictions of, and permitted by, this Section.

(2) The Authority shall not, without the written consent of the Borough, adopt or make any amendment of the schedule referred to in paragraph (1) of this Section (or of any revision thereof) at any time or in any particular if (a) with respect to any Fiscal Year after the end of the second Fiscal Year after the date of this Agreement, there has been an Annual Charge payable in either of the two Fiscal Years next preceding the adoption of such amendment, (b) with respect to any Fiscal Year, the Authority anticipates that an Annual Charge will be payable or (c) at the time of the adoption of such amendment there remains any Annual Charges that have not been repaid to the Borough by the Authority.

(3) Notwithstanding the provisions of paragraph (2) of this Section 303, the Authority may adopt or make any amendment of the schedule referred to in paragraph (1) of this Section 303 (or any revisions thereof) at any time or in any particular if

(a) Such amendment imposes or affects only a payment (generally called a "connection charge") to be made to the Authority for or with respect to each making or discontinuing of a service connection to the System, or

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(b) Such amendment is required by the terms of any final judgment or decree of a court of competent jurisdiction, or

(c) Such amendment is required by any of the terms or provisions of, or any of the covenants made for the benefit of holders of Bonds.

Section 304. Payment of Annual Charges by the Borough. (1) For or in connection with the sale and supplying of water and the treatment and disposal of sewage or other wastes in the Borough by means of the System during each Fiscal Year, the Borough shall pay to the Authority Annual Charges made and charged by the Authority to and payable by the Borough for such Fiscal Year computed by the Authority as provided in this Article. By each April 15, the Authority shall notify the Borough of the estimated Annual Charges for the preceding Fiscal Year. By each June 15, the Authority will make and deliver to the Borough its certificate stating the amount of the Annual Charges (if any) for such preceding Fiscal Year computed in accordance with this Agreement accompanied by the written approval, signed by an Accountant, of the statements in such certificate. The Annual Charges for each Fiscal Year, to the extent that any part thereof shall not have been theretofore paid, shall in all events be due and payable no later than January 15 next succeeding the close of such Fiscal Year, but current provision for and payment of part of such Annual Charges on an annualized basis shall be made by the Borough in accordance with the following paragraphs of this Section.

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(2) By November 1 of each Fiscal Year, the Authority will make an estimate of the amount of the Annual Charges which will become payable by the Borough for such Fiscal Year and thereafter by December 1 of such Fiscal Year, will make and deliver to the Borough its certificate stating such estimated amount of the Annual Charges for such Fiscal Year. In the event that any part of any Annual Charges theretofore becoming payable by the Borough shall not have been paid, the Authority will include in such certificate an additional provision separately stating the amount of such unpaid part (hereinafter called the "Prior Annual Charges Deficiency").

(3) The Borough will in each year make all budgetary and other provisions or appropriations necessary to provide for and authorize the payment by the Borough to the Authority during each Fiscal Year of the estimated amount of the Annual Charges and the amount of the Prior Annual Charges Deficiency (if any) stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid.

(4) By January 15 of such Fiscal Year, the Borough will pay to the Authority the amount of the Prior Annual Charges Deficiency (if any) stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid. The Borough will pay to the Authority that part of the estimated amount of the Annual Charges stated in the certificate delivered in such Fiscal Year to it by the Authority as aforesaid in four equal installments on the last day of October, January, April and July of such Fiscal Year.

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(5) In the event that the amount of the Annual Charges made and charged by the Authority to and payable by the Borough for any Fiscal Year computed as provided in this Article shall be less than the estimated amount of such Annual Charges (as aforesaid) stated in the certificate delivered in such Fiscal Year to it by the Authority and paid by it to the Authority, the Authority will credit the difference between said amounts to the Borough against the amount of the next payment becoming due to the Authority from the Borough under paragraph (1) or (4) of this Section.

Section 305. Collection of Service Charges. The Authority will at all times take all reasonable measures permitted by the Act or otherwise by law to collect and enforce prompt payment to or for it of all Service Charges prescribed, fixed and charged by it in accordance with this Agreement and the Borough will fully cooperate and assist the Authority in that regard.

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ARTICLE IV Miscellaneous

Section 401. Rules and Regulations. The Authority may at any time promulgate, issue, publish and from time to time amend, and enforce, rules and regulations regulating the making of connections to the System or the use of services of the System or prohibiting or regulating the discharge into the System or any sewer, sanitation or drainage systems connected therewith of storm water drainage from ground surface, roof leaders or catch basins or from any other source, industrial wastes, oils, acids or any other substances which, alone or in combination with other substances discharged into the System, are or may be injurious or deleterious to the System or to its efficient operation, and the Borough will fully conform with such rules and regulations and will cause the same to be fully observed and conformed with throughout its territory. Such rules and regulations may include lists of harmful wastes, discharge of which into the System or any sewer, sanitation or drainage systems connected therewith shall be prohibited. In the enforcement of such rules and regulations (or in enforcement of Service Charges), the Authority may refuse to permit or continue the connection to the System of properties in the Borough and such refusal shall not be deemed to result in any violation by the Authority of the provisions of this Agreement as to construction or operation of the System or the charging or collection of Service Charges or any other matter.

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Section 402. Insurance. The Authority will at all times maintain adequate insurance, to the extent reasonably available, against loss or damage to the System and against public or other liability to the extent not less than that reasonably necessary to protect the interests of the Authority and the Borough, and will at all times maintain all insurance reasonably required and obtainable within limits and at costs deemed reasonable by the Authority to indemnify and save harmless the Authority and the Borough against all liabilities, judgments, costs, damages, expenses, attorney's fees for loss and damage or injury to person or property resulting directly or indirectly from the operation or a failure of operation of the System caused by the negligence or willful act of the Authority, its employees or agents.

Section 403. Accounts. The Authority will keep proper books of records and accounts in which complete and correct entries shall be made of its transactions relating to the System or any part thereof, and which, together with all other books and papers of the Authority, shall at all reasonable times be subject to inspection by the Borough. The Authority shall cause its books and accounts to be audited annually by an Accountant, and annually within 120 days after the close of each Fiscal Year, copies of the reports of such audits prepared in accordance with generally accepted accounting principles and the regulations promulgated by the Division shall be furnished to the Authority and to the Borough.

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remedies provided by law for compelling performance by the Authority of said obligation assumed by or imposed upon the Authority.

Section 407. Consents or Waivers. Whenever under the terms of this Agreement the Authority or the Borough is authorized to give its written consent, the Authority or the Borough, as the case may be, in its discretion, may give or refuse such written consent and, if given, may restrict, limit or condition such consent in such manner as it shall deem advisable. Supply by the Authority of water from the Water System, and acceptance by the Authority into the Sewer System of sewage or other wastes, in any instance in a volume or at a rate or with characteristics exceeding or violating any limit or restriction provided for, by or pursuant to this Agreement in one or more instances or under one or more circumstances shall not constitute a waiver of such limit or restriction or of any of the provisions of this Agreement and shall not in any way obligate the Authority thereafter to supply water from the Water System, or to accept or make provision for the acceptance of sewage or wastes delivered into the Sewer System, in a volume or at a rate or with characteristics exceeding or violating any such limit or restriction in any other instance or under any other circumstance.

Section 408. Special Consents by Borough. When under the terms of this Agreement the Borough is authorized to give its written consent, such consent may be given and shall be conclusively evidenced by a copy, certified by its Borough

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Section 404. Competitive Facilities. The Borough shall not construct or permit the construction of any water supply, distribution system, sewage disposal plant or sewers or other facilities for distribution of water within, or the collection, treatment or disposal of sewage originating in, the Borough unless the Authority shall have given its written consent to such construction.

Section 405. Enforcement and Obligation of Annual Charges. If any payment or part thereof due to the Authority from the Borough shall remain unpaid for thirty days following its due date, the Borough shall be charged with and will pay to the Authority interest on the amount unpaid from such date until paid, at the maximum rate prescribed by the Act for delinquent service charges. Every obligation assumed by or imposed upon the Borough by the Agreement shall be enforceable by the Authority by appropriate action or proceeding, and the Authority may have and pursue any and all remedies provided by law for the enforcement of such obligation including the remedies and processes provided by the Act with respect to Service Charges.

Section 406. Effect of Breach. Failure on the part of the Authority in any instance or under any circumstance to observe or fully perform any obligation assumed by or imposed upon it by this Agreement or by law shall not make the Authority liable in damages to the Borough or relieve the Borough from any obligation required of it under this Agreement, but the Borough may have and pursue any and all other

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Clerk and under its seal, of a resolution purporting to have been adopted by the Governing Body and purporting to give such consent.

Section 409. Special Consents by Authority. Whenever under the terms of this Agreement the Authority is authorized to give its written consent, such consent may be given and shall be conclusively evidenced by a copy, certified by its Secretary and under its seal, of a resolution purporting to have been adopted by the Authority or its members and purporting to give such consent.

Section 410. Pledge or Assignment. This Agreement may not be assigned by either party without the consent of the other, provided, however, that, since this Agreement is made with particular reference to the holders or prospective holders of Bonds for the purpose of assuring and protecting the interests of such holders, the Authority may at any time assign or pledge for the benefit and security of the holders of Bonds all of its rights under the provisions of this Agreement to receive payments from the Borough and thereafter this Agreement shall not be terminated, modified or changed by the Authority or Borough except in the manner (if any) and subject to the conditions (if any) permitted by the terms and provisions of such assignment or pledge.

Section 411. Report as to Bonds. Upon the issuance of any Bonds, the Authority shall prepare and file in the office of the clerk of the Borough a schedule setting forth the principal amount, designation, denomination, date of

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issue, place of payment, maturities, rate of interest and redemption prices, if any, on such Bonds, together with a copy of the resolution of the Authority authorizing such Bonds, each certified by the Chairman of the Authority.

Section 412. Repayments to Borough. It is agreed by the parties hereto, that the Authority shall repay to the Borough all moneys paid by the Borough to the Authority under this Agreement, except, however, Service Charges on property owned by the Borough itself, which repayment by the Authority to the Borough shall be made, within five years after such payment by the Borough, without interest only from Surplus Revenues of the Authority.

Section 413. Termination of this Agreement. This Agreement shall not be terminated while Bonds are Outstanding. However, this Agreement may be terminated by either party hereto after such time that Bonds are no longer Outstanding, but only upon two years' prior written notice to the other party hereto.

Section 414. Service Charges to Borough. Nothing contained in this Agreement shall prevent the Authority from charging Service Charges, or shall require the Authority to charge Service Charges, for or with respect to utility service supplied by the Authority to any municipal or public buildings or facilities owned or operated by the Borough in its governmental capacity.

Section 415. Execution of Counterparts. This Agreement may be executed in any number of counterparts each

of which shall be executed by the Authority and by the Borough and all of which shall be regarded for all purposes as one original and shall constitute and be but one and the same.

Section 416. No Recourse Against Members or Officers. No recourse shall be had for the payment of the principal of or the interest on the Bonds or for the payment of Annual Charges or for any claim based thereon or on the Bond Resolution against any member of the Governing Body or of the Authority or against any person executing the Bonds.

Section 417. Modification. This writing constitutes the entire Agreement between the parties as to sale and supplying of water and the collection, treatment and disposal of sewage and there are no other representations or agreements, verbal or written other than those contained herein. This Agreement may only be modified, amended or supplemented by the written agreement of all the parties hereto, and if assigned, the assignee.

Section 418. Notices. All notices shall be deemed to have been given or made when mailed, postage prepaid, or delivered to the parties at the addresses listed below or such other addresses as any such party may designate in writing to the other parties from time to time for such purposes:

Authority: 48 West 5th Avenue
Pine Hill, New Jersey
Borough: 48 West 5th Avenue
Pine Hill, New Jersey

Section 419. Laws of New Jersey. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the Authority and the Borough have caused their respective seals to be hereunto affixed and attested and these presents to be signed by their respective officers thereunto duly authorized and this Agreement to be dated as of the day and year first above written.

PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY

By: Elwood U. Harris
Elwood U. Harris
Chairman

ATTEST:

Herencia Schatthaus
Herencia Schatthaus
Secretary

THE BOROUGH OF PINE HILL IN THE COUNTY OF CAMDEN

By: Joseph Nunes
Joseph Nunes
Mayor

ATTEST:

Joan A. Schneebele
Joan A. Schneebele
Clerk

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

INDEPENDENT AUDITOR'S REPORT

The Chairman and Members of the
Pine Hill Municipal Utilities Authority
Pine Hill, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pine Hill Municipal Utilities Authority, in the County of Camden, State of New Jersey, a component unit of the Borough of Pine Hill (Authority), as of and for the fiscal years ended July 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the Authority'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 accounting principles generally accepted in the United States of America; 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Pine Hill Municipal Utilities Authority, in the County of Camden, State of New Jersey as of July 31, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the fiscal year ended July 31, 2018, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pension*. Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statement No. 75, beginning net position on the statements of revenue, expenses and changes in net position has been restated for fiscal year July 31, 2018, as discussed in note 9 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Authority's Report of Audit for the fiscal year ended June 30, 2018, includes certain required supplementary information, including the management's discussion and analysis, schedule of changes in the Authority's total OPEB liability and related ratios, schedule of the Authority's proportionate share of the net OPEB liability, schedule of the Authority's OPEB contributions, schedule of the Authority's proportionate share of the net pension liability and schedule of the Authority's pension contributions, and other information that is not included with this presentation of the basic financial statements.

Respectfully submitted,

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

Woodbury, New Jersey
June 28, 2019

PINE HILL MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position
As of July 31, 2018 and 2017

	2018	2017
<u>ASSETS</u>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 3,589,970.66	\$ 1,611,828.20
Change Fund	150.00	150.00
Consumer Accounts Receivable	311,994.67	331,184.35
Prepaid Expenses	-	21,534.00
Total Unrestricted Assets	<u>3,902,115.33</u>	<u>1,964,696.55</u>
Restricted Assets:		
Cash and Cash Equivalents	1,485,212.78	1,846,628.54
NJFIT Program Receivable	20,643.00	-
Total Restricted Assets	<u>1,505,855.78</u>	<u>1,846,628.54</u>
Total Current Assets	<u>5,407,971.11</u>	<u>3,811,325.09</u>
Noncurrent Assets:		
Capital Assets:		
Completed (Net of Accumulated Depreciation)	8,768,084.01	7,185,334.89
Construction in Progress	10,000.00	1,615,116.88
Total Capital Assets	<u>8,778,084.01</u>	<u>8,800,451.77</u>
Total Non-Current Assets	<u>8,778,084.01</u>	<u>8,800,451.77</u>
Total Assets	<u>14,186,055.12</u>	<u>12,611,776.86</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to Pensions	330,093.00	497,622.00
Related to OPEB	904,680.00	-
Total Deferred Outflows of Resources	<u>1,234,773.00</u>	<u>497,622.00</u>
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operations	65,232.10	27.00
Accounts Payable - Related to Pensions	78,934.00	76,265.00
Overpayments	6,015.18	5,006.30
Payroll Deductions Payable	7,171.58	7,381.58
Developer Escrow Deposits	37,656.62	35,514.29
Total Current Liabilities Payable from Unrestricted Assets	<u>195,009.48</u>	<u>124,194.17</u>

(Continued)

PINE HILL MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position
As of July 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES (CONT'D)</u>		
Current Liabilities Payable from Restricted Assets:		
Accounts Payable	\$ 10,000.00	\$ 21,037.96
Accrued Interest Payable	48,387.61	44,106.96
Revenue Bonds Payable - Current Portion	192,978.55	183,822.72
New Jersey Environmental Infrastructure Trust Loan Payable - Current Portion	253,769.82	184,103.22
Contribution for Future Construction	<u>10,000.00</u>	<u>10,000.00</u>
Total Current Liabilities Payable from Restricted Assets	<u>515,135.98</u>	<u>443,070.86</u>
Long-term Liabilities:		
Revenue Bonds Payable	650,880.67	842,306.16
New Jersey Environmental Infrastructure Trust Loan Payable	2,903,372.29	1,559,069.11
Compensated Absences Payable	100,679.69	101,882.50
Net OPEB Obligation	3,896,995.00	1,573,019.36
Net Pension Liability	<u>1,442,294.00</u>	<u>1,768,960.00</u>
Total Long-term Liabilities	<u>8,994,221.65</u>	<u>5,845,237.13</u>
Total Liabilities	<u>9,704,367.11</u>	<u>6,412,502.16</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Advanced Billings	243,597.50	243,432.50
Related to Pensions	<u>532,950.00</u>	<u>355,078.00</u>
Total Deferred Inflows of Resources	<u>776,547.50</u>	<u>598,510.50</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	4,797,725.68	6,031,150.56
Restricted:		
Bond Resolution Covenants	1,479,524.28	1,365,331.07
Unrestricted (Deficit)	<u>(1,337,336.45)</u>	<u>(1,298,095.43)</u>
Total Net Position	<u>\$ 4,939,913.51</u>	<u>\$ 6,098,386.20</u>

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

PINE HILL MUNICIPAL UTILITIES AUTHORITY
 Statements of Revenue, Expenses and Changes in Net Position
 For the Fiscal Years Ended July 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Service Charges	\$ 2,161,257.79	\$ 2,121,555.52
Connection Fees	2,525.00	-
Other Operating Revenues	<u>13,725.77</u>	<u>84,429.02</u>
Total Operating Revenues	<u>2,177,508.56</u>	<u>2,205,984.54</u>
Operating Expenses:		
Administration:		
Salaries and Wages	243,682.75	289,140.33
Fringe Benefits	329,470.80	295,096.64
Other Expenses	264,594.37	248,478.51
Cost of Providing Services		
Salaries and Wages	351,487.47	335,166.78
Fringe Benefits	354,824.46	335,189.15
Other Expenses	607,652.79	529,800.95
Major Repairs and Other Expenses	97,855.87	70,671.42
Depreciation	<u>339,115.67</u>	<u>371,813.83</u>
Total Operating Expenses	<u>2,588,684.18</u>	<u>2,475,357.61</u>
Operating Loss	<u>(411,175.62)</u>	<u>(269,373.07)</u>
Non-operating Revenue (Expenses):		
Investment Income	26,671.90	1,705.73
Interest Expense	(81,038.00)	(87,512.68)
Other Non-operating Income	<u>189,812.12</u>	<u>226,907.38</u>
Total Non-operating Revenue (Expenses)	<u>135,446.02</u>	<u>141,100.43</u>
Change in Net Position Before Capital Contributions	(275,729.60)	(128,272.64)
Capital Contributions	<u>231,539.55</u>	<u>-</u>
Change in Net Position	<u>(44,190.05)</u>	<u>(128,272.64)</u>
Net Position August 1, As Originally Stated	6,098,386.20	6,461,930.90
Restatement (See Note 9)	<u>(1,114,282.64)</u>	<u>-</u>
Net Position August 1, As Restated	<u>4,984,103.56</u>	<u>6,226,658.84</u>
Net Position July 31	<u>\$ 4,939,913.51</u>	<u>\$ 6,098,386.20</u>

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

PINE HILL MUNICIPAL UTILITIES AUTHORITY
 Statements of Cash Flows
 For the Fiscal Years Ended July 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 2,184,146.35	\$ 2,034,726.11
Payments to Suppliers	(1,143,386.32)	(1,128,634.02)
Payments to Employees	(596,583.03)	(637,489.39)
Other Operating Receipts	15,868.10	78,330.45
Other Operating Disbursements	(97,855.87)	(70,671.42)
Net Cash Provided by Operating Activities	362,189.23	276,261.73
Cash Flows from Noncapital Financing Activities:		
Other Non-Operating Revenue	189,812.12	228,187.18
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions	(327,785.87)	(1,424,023.52)
Developer Capital Contributions	231,539.55	-
NJEIT Program Receivable	1,577,430.00	-
Bond Principal	(367,925.92)	(356,550.70)
Interest Expense	(75,204.31)	(92,582.92)
Net Cash Provided by (Used) in Capital and Related Financing Activities	1,038,053.45	(1,873,157.14)
Cash Flows from Investing Activities:		
Interest on Investments	26,671.90	1,705.73
Net Cash Provided by Investing Activities	26,671.90	1,705.73
Net Increased (Decrease) in Cash and Cash Equivalents	1,616,726.70	(1,367,002.50)
Cash and Cash Equivalents -- August 1	3,458,606.74	4,825,609.24
Cash and Cash Equivalents -- July 31	\$ 5,075,333.44	\$ 3,458,606.74
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss	\$ (411,175.62)	\$ (269,373.07)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation Expense	339,115.67	371,813.83
Accrued Pension Expense (GASB 68)	21,404.00	84,953.00
Accrued OPEB Liability (GASB 75)	305,013.00	-
Change in Assets and Liabilities:		
Change in Consumer Accounts Receivable	20,198.56	(87,211.91)
Change in Prepaid Expenses	21,534.00	(21,534.00)
Change in Accounts Payable - Operations	65,205.10	(689.40)
Change in Accrued Liabilities	(1,412.81)	204,019.35
Change in Advanced Billings	165.00	382.50
Change in Developers' Escrow Deposits	2,142.33	(6,098.57)
Net Cash Provided by Operating Activities	\$ 362,189.23	\$ 276,261.73

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

PINE HILL MUNICIPAL UTILITIES AUTHORITY
Notes to Financial Statements
For the Fiscal Years Ended July 31, 2018 and 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pine Hill Municipal Utilities Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

The Pine Hill Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was originally created by an ordinance adopted on March 9, 1959 by the governing body of the Borough of Pine Hill (the "Borough"), pursuant to the Municipal and County Utilities Authorities Law. The Authority maintains two separate funds, the Sewer Utility Fund and the Water Utility Fund. With respect to the Water Utility, on July 23, 1962, the Authority adopted a Bond Resolution authorizing the Trust Agreement dated August 1, 1962 and issuing Water Revenue Bonds in the amount of \$700,000.00. Additional Water Revenue Bonds were authorized and issued under this Trust Agreement in 1973, 1985, 1992, and 1997. With respect to the Sewer Utility, on October 15, 1971, the Authority entered into a loan agreement for the construction of a wastewater collection system. On December 1, 1986, the Authority entered into an Indenture of Trust to permanently fund the above loan agreement with the issuance of Sewer Revenue Bonds. Additional Sewer Revenue Bonds were authorized and issued under this Trust Agreement in October 1999, November 2007, and in May 2014. Both Trust Agreements are in effect as of July 31, 2018.

The Authority was created for the purpose of constructing, maintaining and operating water supply and distribution and wastewater collection system within the municipal boundaries of the Borough. The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in 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*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Unit (Cont'd)**

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Borough of Pine Hill.

Basis of Presentation

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenditures.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are recognized when the fees are received.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets and Budgetary Accounting (Cont'd)**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond and loan principal. Depreciation expense and the annual required contribution for the Authority's Other Postemployment Benefits (OPEB) Plan and the Net Pension Liability (PERS), are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The Authority adopted an amending budget resolution during the fiscal year.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At fiscal year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental 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. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

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

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

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Inventories

Inventory consists principally of chemicals for the treatment of water, sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased prior to January 1, 2003 are stated at estimated cost. Assets purchased since are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

Expenditures, which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the fiscal year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

Depreciation

Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	<u>Years</u>
Buildings and Improvements	30-40
Infrastructure	40
Equipment	8-15
Fixed Equipment	8-15

For assets placed into service prior to July 31, 2003, half-year depreciation was taken in the year of acquisition. For assets placed into service after July 31, 2003, depreciation is taken starting in the month after the asset is placed into service.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Deferred Outflows and Deferred Inflows of Resources**

The statements of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources: advanced sewer billings, defined benefit pension plans and postemployment benefit plans.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments"*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Net Position (Cont'd)**

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

Income Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

Operating revenues include all revenues derived from water and sewer service charges and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and on investments in debt securities and mobile antenna lease income.

Operating expenses include expenses associated with the operation, maintenance and repair of the water and sewer systems and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt and major non-recurring repairs.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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

For the fiscal year ended July 31, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The cumulative effect of adopting this Statement totaled \$1,114,282.64, and was recognized as a restatement of the Authority's July 31, 2017, net position on the Comparative Statements of Revenue, Expenses and Changes in Net Position (see note 9).

Also, the Authority adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of this Statement had no impact on the Authority's financial statements.

Additionally, the Authority adopted Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this Statement had no impact on the Authority's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued and Adopted Accounting Pronouncements (Cont'd)**

Lastly, the Authority adopted Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this Statement had no impact on the Authority's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Statement will become effective for the Authority in the fiscal year ending July 31, 2019. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement will become effective for the Authority in the fiscal year ending July 31, 2020. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement will become effective for the Authority in the fiscal year ending July 31, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement will become effective for the Authority in the fiscal year ending July 31, 2019. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The Statement will become effective for the Authority in the fiscal year ending July 31, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 90, *Major Equity Interests*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement will become effective for the Authority in the fiscal year ending July 31, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**Compliance with Finance Related Legal and Contractual Provisions**

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions except for the Water Utility debt service coverage deficiency. See Note 2 – Debt Service Coverage.

General Bond Resolution

The Authority is subject to the provisions and restrictions of the Water Utility System Revenue Bond Resolution dated July 23, 1962, as amended and the Sewer Utility System Revenue Bond Resolution, dated October 16, 1985, as amended (collectively the "Bond Resolution"). As required by the Bond Resolution, certain cash accounts and investments of the Authority are maintained by an independent trustee, accounted for in various accounts and segregated for specific use and for the security of the bondholders. A summary of the activities of each account created by the respective Bond Resolution is covered below.

Water Utility System Revenue Bonds

Revenue Account - All water operating revenues received by the Authority are deposited in the revenue account and subsequently transferred into other accounts to satisfy the bond covenants or to pay the water operating expenses, except for any grants-in-aid of construction that are deposited in the construction account.

Operating Account - This account is maintained to pay the Authority water operating expenses. The balance must be equal to the amount appropriated for operating expenses in the annual budget for the three calendar month period beginning with such monthly date. At July 31, 2018, the balance in the operating account meets the requirements of the Bond Resolution.

Debt Service Account - Periodic transfers from the revenue account are deposited to pay current principal maturities and interest on the Water Utility System Revenue Bonds Series 1985, 1992, and 1997 and the 2014 New Jersey Environmental Infrastructure Trust Loan.

Debt Service Reserve Account - The amounts of funds on deposit must be maintained at a level equal to the Maximum Debt Service to insure funds are available for payment of Debt Service. At July 31, 2018, the balance in the debt service reserve account meets the requirements of the Bond Resolution.

Renewal and Replacement Account - This account is maintained to pay for the reasonable and necessary expenses for major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals. Funds on deposit must be equal to the System Reserve Requirement. The restricted net position on July 31, 2018 of \$400,000.00 met the requirement of the Bond Resolution.

Construction Account – The Construction account is designated for moneys from any source including proceeds from the sale of additional bonds for system construction or acquisitions. All excess moneys in the account are pledged to meet any deficiency in the Debt Service Account and Debt Service Reserve Account. Any remaining excess moneys may then be transferred to the Renewal and Replacement Account.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**Sewer Utility System Revenue Bonds**

Revenue Account - All sewer operating revenues received by the Authority are deposited in the revenue account and subsequently transferred into other accounts to satisfy the bond covenants or to pay the sewer operating expenses, except for any grants-in-aid of construction that are deposited in the construction account.

Operating Account – This account is maintained to pay the Authority sewer operating expenses. The balance must be equal to the amount appropriated for operating expenses in the annual budget for the three calendar month period beginning with such monthly date. At July 31, 2018, the balance in the operating account meets the requirements of the Bond Resolution.

Debt Service Account – Periodic transfers from the revenue account are deposited to pay current principal maturities and interest on Sewer Utility System 1999, 2007, 2014 and 2017 New Jersey Environmental Infrastructure Trust Loans.

Debt Service Reserve Account - The amounts of funds on deposit must be maintained at a level equal to the Maximum Debt Service to insure funds are available for payment of Debt Service. At July 31, 2018, the balance in the debt service reserve account meets the requirements of the Bond Resolution.

General Account – In the event that all other accounts have been maintained to their maximum extent, then transfers are made to the general account. The Trustee at the request of the Authority may use the general account to pay the cost of capital additions, to purchase or redeem bonds of any series, to pay the cost of extraordinary repairs, renewals and replacements of the utility system, to repay subordinated loans, to make payment to the Borough the amounts due under the service contract (Note 5), or for any other lawful purpose, as described in the Utility System Revenue Bond Resolution.

Construction Account – The Construction account is designated for moneys from any source including proceeds from the sale of additional bonds for system construction or acquisitions. All excess moneys in the account are pledged to meet any deficiency in the Debt Service Account and Debt Service Reserve Account. Any remaining excess moneys may then be transferred to the General Account.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**Debt Service Coverage**

The computation of sufficiency of revenues for the fiscal year ended July 31, 2018 as defined by the Utility System Revenue Bond Resolutions is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>
Net Revenue:		
Operating Loss	\$ (350,793.89)	\$ (60,381.73)
Add:		
Depreciation Expense	157,465.81	181,649.86
Net OPEB Cost	183,007.80	122,005.20
Net Pension Expense	55,081.20	36,720.80
Interest Revenue	12,489.73	14,182.17
Antenna Lease Income	189,812.12	-
Total Net Revenues	<u>\$ 247,062.77</u>	<u>\$ 294,176.30</u>
Debt Service		
Interest on Bonds	\$ 52,970.04	\$ 22,233.72
Bond Principal	201,587.89	166,338.03
Total Debt Service	<u>\$ 254,557.93</u>	<u>\$ 188,571.75</u>
Ratio of Net Revenue to Debt Service	0.97	1.56
Required Ratio	1.20	1.10

The Authority adopted Resolution 2018-62 increasing the water rate by 25% effective July 1, 2018 and an additional 25% effective July 1, 2019 in anticipation of correcting the Water Utility coverage deficiency.

The computation of sufficiency of revenues for the fiscal year ended July 31, 2017 as defined by the Utility System Revenue Bond Resolutions is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>
Net Revenue:		
Operating Loss	\$ (274,905.53)	\$ (21,875.91)
Add:		
Depreciation Expense	163,472.41	208,341.42
Net OPEB Cost	130,320.98	86,880.65
Net Pension Expense	90,247.80	60,165.20
Interest Revenue	984.51	721.22
Antenna Lease Income	226,907.38	-
Total Net Revenues	<u>\$ 337,027.55</u>	<u>\$ 334,232.58</u>
Debt Service		
Interest on Bonds	\$ 62,378.33	\$ 30,204.59
Bond Principal	187,640.62	168,910.08
Total Debt Service	<u>\$ 250,018.95</u>	<u>\$ 199,114.67</u>
Ratio of Net Revenue to Debt Service	1.35	1.68
Required Ratio	1.20	1.10

The required debt service coverage was met for fiscal year ended July 31, 2017.

Note 3: DETAIL NOTES - ASSETS**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 Authority's deposits might not be recovered. Although the Authority 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 Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below.

As of July 31, 2018 and 2017, the Authority's bank balances were exposed to custodial credit risk as follows:

	July 31,	
	<u>2018</u>	<u>2017</u>
Insured by FDIC and GUDPA	<u>\$ 5,070,474.00</u>	<u>\$ 3,409,316.49</u>

Service Fees

The following is a three-year comparison of water and sewer service charge billings and collections for all types of accounts maintained by the Authority:

Water Utility:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2018	\$ 159,823.06	\$ 1,173,739.25	\$ 1,171,344.79	87.84%
2017	119,772.74	1,192,143.18	1,151,986.14	87.81%
2016	172,694.48	1,135,597.81	1,182,041.84	90.35%

Sewer Utility:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2018	\$ 171,361.29	\$ 990,151.28	\$ 1,011,192.68	87.06%
2017	122,986.07	1,000,271.89	951,731.50	84.73%
2016	196,466.03	995,760.50	1,056,197.89	88.59%

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets**

During the fiscal year ended July 31, 2018 the following changes in Capital Assets occurred:

	Balance <u>August 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	Balance <u>July 31, 2018</u>
Capital Assets not being Depreciated:					
Construction in Progress	\$ 1,615,116.88	\$ 414,603.78	\$ (1,921,864.79)	\$ 97,855.87	\$ 10,000.00
Total Capital Assets not being Depreciated	<u>1,615,116.88</u>	<u>414,603.78</u>	<u>(1,921,864.79)</u>	<u>97,855.87</u>	<u>10,000.00</u>
Capital Assets being Depreciated:					
Infrastructure	14,051,939.97		1,921,864.79		15,973,804.76
Buildings & Improvements	242,497.81				242,497.81
Fixed Equipment	865,197.52				865,197.52
Equipment	473,748.39				473,748.39
Total Capital Assets being Depreciated	<u>15,633,383.69</u>	<u>-</u>	<u>1,921,864.79</u>	<u>-</u>	<u>17,555,248.48</u>
Total Capital Assets	<u>17,248,500.57</u>	<u>414,603.78</u>	<u>-</u>	<u>97,855.87</u>	<u>17,565,248.48</u>
Less Accumulated Depreciation:					
Infrastructure	(7,245,443.50)	(283,227.65)			(7,528,671.15)
Buildings & Improvements	(161,734.03)	(7,304.53)			(169,038.56)
Fixed Equipment	(603,174.18)	(36,092.97)			(639,267.15)
Equipment	(437,697.09)	(12,490.54)			(450,187.63)
Total Accumulated Depreciation	<u>(8,448,048.80)</u>	<u>(339,115.69)</u>	<u>-</u>	<u>-</u>	<u>(8,787,164.49)</u>
Capital Assets, Net	<u>\$ 8,800,451.77</u>	<u>\$ 75,488.09</u>	<u>\$ -</u>	<u>\$ 97,855.87</u>	<u>\$ 8,778,083.99</u>

Note 3: DETAIL NOTES – ASSETS (CONT'D)**Capital Assets (Cont'd)**

During the fiscal year ended July 31, 2017 the following changes in Capital Assets occurred:

	Balance <u>August 1, 2016</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	Balance <u>July 31, 2017</u>
Capital Assets not being Depreciated:					
Construction in Progress	\$ 243,160.21	\$ 1,371,956.67			\$ 1,615,116.88
Total Capital Assets not being Depreciated	243,160.21	1,371,956.67	-	-	1,615,116.88
Capital Assets being Depreciated:					
Infrastructure	14,051,939.97				14,051,939.97
Buildings & Improvements	242,497.81				242,497.81
Fixed Equipment	833,107.71	32,089.81			865,197.52
Equipment	434,937.39	38,811.00			473,748.39
Total Capital Assets being Depreciated	15,562,482.88	70,900.81	-	-	15,633,383.69
Total Capital Assets	15,805,643.09	1,442,857.48	-	-	17,248,500.57
Less Accumulated Depreciation:					
Infrastructure	(6,935,446.72)	(309,996.78)			(7,245,443.50)
Buildings & Improvements	(154,429.49)	(7,304.54)			(161,734.03)
Fixed Equipment	(564,593.38)	(38,580.80)			(603,174.18)
Equipment	(421,765.38)	(15,931.71)			(437,697.09)
Total Accumulated Depreciation	(8,076,234.97)	(371,813.83)	-	-	(8,448,048.80)
Capital Assets, Net	\$ 7,729,408.12	\$ 1,071,043.65	\$ -	\$ -	\$ 8,800,451.77

Note 4: DETAIL NOTES – LIABILITIES**Long-term Liabilities**

During the fiscal year ended July 31, 2018, the following changes occurred in long-term obligations:

	Balance August 1, 2017 As Originally Stated	Restatement	Balance August 1, 2017 As Restated	Additions	Reductions	Balance July 31, 2018	Due Within One Year
Bonds and Loans Payable:							
Revenue Bonds Payable	\$ 1,027,681.92		\$ 1,027,681.92		\$ (183,822.70)	\$ 843,859.22	\$ 192,978.55
Bond Issue Discounts	(1,553.04)		(1,553.04)		1,553.04	-	
NJEIT Loans	1,743,172.33		1,743,172.33	\$ 1,598,073.00	(184,103.22)	3,157,142.11	253,769.82
Total Bonds Payable	2,769,301.21	-	2,769,301.21	1,598,073.00	(366,372.88)	4,001,001.33	446,748.37
Other Liabilities:							
Net Pension Liability	1,768,960.00		1,768,960.00	770,901.00	(1,097,567.00)	1,442,294.00	
Net OPEB Obligation	1,573,019.36	\$ 1,114,282.64	2,687,302.00	1,263,881.00	(54,188.00)	3,896,995.00	
Compensated Absences	101,882.50		101,882.50	1,025.76	(2,228.57)	100,679.69	
Total Other Liabilities	3,443,861.86	1,114,282.64	4,558,144.50	2,035,807.76	(1,153,983.57)	5,439,968.69	-
Total Long Term Liabilities	\$ 6,213,163.07	\$ 1,114,282.64	\$ 7,327,445.71	\$ 3,633,880.76	\$ (1,520,356.45)	\$ 9,440,970.02	\$ 446,748.37

During the fiscal year ended July 31, 2017, the following changes occurred in long-term obligations:

	Balance August 1, 2016	Additions	Reductions	Balance July 31, 2017	Due Within One Year
Bonds and Loans Payable:					
Revenue Bonds Payable	\$ 1,202,557.36		\$ (174,875.44)	\$ 1,027,681.92	\$ 183,822.72
Bond Issue Discounts	(3,106.05)		1,553.01	(1,553.04)	
NJEIT Loans	1,924,847.60		(181,675.27)	1,743,172.33	184,103.22
Total Bonds Payable	3,124,298.91	-	(354,997.70)	2,769,301.21	367,925.94
Other Liabilities:					
Net Pension Liability	2,182,315.00	\$ 642,169.00	(1,055,524.00)	1,768,960.00	
Net OPEB Obligation	1,355,817.73	217,201.63		1,573,019.36	
Compensated Absences	108,507.36	8,375.14	(15,000.00)	101,882.50	
Total Other Liabilities	3,646,640.09	867,745.77	(1,070,524.00)	3,443,861.86	-
Total Long Term Liabilities	\$ 6,770,939.00	\$ 867,745.77	\$ (1,425,521.70)	\$ 6,213,163.07	\$ 367,925.94

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Revenue Bonds Payable****Water Utility Revenue Bonds Payable**

The Revenue Bonds Series 1985, 1992 and 1997 are direct obligations of the Authority. The Bonds are secured under a Utility System Revenue Bond Resolution dated August 1, 1962 (Note 2), under which substantially all rents, revenues, receipts, fees, and other charges or income received or accrued by the Authority are pledged. Subsequent supplemental bond resolutions were adopted authorizing the issuance of the Utility System Revenue Bonds, Series 1985, 1992, and 1997. The Bonds are further secured by the limited service agreement between the Authority and the Borough (See Note 5).

The 1985 Series Bonds were issued to fund various capital improvements to the Authority's water utility system and pay certain costs related to the issuance of the 1985 Bonds. The Bonds were issued originally for \$1,205,000.00 and carried interest rate of 5.0%. The final maturity of the 1985 Bonds is August 1, 2025.

The 1992 Series Bonds were issued to fund various capital improvements to the Authority's water utility system and pay certain costs related to the issuance of the 1992 Bonds. The Bonds were issued originally for \$800,000.00 and carried interest rate of 5.5%. The final maturity of the 1992 Bonds is August 1, 2025.

The 1997 Series Bonds were issued to repay at maturity the principal of the Authority's Water Project Notes (1997 Series), the proceeds of which were used to temporarily finance a portion of the costs of certain improvements to the Authority's Water System (1997 Project); pay additional costs necessary to complete the 1997 Project; fund various reserves under the Trust agreement; and pay certain costs related to the issuance of the 1997 Bonds. The Bonds were issued originally for \$1,480,000.00 and carried interest rate of 5.2%. The final maturity of the 1997 Bonds is August 1, 2019.

The following schedule reflects the Debt Requirements until 2026.

<u>Fiscal Year</u> <u>Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 192,978.55	\$ 39,989.45	\$ 232,968.00
2020	87,353.99	32,754.01	120,108.00
2021	91,960.67	28,147.33	120,108.00
2022	96,810.85	23,297.15	120,108.00
2023	101,917.42	18,190.58	120,108.00
2024	107,293.96	12,814.04	120,108.00
2025	112,954.77	7,153.23	120,108.00
2026	52,588.99	1,360.90	53,949.89
	<u>843,859.20</u>	<u>\$ 163,706.69</u>	<u>\$ 1,007,565.89</u>
Less: Current Maturities	<u>192,978.55</u>		
Long-term Portion	<u>\$ 650,880.65</u>		

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Water Utility New Jersey Environmental Infrastructure Trust Loans Series 2014**

On May 21, 2014, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$85,000.00 Trust Loan with various interest rates dated May 21, 2014. The issue is accompanied by a separate agreement for a \$251,049.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

The following schedule reflects the Debt Service Requirements for the Authority's Water Utility 2014 New Jersey Environmental Infrastructure Trust Loans until 2034.

<u>Fiscal Year</u> <u>Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 17,765.19	\$ 2,993.76	\$ 20,758.95
2020	17,765.19	2,743.76	20,508.95
2021	17,765.19	2,493.76	20,258.95
2022	17,765.19	2,243.76	20,008.95
2023	17,765.19	1,993.76	19,758.95
2024	17,765.19	1,743.76	19,508.95
2025	17,765.19	1,493.76	19,258.95
2026	17,765.19	1,293.76	19,058.95
2027	17,765.19	1,143.76	18,908.95
2028	17,765.19	993.76	18,758.95
2029	17,765.19	843.76	18,608.95
2030	17,765.19	693.76	18,458.95
2031	17,765.19	543.76	18,308.95
2032	17,765.19	393.76	18,158.95
2033	17,765.19	240.63	18,005.82
2034	13,510.39	81.25	13,591.64
	<u>279,988.24</u>	<u>\$ 21,934.52</u>	<u>\$ 301,922.76</u>
Less: Current Maturities	<u>17,765.19</u>		
Long-term Portion	<u>\$ 262,223.05</u>		

Sewer Utility New Jersey Environmental Infrastructure Trust Loans Series 1999, 2007, 2014 and 2017

On November 1, 1999, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$715,000.00 Trust Loan with various interest rates dated October 15, 1999. The issue is accompanied by a separate agreement for a \$727,500.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

On November 1, 2007, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$530,000.00 Trust Loan with various interest rates dated November 8, 2007. The issue is accompanied by a separate agreement for a \$470,714.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

On May 21, 2014, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$165,000.00 Trust Loan with various interest rates dated May 21, 2014. The issue is accompanied by a separate agreement for a \$500,000.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Sewer Utility New Jersey Environmental Infrastructure Trust Loans Series 1999, 2007, 2014 and 2017 (Cont'd)**

On November 21, 2017, the Authority entered into an agreement with the New Jersey Environmental Infrastructure Trust for the issuance of \$415,000.00 Trust Loan with various interest rates dated November 21, 2017. The issue is accompanied by a separate agreement for a \$1,183,073.00 zero interest Fund Loan in accordance with the New Jersey Environmental Infrastructure Trust Act, P.L. 1985, c. 334.

The following schedule reflects the Debt Service Requirements for the Authority's Sewer Utility New Jersey Environmental Infrastructure Trust Loans until 2038.

<u>Fiscal Year</u> <u>Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 236,004.63	\$ 43,383.69	\$ 279,388.32
2020	265,596.07	34,216.26	299,812.33
2021	171,166.31	30,181.26	201,347.57
2022	170,305.46	27,581.26	197,886.72
2023	177,457.56	24,706.26	202,163.82
2024	181,425.36	21,712.51	203,137.87
2025	180,448.94	18,681.26	199,130.20
2026	179,444.63	15,706.26	195,150.89
2027	159,680.32	12,718.76	172,399.08
2028	154,528.17	10,062.51	164,590.68
2029	119,528.17	8,568.76	128,096.93
2030	124,528.17	7,718.76	132,246.93
2031	124,528.17	6,778.13	131,306.30
2032	124,528.17	5,806.25	130,334.42
2033	124,528.17	4,812.50	129,340.67
2034	116,053.77	3,790.63	119,844.40
2035	89,104.45	2,909.38	92,013.83
2036	89,104.45	2,175.00	91,279.45
2037	59,192.90	1,350.00	60,542.90
2038	30,000.00	450.00	30,450.00
	<u>2,877,153.87</u>	<u>\$ 283,309.44</u>	<u>\$ 3,160,463.31</u>
Less: Current Maturities	<u>236,004.63</u>		
Long-term Portion	<u>\$ 2,641,149.24</u>		

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Compensated Absences**

Authority employees may accumulate unused sick days in accordance with the Authority's personnel policy, employee contracts and union contracts. Employees are compensated for accumulated sick leave upon retirement or resignation at their then current hourly rate of pay times the number of days accumulated, up to a maximum of \$15,000.00. Vacation days not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at July 31, 2018 and July 31, 2017 is estimated at \$100,679.69 and \$101,882.50, respectively.

Net Pension Liability

For details on the net pension liability, see the Pension Plans section below. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Pension Plans

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

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

General Information about the Pension Plans
Plan Descriptions

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

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

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

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

The following represents the membership tiers for PERS:

Tier Definition

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

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

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

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over seven years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

The Authority's contractually required contribution rate for the fiscal years ended July 31, 2018 and 2017 was 13.91% and 13.04% of the Authority's covered payroll. These amounts were actuarially determined as an amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the fiscal year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2018, the Authority's contractually required contribution to the pension plan for the fiscal year ended July 31, 2018 was \$72,862.00, and was payable by April 1, 2019. Based on the PERS measurement date of June 30, 2017, the Authority's contractually required contribution to the pension plan for the fiscal year ended July 31, 2017 was \$70,398.00, which was paid on April 1, 2018. Employee contributions to the Plan during the fiscal years ended July 31, 2018 and 2017 were \$38,453.58 and \$39,710.49, respectively.

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 Authority 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 fiscal year ended July 31, 2018 and 2017, there were no employees participating in DCRP.

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

At July 31, 2018, the Authority's proportionate share of the net pension liability was \$1,442,294.00. 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 Authority's proportion of the net pension liability was based on a projection of the Authority'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 Authority's proportion was .0073251926%, which was a decrease of .0002739564% from its proportion measured as of June 30, 2017.

At July 31, 2017, the Authority's proportionate share of the net pension liability was \$1,768,960.00. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2017 measurement date, the Authority's proportion was .0075991490%, which was an increase of .0002307280% from its proportion measured as of June 30, 2016.

For the fiscal years ended July 31, 2018 and 2017, the Authority recognized pension expense of \$91,801.00 and \$150,414.00, respectively. These amounts were based on the plan's June 30, 2018 and 2017 measurement dates, respectively.

Note 4: **DETAIL NOTES – LIABILITIES (CONT'D)**

Pension Plans (Cont'd)

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

Deferred Outflows of Resources and Deferred Inflows of Resources - At July 31, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>July 31, 2018</u>		<u>July 31, 2017</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience	\$ 27,505.00	\$ 7,437.00	\$ 41,653.00	\$ -
Changes of Assumptions	237,666.00	461,169.00	356,385.00	355,078.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	13,529.00	12,045.00	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	58,850.00	50,815.00	81,672.00	-
Authority Contributions Subsequent to the Measurement Date	6,072.00	-	5,867.00	-
	<u>\$ 330,093.00</u>	<u>\$ 532,950.00</u>	<u>\$ 497,622.00</u>	<u>\$ 355,078.00</u>

The deferred outflows of resources related to pensions totaling \$6,072.00 and \$5,867.00 will be included as a reduction of the net pension liability in the fiscal years ended July 31, 2019 and 2018, respectively. This amount is based on an estimated April 1, 2020 and April 1, 2019 contractually required contribution, prorated from the pension plans measurement date of June 30, 2018 and June 30, 2017 to the Authority's fiscal year end of July 31, 2018 and 2017.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd) - The Authority will amortize the other deferred outflows of resources and deferred inflows of resources related to PERS over the following number of years:

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

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - PERS (Cont'd)**

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

Fiscal Year Ending July 31,	
2019	\$ 21,855.00
2020	(5,485.00)
2021	(98,082.00)
2022	(92,715.00)
2023	(34,502.00)
	<u>\$ (208,929.00)</u>

Actuarial Assumptions – PERS

The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018 and 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

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

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

For the June 30, 2018 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent modified 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

For the June 30, 2017 measurement date, preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 and 2016 are summarized in the table on the following page.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

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

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2018 was 5.66%. 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; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Pension Plans (Cont'd)****Actuarial Assumptions – PERS (Cont'd)**

Discount Rate (Cont'd) - The discount rate used to measure the total pension liability at June 30, 2017 was 5.00%. The respective single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

Sensitivity of Authority's Proportionate Share of Net Pension Liability to Changes in the Discount Rate – PERS

The following presents the Authority's proportionate share of the net pension liability at June 30, 2018, the plans measurement date, calculated using a discount rate of 5.66%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 1,813,518.00</u>	<u>\$ 1,442,294.00</u>	<u>\$ 1,130,860.00</u>

The following presents the Authority's proportionate share of the net pension liability at June 30, 2017, the plans measurement date, calculated using a discount rate of 5.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 2,194,515.00</u>	<u>\$ 1,768,960.00</u>	<u>\$ 1,414,420.00</u>

Pension Plan Fiduciary Net Position

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

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Authority has established a postemployment benefit plan to assist retirees in paying for medical coverage. The plan provides family prescription, vision, and medical insurance to eligible retirees with 25 years of service or those who have reached 62 years of age and have completed 20 years of service. No assets are accumulated in a trust. In accordance with GASB Statement 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement 75.

Employees Covered by Benefit Terms

	July 31, 2018
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	4
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	7
Active Employees	11
	11

Contributions

Employees are not required to contribute to the plan.

Net OPEB Liability

The Authority's total OPEB liability of \$3,896,995.00 as of July 31, 2018 was measured as of July 31, 2018. The liabilities were determined by an actuarial valuation as of July 31, 2018.

Actuarial Assumptions and Other Inputs

The following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00% Annually
Discount Rate	3.57%
Healthcare Cost Trend Rates	
Medical (Pre-65)	7.00%
Medical (Post-65)	5.00%

The discount rate was based on the 20 year Municipal AA bond rate.

Mortality rates were based on RP-2000 Combined Mortality Table for males and females, as appropriate.

Termination rates were based on the U.S. Office of Personnel Management Federal Employees Retirement System.

An experience study was not performed on the actuarial assumptions used in the July 31, 2017 valuation since the plan had insufficient data to produce a study with credible results. Mortality rates and termination rates were based on standard tables either issued by the SOA or developed for the applicable grade of employee. The actuary has used his/her professional judgement in applying these assumptions to this plan.

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)****Changes in the Total OPEB Liability**

	<u>July 31, 2018</u>
Balance at Beginning of Year	\$ 1,573,019.36
Restatement	<u>1,114,282.64</u>
Balance at Beginning of Year , Restated	2,687,302.00
Changes for the Year:	
Service Cost	\$ 133,031.00
Interest Cost	-
Benefit Payments	(54,188.00)
Actuarial Assumption Changes	658,134.00
Actuarial Demographic Gains / (Losses)	472,716.00
Net Changes	<u>1,209,693.00</u>
Balance at End of Year	<u><u>\$ 3,896,995.00</u></u>

In the fiscal year ended, July 31, 2018, there were no changes of benefit terms and the assumption for discount rate changed to 3.57% and mortality rates were updated using the RP-2000 Combined Mortality Table.

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>July 31, 2018</u>		
	1.00% Decrease (2.57%)	Current Discount Rate (3.57%)	1.00% Increase (4.57%)
Total OPEB Liability	<u>\$4,554,023.00</u>	<u>\$3,896,995.00</u>	<u>\$3,370,377.00</u>

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>July 31, 2018</u>		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Total OPEB Liability	<u>\$ 3,337,677.00</u>	<u>\$ 3,896,995.00</u>	<u>\$ 4,597,143.00</u>

Note 4: DETAIL NOTES – LIABILITIES (CONT'D)

Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended July 31, 2018, the Authority recognized OPEB expense of \$359,201.00. At July 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>July 31, 2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions or Other Inputs	\$ 526,507.00	\$ -
Changes of Actuarial Gains & Losses	<u>378,173.00</u>	<u>-</u>
	<u>\$ 904,680.00</u>	<u>\$ -</u>

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

Fiscal Year Ending <u>July 31,</u>	
2019	\$ 226,170.00
2020	226,170.00
2021	226,170.00
2022	226,170.00
2023	-
Thereafter	<u>-</u>
	<u>\$ 904,680.00</u>

Note 5: INTERGOVERNMENTAL AGREEMENTS**Borough of Pine Hill Service Agreement**

Under a Service Contract dated November 1, 1986 between the Borough of Pine Hill and the Authority, the Borough is obligated to pay the Authority "amounts" equal to any deficits in Authority revenues necessary to pay or provide for (i) operations and maintenance expenses and administrative or other expenses of the Authority, (ii) the principal of and interest on the bonds of the Authority, (ii) the maintenance of such reserves as may be required by the previously defined Bond Resolution or by any contract deemed necessary by the Authority, and (iv) amounts necessary to enable the Authority to comply with the terms of the previously defined Bond Resolution.

The Authority shall repay to the Borough all moneys paid by the Borough to the Authority under this agreement, except, however, service charges on property owned by the Borough itself, which repayment by the Authority to the Borough shall be made, within five years after such payment by the Borough, without interest only from surplus revenues of the Authority.

Note 6: DEFERRED COMPENSATION

The Authority 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 Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

Note 7: RISK MANAGEMENT

The Authority is a member of New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Workers' Compensation and Employer's Liability
Liability other than Motor Vehicles
Property Damage other than Motor Vehicles
Motor Vehicles

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

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

New Jersey Utilities Authorities Joint Insurance Fund
9 Campus Drive, Suite 16
Parsippany, New Jersey 07054-4412

Note 8: CONTINGENCIES

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

Note 9: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

As indicated in note 1 to the financial statements, the Authority adopted GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions., for the fiscal year ended July 31, 2018. As a result of implementing this Statement, a restatement of unrestricted net position was required to record the Authority's net OPEB obligation.

The cumulative effect on the financial statements as reported for July 31, 2017 is as follows:

	As Previously Reported <u>July 31, 2017</u>	Net OPEB Liability (1)	As Restated <u>July 31, 2017</u>
Net Position:			
Net Investment in Capital Assets	\$ 6,031,150.56		\$ 6,031,150.56
Restricted	1,365,331.07		1,365,331.07
Unrestricted (Deficit)	<u>(1,298,095.43)</u>	<u>\$ (1,114,282.64)</u>	<u>(2,412,378.07)</u>
Total Net Position	<u>\$ 6,098,386.20</u>	<u>\$ (1,114,282.64)</u>	<u>\$ 4,984,103.56</u>

(1) Represents the change in the Authority's Net OPEB Liability as of July 31, 2017

APPENDIX C

**CERTAIN GENERAL AND FINANCIAL INFORMATION CONCERNING
THE BOROUGH OF PINE HILL, COUNTY OF CAMDEN, NEW JERSEY**

GENERAL INFORMATION ON THE BOROUGH

Overview

The Borough is located in the central portion of Camden County, New Jersey, approximately ten miles southeast of the City of Philadelphia, Pennsylvania, with a land area of 4.0 square miles. The Borough falls within the Philadelphia, Pennsylvania-New Jersey Standard Metropolitan Statistical Area ("SMSA"), a region including Bucks, Chester, Delaware, Montgomery and Philadelphia counties in Pennsylvania and Burlington, Camden, and Gloucester counties in New Jersey.

Form of Government

The Borough is organized pursuant to *N.J.S.A. 40A:60-1 et seq.* The government consists of six (6) Council Members who are elected at large to three (3) year staggered terms. The Mayor is elected by the voters of the municipality and serves a four (4) year term. Under the statutes, the Mayor is the head of government and acts as the executive branch of government. The Council acts as the legislative branch of government and has executive powers not assigned by law to the Mayor.

Utilities

Water and sewer service within the Borough is provided by the Pine Hill Municipal Utilities Authority ("Authority"), which was created by various Borough ordinances. The Authority bills its residents for water and sewer on a quarterly basis. In addition, sewerage treatment service is provided by the Camden County Municipal Utilities Authority ("CCMUA"), a separate governmental entity created by the County of Camden, which provides sewerage treatment services to residents of the County of Camden who live in municipalities which have a contract relationship with the CCMUA, such as the Borough. The CCMUA bills its users directly for treatment services on a quarterly basis.

Public Services

Communication services are provided by Verizon Telephone Company, Comcast and XO Communications. Natural gas is provided by South Jersey Gas Company and electric service is provided by Atlantic City Electric.

Health Care Facilities

Although there are no hospitals within the Borough's boundaries, two hospitals fall within a ten mile radius of the Borough. Jefferson Hospital-Stratford Borough is a 236 bed facility. Virtua West Jersey-Voorhees and Virtua West Jersey-Berlin are part of the West Jersey Health System, a non-profit community organization, and along with West Jersey-Camden, make up the State's largest multi-hospital group. West Jersey-Berlin is an 89 bed facility while West Jersey-Voorhees is a 246 bed facility. Both hospitals include intensive care and progressive care units as well as 24 hour emergency rooms.

Transportation

The main highway serving the Borough is U.S. Route 30 (White Horse Pike) which runs from the Camden-Philadelphia area to Atlantic City. Blackwood-Clementon Road (Route 534) which bisects the Borough runs in an east-west direction and has a direct connection to Route 42. The Atlantic City Expressway is located approximately 5 miles southwest of the Borough and Interstate 295 is located approximately 6 miles north of the Borough.

The New Jersey Department of Transportation services the Borough with several bus routes. Each route provides access to the Port Authority Transit Corporation (PATCO) high-speed line. The high-speed line provides transportation to Atlantic City, Camden and Philadelphia.

Pension Costs

Those Borough employees who are eligible for pension coverage are enrolled in one of two pension systems established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are determined by the State. For additional information regarding pension costs, see Appendix B: Audited Financial Statements of the Borough, Note 7 to Financial Statements.

Borough Population(1)

<u>Year</u>	<u>Borough Population</u>	<u>County Population</u>	<u>State Population</u>
2010 Federal Census	10,233	513,601	8,791,894
2000 Federal Census	10,880	508,932	8,414,350
1990 Federal Census	9,854	502,824	7,730,188
1980 Federal Census	8,864	471,650	7,365,011
1970 Federal Census	5,132	456,291	7,171,112

Selected Census 2017 Data for the Borough (1)

Median household income	\$51,286
Median family income	\$58,474
Per capita income	\$25,399

Labor Force(2)

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Borough					
Labor Force	5,160	5,264	5,219	5,227	5,246
Employment	4,886	4,927	4,896	4,835	4,737
Unemployment	274	337	323	392	509
Unemployment Rate	5.3%	6.4%	6.2%	7.5%	9.7%
County					
Labor Force	249,945	253,217	252,713	252,576	251,710
Employment	238,357	240,342	238,823	236,249	232,309
Unemployment	11,588	12,875	13,890	16,327	19,401
Unemployment Rate	4.6%	5.1%	5.5%	6.5%	7.7%
State					
Labor Force	4,422,900	4,453,500	4,474,700	4,489,000	4,487,000
Employment	4,239,600	4,247,500	4,252,100	4,229,200	4,183,500
Unemployment	183,400	206,000	222,600	259,800	303,500
Unemployment Rate	4.1%	4.6%	5.0%	5.8%	6.8%

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

(2) Source: New Jersey Department of Labor.

CERTAIN TAX INFORMATION

TEN LARGEST REAL PROPERTY TAXPAYERS (1)

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2019 Assessed Valuation</u>
Chalet Gardens Realty Corp	Apartments	\$21,193,500
Pine Hill Redevelopment Associates	Apartments	14,856,600
Aion Chateau Ridge LLC	Apartments	10,384,100
AB Woodcrest Fields LLC	Vacant Land	1,554,600
Messer Holding, LLC	Vacant Land	1,478,000
Carl Pursell	Warehouse	1,422,700
US Bank Trust NA	Homes	1,174,600
National Paving Co Inc.	Asphalt Plant	1,027,300
Walter Himes Jr.	Rental Homes	784,000
MUNA Center of South Jersey Inc.	Church (Former School)	772,100

CURRENT TAX COLLECTIONS (2)

<u>Year</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Outstanding Dec. 31</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2019(3)	\$22,509,288	\$21,805,854	96.87%	\$514,754	2.29%
2018	22,966,060	22,127,722	96.35	672,247	2.93
2017	22,503,713	21,749,429	96.65	660,508	2.94
2016	22,280,341	21,321,124	95.69	615,426	2.76
2015	21,738,036	20,783,122	95.61	732,056	3.37

DELINQUENT TAXES (2)

<u>Year</u>	<u>Outstanding Jan. 1</u>	<u>Added</u>	<u>Collected Amount</u>	<u>Percentage</u>	<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u>
2019(3)	\$699,851	\$6,000	\$641,324	90.86%	\$12,618	\$23,676	\$28,233
2018	692,608	9,251	642,379	91.53	25,450	6,426	27,604
2017	669,746	9,009	639,679	94.24	6,582	394	32,100
2016	763,063	5,445	708,903	92.24	2,284	3,001	54,320
2015	672,653	9,250	610,521	89.53	39,571	804	31,007

(1) Source: Borough Tax Assessor

(2) Source: Borough Report of Audit, unless otherwise indicated

(3) Information from Annual Compiled Financial Statement

TAX TITLE LIENS (1)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Added by Sales and Transfers</u>	<u>Collected</u>	<u>Cancellations/Foreclosures</u>	<u>Balance Dec. 31</u>
2019(2)	\$876,122	\$157,103	\$17,308	---	\$1,015,917
2018	766,306	149,627	11,784	\$28,027	876,122
2017	685,337	150,509	69,540	---	766,306
2016	718,762	142,339	37,956	137,808	685,337
2015	599,351	188,396	68,985	---	718,762

FORECLOSED PROPERTY (1) (3)

<u>Year</u>	<u>Balance Jan. 1</u>	<u>Transfer from Tax Title Liens</u>	<u>Adjustment to Assessed Valuation</u>	<u>Gain on Sale of Property</u>	<u>Balance Dec. 31</u>
2019(2)	\$784,550	---	---	---	\$784,550
2018	784,550	---	---	---	784,550
2017	784,550	---	---	---	784,550
2016	332,550	\$137,808	\$314,192	---	784,550
2015	332,550	---	---	---	332,550

NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (4)

Tax Rate (5)

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Total Rate</u>	<u>County</u>	<u>County Library</u>	<u>County Open Space</u>	<u>Local School</u>	<u>Municipal</u>	<u>Fire District</u>
2019	\$421,091,055	\$5.341	\$.852	\$.055	\$.022	\$2.895	\$1.246	\$.271
2018	420,237,736	5.435	.909	.058	.022	2.948	1.246	.252
2017(6)	421,857,297	5.319	.856	.055	.022	2.891	1.245	.250
2016	527,822,202	4.216	.706	.045	.018	2.271	.995	.181
2015	529,485,581	4.099	.713	.044	.018	2.196	.960	.168

- (1) Source: Annual Report of Audit, unless otherwise indicated
- (2) Information from Annual Compiled Financial Statement
- (3) 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.
- (4) Source: Borough Tax Collector
- (5) Per \$100 of assessed valuation
- (6) Reassessment

**RATIO OF ASSESSED VALUATION TO TRUE VALUE
AND TRUE VALUE PER CAPITA (1)**

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita(3)</u>
2019	\$420,611,000	93.26%	\$451,009,007	\$44,074
2018	419,774,200	90.47	463,992,705	45,343
2017(2)	421,347,800	94.72	444,835,093	43,471
2016	527,304,600	114.28	461,414,596	45,091
2015	528,948,700	114.28	462,853,255	45,231

REAL PROPERTY CLASSIFICATION (4)

<u>Year</u>	<u>Assessed Value of Land and</u>						
	<u>Improvements</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Farmland</u>
2019	\$420,611,000	\$11,254,900	\$344,410,800	\$15,070,000	\$793,200	\$47,991,600	\$1,090,500
2018	419,774,200	11,156,000	344,460,600	15,112,700	793,200	46,928,200	1,323,500
2017(2)	421,347,800	11,424,500	344,577,000	15,025,400	793,200	48,131,100	1,396,600
2016	527,304,600	14,525,500	453,896,600	17,212,100	950,400	38,985,500	1,734,500
2015	528,948,700	14,922,700	457,726,300	17,493,900	950,400	36,120,900	1,734,500

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

(2) Reassessment

(3) Based on 2010 Census of 10,233

(4) Source: Borough Tax Assessor

**BOROUGH OF PINE HILL
2020 MUNICIPAL BUDGET
CURRENT FUND**

Anticipated Revenues:

Fund Balance	\$1,300,000
Local Revenues	1,691,000
State Aid Without Offsetting Appropriations	884,885
Dedicated Uniform Construction Code Fees	
Offset With Appropriations	80,000
Special Items of Revenue with Consent of DLGS:	
Public and Private Revenues	27,326
Receipts from Delinquent Taxes	650,000
Amount to be Raised from Taxation	5,238,163
Total Anticipated Revenues	\$9,871,374

Appropriations:

Within "CAPS":	
Operations	\$7,150,605
Deferred Charges and Statutory Expenditures	950,844
Excluded from "CAPS":	
Operations	13,800
Public and Private Programs Offset by Revenues	30,267
Capital Improvements	175,000
Municipal Debt Service	519,350
Deferred Charges	29,855
Reserve for Uncollected Taxes	1,001,654
Total Appropriations	\$9,871,374

**CAPITAL PROGRAM
PROJECTS SCHEDULED FOR THE YEARS 2020 - 2025**

	<u>Estimated Total Cost</u>	<u>Current Year 2019</u>	<u>Capital Improvement Fund</u>	<u>Grants-in Aid and Other Funds</u>	<u>Bonds and Notes General</u>
Improvements to Borough Buildings/Grounds	\$375,000		\$18,750		\$356,250.00
Acq. Police Department Equipment	180,000		9,000		171,000.00
Road and Drainage Improvements	800,000		40,000		760,000.00
Acq. Public Works Department Equip.	195,000		9,750		185,250.00
Acquisition OEM Equipment	50,000		2,500		47,500
Parks & Recreational Fields Impts.	75,000		3,750		71,250
	\$1,675,000	\$0	\$83,750	\$0	\$1,591,250

**BOROUGH OF PINE HILL
STATEMENT OF INDEBTEDNESS(1)**

The following table summarizes the direct debt of the Borough in accordance with the requirements of the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-2- et. seq.). The gross debt comprises long-term debt issued, including General and debt of the School District. Deductions from gross debt to arrive at net debt include deductible school debt. The resulting net debt of \$3,200,000 represents 0.707% of the average of equalized valuations for the Borough for the last three years, which is within the 3.5%

	Debt Issued Bonds	Gross Debt	Deductions School Debt	Net Debt
General	\$3,200,000	\$3,200,000		\$3,200,000
School District	4,400,000	4,400,000	\$4,400,000	
	\$7,600,000	\$7,600,000	\$4,400,000	\$3,200,000

(1) As of December 31, 2019

DEBT RATIOS AND VALUATIONS(1)

Average of Equalized Valuations of Real Property with Improvements for 2017, 2018 and 2019	\$452,817,482
Statutory Net Debt as a Percentage of the Average of Equalized Valuations of Real Property with with Improvements for 2017, 2018 and 2019	0.707%
2019 Net Valuation Taxable	\$421,091,055
2019 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$451,489,062
Gross Debt (2):	
As a percentage of 2019 Net Valuation Taxable	1.80%
As a percentage of 2019 Equalized Valuations	1.68%
Net Debt (2):	
As a percentage of 2019 Net Valuation Taxable	0.76%
As a percentage of 2019 Equalized Valuations	0.71%
Gross Debt Per Capita (3)	\$743
Net Debt Per Capita (3)	\$313

BOROUGH BORROWING CAPACITY(1)

3.5% of Averaged (2017-19) Equalized Valuation of Real Property including Improvements (\$452,817,482)	\$15,848,612
Net Debt	<u>3,200,000</u>
Remaining Borrowing Capacity	<u><u>\$12,648,612</u></u>

SCHOOL DISTRICT BORROWING CAPACITY(1)

4% of Averaged (2017-19) Equalized Valuation of Real Property including Improvements (\$452,817,482)	\$18,112,699
Local School Debt	<u>4,400,000</u>
Remaining Borrowing Capacity	<u><u>\$13,712,699</u></u>

(1) As of December 31, 2019

(2) Excluding overlapping debt

(3) Based on 2010 Federal Census of 10,233

**BOROUGH OF PINE HILL
OVERLAPPING DEBT AS OF DECEMBER 31, 2019**

DEBT ISSUED					
	<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 Camden(1):					
General:					
Bonds	\$ 40,475,000	\$ 17,734,529 (2)	\$ 22,740,471	\$ 263,789 (4)	\$ 44,848,356
Notes	35,461,125		35,461,125	411,349 (4)	
Loan Agreements	340,001,133		340,001,133	3,944,013 (4)	
Bonds Issued by Other Public Bodies					
Guaranteed by the County	260,305,410	260,305,410 (3)	-		
Pine Hill MUA (5)	3,265,819		3,265,819	3,265,819	
	\$ 679,508,487	\$ 278,039,939	\$ 401,468,548	\$ 7,884,971	\$ 44,848,356

(1) Source: County of Camden.

(2) Includes Reserve for Payment of Bonds, Other Accounts Receivable and General Obligation Refunding Bonds.

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

(4) Such debt is allocated as a proportion of the Issuer's share of the total 2019 Net Valuation on which County taxes are apportioned, which is 1.16%.

(5) Source: Entity's Audit Report

Camden County Municipal Utilities Authority

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

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

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

The gross debt as of December 31, 2018 for the CCMUA was \$203,282,026. The County guarantees up to \$685,500,000 of debt issued by the CCMUA.

Camden County Improvement Authority

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

The amount of debt which the County has guaranteed or for which it has a repayment obligation as of December 31, 2018 was \$415,177,178.

Pine Hill Municipal Utilities Authority

The Pine Hill Borough Municipal Utilities Authority (the "MUA") is a public body corporate and politic of the State of New Jersey and was created by two ordinances of the Borough. The MUA operates under the supervision of a five member Board who are appointed by the Borough Council to five year staggered terms.

The MUA has entered into a service contract with the Borough, whereby the Borough is obligated to pay the MUA sums equal to any deficits in MUA revenues necessary to pay or provide for the: (i) operation and maintenance expenses of the system; (ii) the principal of and interest on bonds or notes of the MUA; (iii) maintenance of reserves which may be required; and (iv) amounts necessary to enable the MUA to comply with the terms of its Bond Resolution.

The MUA is required under the terms of the service charges estimated to be sufficient to pay operating expenses, debt service charges, meet any reserves or sinking funds, and to comply with the terms of its Bond Resolutions, unless otherwise agreed to in writing by the Borough.

The obligation of the Borough to pay the MUA in accordance with the service contract constitutes a valid and binding direct obligation of the Borough. Amounts payable under the service contract are ultimately payable by the Borough from ad valorem taxes on all taxable real property without limitation as to rate or amount.

The outstanding bonded indebtedness of the MUA as of July 31, 2019 is comprised of the following:

<u>Series</u>	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Trust Loan – 1999A Series		\$60,000.00	\$60,000.00
Fund Loan – 1999B Series		38,664.58	38,664.58
Trust Loan – 2007A Series		305,000.00	305,000.00
Fund Loan – 2007B Series		185,634.71	185,634.71
Trust Loan – 2014A Series		145,000.00	145,000.00
Fund Loan – 2014B Series		372,881.40	372,881.40
Trust Loan – 2017A Series		415,000.00	415,000.00
Fund Loan – 2017B Series		1,118,968.55	1,118,968.55
Water Revenue Bonds – 1985 Series	\$385,756.08		385,756.08
Water Revenue Bonds – 1992 Series	265,124.59		265,124.59
Trust Loan – 2014A Series	75,000.00		75,000.00
Fund Loan – 2014B Series	<u>187,223.05</u>		<u>187,223.05</u>
	<u>\$913,103.72</u>	<u>\$2,641,149.24</u>	<u>\$3,554,252.96</u>

APPENDIX D

FINANCIAL STATEMENTS OF THE BOROUGH OF PINE HILL

FOR THE YEAR ENDED 2019
COMPILED FINANCIAL STATEMENTS



INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Pine Hill
Pine Hill, New Jersey 08021

Management is responsible for the accompanying financial statements of the Borough of Pine Hill, in the County of Camden, 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 Borough'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/ Michael J. Welding
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
March 24, 2020

BOROUGH OF PINE HILL

CURRENT FUND

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

As of December 31, 2019

Assets:

Regular Fund:

Cash:

Treasurer	\$ 4,363,618.91
Petty Cash Fund	700.00

4,364,318.91

Other Receivables:

Due From State of New Jersey - Veterans and Senior Citizens Deductions	17,394.64
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Receivables and Other Assets with Full Reserves:

Delinquent Property Taxes Receivable	542,986.79
Tax Title Liens Receivable	1,015,916.50
Property Acquired for Taxes - Assessed Valuation	784,550.00
Revenue Accounts Receivable	18,057.59
Due from Animal Control Fund	21,810.88
Due from Trust Other Fund	11,075.93

2,394,397.69

Deferred Charges:

Special Emergency Appropriations NJSA 40A:4-53	29,855.00
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29,855.00

6,805,966.24

Federal and State Grant Fund:

Grants Receivable	22,635.42
Due from Current Fund	107,967.53

130,602.95

\$ 6,936,569.19

BOROUGH OF PINE HILL
CURRENT FUND
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis
As of December 31, 2019

Liabilities, Reserves and Fund Balance:

Regular Fund:

Appropriation Reserves	\$	997,461.46
Encumbrances Payable		70,652.25
Prepaid Taxes		153,866.76
Due County for Added and Omitted Taxes		2,450.09
Due to Federal and State Grant Fund		107,967.53
Due to General Capital Fund		177,272.87
Due State of New Jersey - Marriage License Fees		375.00
Due Pine Hill MUA		55.04
Reserve for Land Sale Deposits		<u>2,000.00</u>

1,512,101.00

Reserves for Receivables		2,394,397.69
Fund Balance		<u>2,899,467.55</u>

6,805,966.24

Federal and State Grant Fund:

Unappropriated Reserves		17,061.00
Appropriated Reserves		113,278.72
Encumbrances Payable		<u>263.23</u>

130,602.95

\$ 6,936,569.19

See Independent Accountant's Compilation Report and selected notes.

BOROUGH OF PINE HILL
CURRENT FUND
Statement of Operations and Changes in Fund Balance -- Regulatory Basis
For the Years Ended December 31, 2019

Revenue and Other Income Realized:	
Fund Balance Utilized	\$ 1,300,000.00
Miscellaneous Revenues Anticipated	3,103,534.32
Receipts from Delinquent Taxes	658,632.29
Receipts from Current Taxes	21,805,854.33
Nonbudget Revenues	238,095.09
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	478,362.51
Statutory Excess - Animal Control Fund	14,082.40
	<u>27,598,560.94</u>
Expenditures:	
Budget and Emergency Appropriations:	
Appropriations Within "CAPS"	
Operations:	
Salaries and Wages	3,382,778.00
Other Expenses	3,607,015.00
Deferred Charges and Statutory Expenditures	888,509.00
Appropriations Excluded from "CAPS"	
Operations:	
Salaries and Wages	12,125.25
Other Expenses	83,075.46
Capital Improvements	175,000.00
Municipal Debt Service	516,075.00
Deferred Charges	107,742.03
County Taxes	3,908,979.60
Due County for Added and Omitted Taxes	2,450.09
Local District School Tax	12,190,075.00
Special District Taxes	1,135,666.00
Prior Year Senior Citizens Disallowed	6,000.00
Refund Prior Year Revenue	32,012.12
Interfund Created	24,628.97
	<u>26,072,131.52</u>
Excess in Revenues	1,526,429.42
Fund Balance January 1	<u>2,673,038.13</u>
Total	4,199,467.55
Decreased by:	
Utilization as Anticipated Revenue	<u>1,300,000.00</u>
Fund Balance December 31	<u>\$ 2,899,467.55</u>

See Independent Accountant's Compilation Report and selected notes.

BOROUGH OF PINE HILL
TRUST FUND
Statement of Assets, Liabilities and Reserves -- Regulatory Basis
As of December 31, 2019

Assets:

Animal Control Fund:

Cash - Chief Financial Officer	\$ <u>52,514.08</u>
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Other Funds:

Cash - Chief Financial Officer	295,634.86
Cash - Collector	<u>497,429.09</u>

793,063.95

\$ 845,578.03

Liabilities, Reserves, and Fund Balance:

Animal Control Fund:

Due to Current Fund	\$ 21,810.88
Due to State of New Jersey	6.60
Reserve for Animal Control Fund	<u>30,696.60</u>

52,514.08

Other Funds:

Due to Current Fund	11,075.93
Reserve for Escrow Deposits	172,873.39
Reserve for Unemployment Compensation	28,694.29
Reserve for Payroll	20,407.33
Reserve for Off-Duty Police Employment	4,583.73
Reserve for Tax Sale Premiums	419,499.58
Reserve for Redemption of Tax Sale Certificates	76,892.18
Reserve for Public Defender Fees	10,416.54
Reserve for D.A.R.E.	10,694.05
Reserve for Forfeited Funds - State	8,733.12
Reserve for Forfeited Funds - Federal	4,940.82
Reserve for Police K-9	4,126.21
Reserve for Recreation	18,258.57
Reserve for COAH	378.65
Reserve for Health Reimbursement Account	<u>1,489.56</u>

793,063.95

\$ 845,578.03

See Independent Accountant's Compilation Report and selected notes.

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BOROUGH OF PINE HILL
GENERAL CAPITAL FUND
Statement of Assets, Liabilities, Reserves and Fund Balance - Regulatory Basis
As of December 31, 2019

Assets:

Cash - Chief Financial Officer	\$	537,982.22
Deferred Charges to Future Taxation:		
Funded		3,200,000.00
Due Current Fund		177,272.87
State Road Aid Allotments Receivable		275,000.00
Due from Camden County Open Space		<u>25,801.19</u>
	\$	<u><u>4,216,056.28</u></u>

Liabilities, Reserves and Fund Balance:

Capital Improvement Fund	\$	227,391.07
Encumbrances Payable		337,243.73
Improvement Authorizations:		
Funded		399,445.19
General Serial Bonds		3,200,000.00
Fund Balance		<u>51,976.29</u>
	\$	<u><u>4,216,056.28</u></u>

See Independent Accountant's Compilation Report and selected notes.

BOROUGH OF PINE HILL
Selected Information – Substantially All Disclosures Required
By the Regulatory Basis of Accounting Have Been Omitted
For the Year Ended December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Borough of Pine Hill (hereafter referred to as the "Borough") was incorporated as a borough by an act of the New Jersey legislature in May of 1929. The Borough, located in Camden County, New Jersey, has a total area of approximately 4.1 square miles, and is located approximately fifteen miles southeast of the City of Philadelphia. The Borough borders the Boroughs of Berlin, Clementon, Lindenwold, and Pine Valley; and the Townships of Gloucester and Winslow. According to the 2010 census, the population is 10,233.

The Borough is governed under the Mayor-Council form of government, with a Mayor and a six-member Council. The Mayor and Council is elected directly by the voters in partisan elections, the Mayor to serve a four-year term in office and the Council to serve three-year terms in office on a staggered basis, with two seats coming up for election each year. Executive and administrative responsibility rests with the Mayor, who is assisted by the Borough Administrator and Borough Clerk. Legislative responsibility is vested with the Council.

Component Units - The financial statements of the component units of the Borough 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 Borough, the primary government:

Pine Hill Municipal Utilities Authority
907 Turnerville Road
Pine Hill, New Jersey 08021

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

In accordance with the *Requirements*, the Borough 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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

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

Budgets and Budgetary Accounting - The Borough must adopt an annual budget for its current 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 Borough'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.

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

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

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

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

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

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

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

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.

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

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

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Borough's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Borough 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 Borough's annual budget, but also the amounts required in support of the budgets of the County of Camden, the Borough of Pine Hill School District, and the Borough of Pine Hill Fire District No. 1. Unpaid property taxes are subject to tax sale in accordance with the statutes.

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

Fire District Taxes - The municipality is responsible for levying, collecting, and remitting fire district taxes for the Borough of Pine Hill Fire District No. 1. Operations is charged for the full amount required to be raised from taxation to operate the Fire District for the period from January 1 to December 31

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Pine Hill
Pine Hill, New Jersey 08021

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 Borough of Pine Hill, in the County of Camden, 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 Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the Borough of Pine Hill, in the County of Camden, State of New Jersey, as of December 31, 2018, 2017, 2016, 2015 and 2014, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

Emphasis of Matter

Adoption of New Accounting Principles

As discussed in note 1 to the financial statements, during the year ended December 31, 2018, the Borough 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/ Michael J. Welding
Certified Public Accountant
Registered Municipal Accountant

Woodbury, New Jersey
January 13, 2020

BOROUGH OF PINE HILL

CURRENT FUND

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

	As of December 31,				
	2018	2017	2016	2015	2014
Assets:					
Regular Fund:					
Cash:					
Treasurer	\$3,656,061.63	\$3,696,592.41	\$2,962,012.02	\$2,278,536.99	\$1,699,466.74
Collector					372,053.72
Petty Cash Fund	700.00	300.00	300.00	300.00	300.00
	<u>3,656,761.63</u>	<u>3,696,892.41</u>	<u>2,962,312.02</u>	<u>2,278,836.99</u>	<u>2,071,820.46</u>
Other Receivables:					
Due From State of New Jersey - Veterans and Senior Citizens Deductions	11,894.64	14,144.64	9,747.33	11,497.90	5,162.35
	<u>11,894.64</u>	<u>14,144.64</u>	<u>9,747.33</u>	<u>11,497.90</u>	<u>5,162.35</u>
Receivables and Other Assets with Full Reserves:					
Delinquent Property Taxes Receivable	699,850.62	692,607.55	669,746.15	763,062.92	672,653.29
Tax Title Liens Receivable	876,121.92	766,305.73	685,337.43	718,762.17	599,351.23
Property Acquired for Taxes - Assessed Valuation	784,550.00	784,550.00	784,550.00	332,550.00	332,550.00
Prepaid Local School District Tax		1,636.36			
Revenue Accounts Receivable	21,330.29	9,140.85	9,925.11	8,817.06	11,993.70
Due from Animal Control Fund	7,696.44	13.18	7,137.98	4,502.10	2,834.88
Due from Trust Other Fund	561.40	1,097.81	670.87	2,343.11	1,779.65
Due from General Capital Fund				1,695.75	538.96
	<u>2,390,110.67</u>	<u>2,255,351.48</u>	<u>2,157,367.54</u>	<u>1,831,733.11</u>	<u>1,621,701.71</u>
Deferred Charges:					
Special Emergency Appropriations NJSA 40A:4-55	74,855.00	180,000.00	225,000.00		
Emergency Appropriation	62,742.03				
	<u>6,196,363.97</u>	<u>6,146,388.53</u>	<u>5,354,426.89</u>	<u>4,122,068.00</u>	<u>3,698,684.52</u>
Federal and State Grant Fund:					
Grants Receivable	18,416.66	5,501.25	5,001.25	2,610.36	
Due from Current Fund	103,271.09	113,714.91	106,660.62	90,167.47	76,321.63
Deferred Charges:					
Overexpenditure of Appropriated Grants					4,556.27
	<u>121,687.75</u>	<u>119,216.16</u>	<u>111,661.87</u>	<u>92,777.83</u>	<u>80,877.90</u>
	<u>\$6,318,051.72</u>	<u>\$6,265,604.69</u>	<u>\$5,466,088.76</u>	<u>\$4,214,845.83</u>	<u>\$3,779,562.42</u>

(Continued)

BOROUGH OF PINE HILL

CURRENT FUND

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

	As of December 31,				
	2018	2017	2016	2015	2014
Liabilities, Reserves and Fund Balance:					
Regular Fund:					
Appropriation Reserves	\$ 602,344.19	\$ 732,320.04	\$ 664,946.05	\$ 666,990.69	\$ 600,408.28
Encumbrances Payable	71,730.52	60,989.51	146,986.27	97,871.61	146,588.97
Prepaid Taxes	155,101.07	264,520.50	163,677.05	153,494.08	136,012.03
Tax Overpayments		9,149.27	11,722.74	16,797.29	5,074.66
Due County for Added and Omitted Taxes	20,378.92	8,323.02	4,326.04	3,192.56	11,949.24
Due to Federal and State Grant Fund	103,271.09	113,714.91	106,660.62	90,167.47	76,321.63
Due to General Capital Fund	177,701.50	42,503.19	119,340.76		
Due State of New Jersey - Marriage License Fees	325.00	375.00	275.00	242.41	217.41
Due Pine Hill MUA	362.88	362.88	573.70		
Special Emergency Notes		180,000.00	225,000.00		
Reserve for Land Sale Deposits	2,000.00				
Reserve for Revaluation		60,145.00			
	<u>1,133,215.17</u>	<u>1,472,403.32</u>	<u>1,443,508.23</u>	<u>1,028,756.11</u>	<u>976,572.22</u>
Reserves for Receivables	2,390,110.67	2,255,351.48	2,157,367.54	1,831,733.11	1,621,701.71
Fund Balance	<u>2,673,038.13</u>	<u>2,418,633.73</u>	<u>1,753,551.12</u>	<u>1,261,578.78</u>	<u>1,100,410.59</u>
	<u>6,196,363.97</u>	<u>6,146,388.53</u>	<u>5,354,426.89</u>	<u>4,122,068.00</u>	<u>3,698,684.52</u>
Federal and State Grant Fund:					
Unappropriated Reserves	3,830.53	17,955.92	21,913.17	11,019.00	14,775.79
Appropriated Reserves	113,936.08	100,900.45	86,074.68	81,676.93	59,696.02
Encumbrances Payable	3,921.14	359.79	3,674.02	81.90	6,406.09
	<u>121,687.75</u>	<u>119,216.16</u>	<u>111,661.87</u>	<u>92,777.83</u>	<u>80,877.90</u>
	<u>\$6,318,051.72</u>	<u>\$6,265,604.69</u>	<u>\$5,466,088.76</u>	<u>\$4,214,845.83</u>	<u>\$3,779,562.42</u>

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

BOROUGH OF PINE HILL

CURRENT FUND

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

	For Year Ended December 31,				
	2018	2017	2016	2015	2014
Revenue and Other Income Realized:					
Fund Balance Utilized	\$1,200,000.00	\$ 940,000.00	\$ 840,000.00	\$ 725,000.00	\$ 725,000.00
Miscellaneous Revenues Anticipated	2,675,353.62	2,618,889.08	2,376,260.81	2,305,689.29	2,331,571.31
Receipts from Delinquent Taxes	654,162.90	709,219.84	746,859.02	679,506.53	614,832.03
Receipts from Current Taxes	22,127,722.17	21,749,429.44	21,321,123.75	20,783,121.64	20,364,107.94
Nonbudget Revenues	269,039.18	224,175.74	294,681.13	103,108.94	88,025.47
Other Credits to Income:					
Liquidated Prepaid Local District School Taxes	1,636.36				
Unexpended Balance of Appropriation Reserves	561,980.63	506,661.38	617,930.32	536,526.94	287,416.36
Interfund Returned	536.41	7,124.80	3,367.99		81,127.22
Statutory Excess - Animal Control Fund	7,677.30		7,128.44	1,660.66	2,807.07
Tax Overpayments Cancelled	2,546.04				
	<u>27,500,654.61</u>	<u>26,755,500.28</u>	<u>26,207,351.46</u>	<u>25,134,614.00</u>	<u>24,494,887.40</u>
Expenditures:					
Budget and Emergency Appropriations:					
Appropriations Within "CAPS"					
Operations:					
Salaries and Wages	3,215,012.00	3,072,194.00	3,092,453.00	3,008,538.00	2,962,873.00
Other Expenses	3,533,718.03	3,339,790.00	3,515,911.00	3,178,010.00	3,066,247.00
Deferred Charges and Statutory Expenditures	839,403.00	804,377.00	780,397.00	717,381.27	722,539.00
Appropriations Excluded from "CAPS"					
Operations:					
Salaries and Wages	12,171.72	17,722.46	23,346.04	34,165.54	27,365.00
Other Expenses	91,880.27	90,875.09	58,107.97	77,281.33	92,957.27
Capital Improvements	175,000.00		25,000.00	305,000.00	77,000.00
Municipal Debt Service	563,498.21	578,773.44	597,654.63	292,877.53	657,033.52
Deferred Charges	45,000.00	45,667.00			
County Taxes	4,150,534.35	3,928,734.85	4,051,675.95	4,097,981.63	4,085,127.47
Due County for Added and Omitted Taxes	20,378.92	8,323.02	4,326.04	3,192.56	11,949.24
Local District School Tax	12,390,276.48	12,199,600.00	11,988,851.52	11,627,420.48	11,239,493.52
Special District Taxes	1,055,186.00	1,054,166.00	952,575.00	893,960.00	877,379.00
Prior Year Senior Citizens Disallowed	9,250.00	8,131.51	5,445.09	9,250.00	7,750.00
Interfund Created	7,683.26	426.94	2,635.88	3,387.47	
Refund Prior Year Revenue			2,000.00		
Prepaid Local District School Taxes		1,636.36			
	<u>26,108,992.24</u>	<u>25,150,417.67</u>	<u>25,100,379.12</u>	<u>24,248,445.81</u>	<u>23,827,714.02</u>
Excess in Revenues	1,391,662.37	1,605,082.61	1,106,972.34	886,168.19	667,173.38
Adjustments to Income Before Fund Balance -					
Expenditures Included Above Which Are by Statute					
Deferred Charges to Budget of Succeeding Year	62,742.03		225,000.00		
Statutory Excess to Fund Balance	1,454,404.40	1,605,082.61	1,331,972.34	886,168.19	667,173.38
Fund Balance January 1	<u>2,418,633.73</u>	<u>1,753,551.12</u>	<u>1,261,578.78</u>	<u>1,100,410.59</u>	<u>1,158,237.21</u>
Total	3,873,038.13	3,358,633.73	2,593,551.12	1,986,578.78	1,825,410.59
Decreased by:					
Utilization as Anticipated Revenue	1,200,000.00	940,000.00	840,000.00	725,000.00	725,000.00
Fund Balance December 31	<u>\$2,673,038.13</u>	<u>\$2,418,633.73</u>	<u>\$1,753,551.12</u>	<u>\$1,261,578.78</u>	<u>\$1,100,410.59</u>

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

BOROUGH OF PINE HILL

TRUST FUND

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

	As of December 31,				
	2018	2017	2016	2015	2014
Assets:					
Animal Control Fund:					
Cash - Chief Financial Officer	\$ 35,657.04	\$ 15,787.48	\$ 12,883.38	\$ 9,984.50	\$ 7,916.08
Other Funds:					
Cash - Chief Financial Officer	365,881.58	327,943.99	296,646.97	308,278.92	237,191.06
Cash - Collector	409,913.47	606,138.55	671,451.72	944,255.82	375,720.97
	<u>775,795.05</u>	<u>934,082.54</u>	<u>968,098.69</u>	<u>1,252,534.74</u>	<u>612,912.03</u>
	<u>\$ 811,452.09</u>	<u>\$ 949,870.02</u>	<u>\$ 980,982.07</u>	<u>\$ 1,262,519.24</u>	<u>\$ 620,828.11</u>
Liabilities, Reserves, and Fund Balance:					
Animal Control Fund:					
Due to Current Fund	\$ 7,696.44	\$ 13.18	\$ 7,137.98	\$ 4,502.10	\$ 2,834.88
Due to State of New Jersey		19.20	229.20	1.20	4.20
Reserve for Animal Control Fund	27,960.60	15,755.10	5,516.20	5,481.20	5,077.00
	<u>35,657.04</u>	<u>15,787.48</u>	<u>12,883.38</u>	<u>9,984.50</u>	<u>7,916.08</u>
Other Funds:					
Due to Current Fund	561.40	1,097.81	670.87	2,343.11	1,779.65
Reserve for Escrow Deposits	215,680.78	175,172.14	160,176.44	145,739.17	41,213.99
Reserve for Unemployment Compensation	34,988.00	43,946.04	38,338.90	18,501.18	22,657.54
Reserve for Payroll	33,978.86	35,438.32	33,715.65	51,329.10	50,178.04
Reserve for Off-Duty Police Employment	9,060.43	596.60	193.44	7,374.59	21,282.32
Reserve for Tax Sale Premiums	334,599.58	487,499.58	492,299.58	768,099.58	170,799.58
Reserve for Redemption of Tax Sale Certificates	74,925.74	117,624.53	178,528.84	174,508.77	203,636.87
Reserve for Public Defender Fees	16,855.08	18,793.99	12,651.14	12,831.14	14,016.17
Reserve for D.A.R.E.	7,636.50	5,250.73	5,523.49	5,494.54	4,214.54
Reserve for Forfeited Funds - State	6,087.38	15,005.63	14,744.40	7,235.90	15,616.07
Reserve for Forfeited Funds - Federal	8,609.61	2,207.10	569.51	3,031.03	17,130.45
Reserve for Police K-9	5,060.63	6,244.46	5,649.61	1,908.97	749.39
Reserve for Recreation	22,458.57	22,366.58	24,658.90	53,759.98	49,259.98
Reserve for COAH	378.41	378.16	377.92	377.68	377.44
Reserve for Health Reimbursement Account	4,914.08	2,460.87			
	<u>775,795.05</u>	<u>934,082.54</u>	<u>968,098.69</u>	<u>1,252,534.74</u>	<u>612,912.03</u>
	<u>\$ 811,452.09</u>	<u>\$ 949,870.02</u>	<u>\$ 980,982.07</u>	<u>\$ 1,262,519.24</u>	<u>\$ 620,828.11</u>

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

BOROUGH OF PINE HILL

GENERAL CAPITAL FUND

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

	As of December 31,				
	2018	2017	2016	2015	2014
Assets:					
Cash - Chief Financial Officer	\$ 673,731.09	\$ 1,360,517.67	\$ 1,982,046.27	\$ 2,620,952.40	\$ 1,448,733.89
Deferred Charges to Future Taxation:					
Funded	3,605,000.00	4,041,760.62	4,482,107.45	4,933,620.28	2,084,886.75
Unfunded			667.00	667.00	2,666,667.00
Due Current Fund	177,701.50	42,503.19	119,340.76		
Due from Community Development Block Grant	59,710.04	91,611.00	53,111.00	48,311.00	48,311.00
Due from Camden County Open Space	801.19	801.19	50,000.00	25,000.00	25,000.00
State Road Aid Allotments Receivable	54,250.00	186,065.27	486,815.27	333,335.68	250,192.54
	<u>\$ 4,571,193.82</u>	<u>\$ 5,723,258.94</u>	<u>\$ 7,174,087.75</u>	<u>\$ 7,961,886.36</u>	<u>\$ 6,523,791.18</u>
Liabilities, Reserves and Fund Balance:					
Due to Current Fund				\$ 1,695.75	\$ 538.96
Encumbrances Payable	\$ 272,236.66	\$ 1,000,192.67	\$ 165,174.74	367,505.75	175,068.35
Capital Improvement Fund	222,391.07	195,182.14	274,182.14	285,682.14	682.14
Improvement Authorizations:					
Funded	419,589.80	443,404.05	2,214,681.32	2,335,440.34	439,381.85
Unfunded			667.00	667.00	2,666,667.00
General Serial Bonds	3,605,000.00	4,000,000.00	4,385,000.00	4,760,000.00	1,835,000.00
Green Trust Loan Payable			21,216.77	63,022.14	104,003.77
New Jersey Environmental Infrastructure Loan Payable		41,760.62	75,890.68	110,598.14	145,882.98
Bond Anticipation Notes Payable					1,120,000.00
Fund Balance	51,976.29	42,719.46	37,275.10	37,275.10	36,566.13
	<u>\$ 4,571,193.82</u>	<u>\$ 5,723,258.94</u>	<u>\$ 7,174,087.75</u>	<u>\$ 7,961,886.36</u>	<u>\$ 6,523,791.18</u>

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

BOROUGH OF PINE HILL
Notes to Financial Statements
For the Year Ended December 31, 2018

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Borough of Pine Hill (hereafter referred to as the "Borough") was incorporated as a borough by an act of the New Jersey legislature in May of 1929. The Borough, located in Camden County, New Jersey, has a total area of approximately 4.1 square miles, and is located approximately fifteen miles southeast of the City of Philadelphia. The Borough borders the Boroughs of Berlin, Clementon, Lindenwold, and Pine Valley; and the Townships of Gloucester and Winslow. According to the 2010 census, the population is 10,233.

The Borough is governed under the Mayor-Council form of government, with a Mayor and a six-member Council. The Mayor and Council is elected directly by the voters in partisan elections, the Mayor to serve a four-year term in office and the Council to serve three-year terms in office on a staggered basis, with two seats coming up for election each year. Executive and administrative responsibility rests with the Mayor, who is assisted by the Borough Administrator and Borough Clerk. Legislative responsibility is vested with the Council.

Component Units - The financial statements of the component units of the Borough 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 Borough, the primary government:

Pine Hill Municipal Utilities Authority
907 Turnerville Road
Pine Hill, New Jersey 08021

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

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

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

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

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Borough 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 Borough 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 Borough'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.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Balance - Fund balance included in the current fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Borough's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Borough 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 Borough's annual budget, but also the amounts required in support of the budgets of the County of Camden, the Borough of Pine Hill School District, and the Borough of Pine Hill Fire District No. 1. Unpaid property taxes are subject to tax sale in accordance with the statutes.

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

Fire District Taxes - The municipality is responsible for levying, collecting, and remitting fire district taxes for the Borough of Pine Hill Fire District No. 1. Operations is charged for the full amount required to be raised from taxation to operate the Fire District for the period from January 1 to December 31.

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

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

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

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

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

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

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

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

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

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 Borough's deposits might not be recovered. Although the Borough 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 Borough's bank balances of \$5,253,326.38 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 5,011,334.01
Uninsured and Uncollateralized	<u>241,992.37</u>
Total	<u><u>\$ 5,253,326.38</u></u>

Note 3: PROPERTY TAXES

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

	<u>Year Ended</u>				
	<u>2018</u>	<u>2017 (R)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	\$ 5.435	\$ 5.319	\$ 4.216	\$ 4.100	\$ 3.982
Apportionment of Tax Rate:					
Municipal	\$ 1.246	\$ 1.245	\$.995	\$.960	\$.930
County	.909	.856	.706	.713	.707
County Library	.058	.055	.045	.044	.045
County Open Space	.022	.022	.018	.018	.019
Local School	2.948	2.891	2.271	2.196	2.116
Fire District	.252	.250	.181	.169	.165

R - Revaluation Completed

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2018	\$ 420,237,736.00
2017 (R)	421,857,297.00
2016	527,822,202.00
2015	529,485,581.00
2014	530,978,571.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2018	\$ 22,966,059.52	\$ 22,127,722.17	96.35%
2017	22,503,712.76	21,749,429.44	96.65%
2016	22,280,340.82	21,321,123.75	95.69%
2015	21,738,035.84	20,783,121.64	95.61%
2014	21,218,564.59	20,364,107.94	95.97%

Note 3: PROPERTY TAXES (CONT'D)

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 (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	\$ 876,121.92	\$ 699,850.62	\$ 1,575,972.54	6.86%
2017	766,305.73	692,607.55	1,458,913.28	6.48%
2016	685,337.43	669,746.15	1,355,083.58	6.08%
2015	718,762.17	763,062.92	1,481,825.09	6.82%
2014	599,351.23	672,653.29	1,272,004.52	5.99%

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	238
2017	232
2016	215
2015	205
2014	139

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	\$ 784,550.00
2017	784,550.00
2016	784,550.00
2015	332,550.00
2014	332,550.00

Note 5: FUND BALANCES APPROPRIATED

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

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 2,673,038.13	\$ 1,300,000.00	48.63%
2017	2,418,633.73	1,200,000.00	49.61%
2016	1,753,551.12	940,000.00	53.61%
2015	1,261,578.78	840,000.00	66.58%
2014	1,100,410.59	725,000.00	65.88%

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	\$ 8,257.84	\$ 280,972.59
Federal and State Grant	103,271.09	
Trust - Animal Control		7,696.44
Trust - Other		561.40
General Capital	177,701.50	
	<u>\$ 289,230.43</u>	<u>\$ 289,230.43</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 Borough expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 7: PENSION PLANS

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

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

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

Note 7: PENSION PLANS (CONT'D)**General Information about the Pension Plans****Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' 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 Borough, 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 Borough. The PFRS' Board of Trustees is primarily responsible for the administration of the PFRS.

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

Vesting and Benefit Provisions

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

The following represents the membership tiers for PERS:

Tier Definition

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

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

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

The following represents the membership tiers for PFRS:

Tier Definition

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

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

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

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year.

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

Public Employees' Retirement System (Cont'd) - 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 Borough's contractually required contribution rate for the year ended December 31, 2018 was 12.78% of the Borough'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 Borough's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$106,163.00, 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 Borough's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$101,318.00 which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$64,828.60.

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 Borough's contractually required contribution rate for the year ended December 31, 2018 was 27.23% of the Borough's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2018, the Borough's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$477,822.00, 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 Borough's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$436,091.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$179,462.42.

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) - The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Borough, for the year ended December 31, 2018 was 3.03% of the Borough'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 Borough, to the pension plan for the year ended December 31, 2018 is \$53,204.00, 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 Borough, to the pension plan for the year ended December 31, 2017 was \$42,606.00, 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 Borough 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 \$2,338.38, and the Borough's contributions were \$1,275.76. 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 Borough's proportionate share of the PERS net pension liability was \$2,101,483.00. 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 Borough's proportion of the net pension liability was based on a projection of the Borough'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 Borough's proportion was 0.0106731138%, which was a decrease of 0.0002637109% from its proportion measured as of June 30, 2017.

At December 31, 2018, the Borough's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$80,148.00. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Borough's contribution to PERS was \$101,318.00, and was paid on April 1, 2018.

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

Borough's Proportionate Share of Net Pension Liability	\$ 6,613,550.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Borough	898,341.00
	<u>\$ 7,511,891.00</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)**

Police and Firemen's Retirement System (Cont'd) - The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The Borough's proportion of the net pension liability was based on a projection of the Borough'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 Borough's proportion was 0.0488746794%, which was a decrease of 0.0004001121% 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 Borough, was 0.0488746794%, which was a decrease of 0.0004001121% from its proportion, on-behalf of the Borough, measured as of June 30, 2017.

At December 31, 2018, the Borough's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$631,085.00. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the Borough's contribution to PFRS was \$436,091.00, and was paid on April 1, 2018.

At December 31, 2018, the State's proportionate share of the PFRS pension expense, associated with the Borough, calculated by the Plan as of the June 30, 2018 measurement date is \$106,407.00. This on-behalf expense is not recognized by the Borough 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 Borough had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 40,076.00	\$ 67,284.00	\$ 107,360.00	\$ 10,836.00	\$ 27,368.00	\$ 38,204.00
Changes of Assumptions	346,290.00	567,684.00	913,974.00	671,942.00	1,694,939.00	2,366,881.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	19,712.00	36,182.00	55,894.00
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	134,152.00	298,921.00	433,073.00	221,710.00	242,616.00	464,326.00
Borough Contributions Subsequent to the Measurement Date	53,082.00	238,911.00	291,993.00	-	-	-
	<u>\$ 573,600.00</u>	<u>\$ 1,172,800.00</u>	<u>\$ 1,746,400.00</u>	<u>\$ 924,200.00</u>	<u>\$ 2,001,105.00</u>	<u>\$ 2,925,305.00</u>

\$53,082.00 and \$238,911.00 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 Borough's year end of December 31, 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)

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

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

Year Ending Dec 31,	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
2019	\$ (21,765.00)	\$ 175,014.00	\$ 153,249.00
2020	(28,387.00)	(159,421.00)	(187,808.00)
2021	(159,765.00)	(580,177.00)	(739,942.00)
2022	(146,918.00)	(386,648.00)	(533,566.00)
2023	(46,847.00)	(115,984.00)	(162,831.00)
	<u>\$ (403,682.00)</u>	<u>\$ (1,067,216.00)</u>	<u>\$ (1,470,898.00)</u>

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

Note 7: PENSION PLANS (CONT'D)**Sensitivity of Borough's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

Public Employees' Retirement System (PERS) - The following presents the Borough'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 Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Borough's Proportionate Share of the Net Pension Liability	<u>\$ 2,642,373.00</u>	<u>\$ 2,101,483.00</u>	<u>\$ 1,647,711.00</u>

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

	PFRS		
	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
Borough's Proportionate Share of the Net Pension Liability	\$ 8,851,416.00	\$ 6,613,550.00	\$ 4,767,718.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Borough	<u>1,202,317.95</u>	<u>898,341.00</u>	<u>647,615.39</u>
	<u>\$ 10,053,733.95</u>	<u>\$ 7,511,891.00</u>	<u>\$ 5,415,333.39</u>

Pension Plan Fiduciary Net Position

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

Note 7: PENSION PLANS (CONT'D)**Supplementary Pension Information**

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

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

	<u>Measurement Date Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Borough's Proportion of the Net Pension Liability	0.0106731138%	0.0109368247%	0.0115041246%
Borough's Proportionate Share of the Net Pension Liability	\$ 2,101,483.00	\$ 2,545,918.00	\$ 3,407,192.00
Borough's Covered Payroll (Plan Measurement Period)	\$ 751,492.00	\$ 760,916.00	\$ 800,596.00
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	279.64%	334.59%	425.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%
	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Borough's Proportion of the Net Pension Liability	0.0106100530%	0.0097079573%	0.0119135280%
Borough's Proportionate Share of the Net Pension Liability	\$ 2,381,744.00	\$ 1,817,595.00	\$ 2,276,912.00
Borough's Covered Payroll (Plan Measurement Period)	\$ 734,932.00	\$ 674,748.00	\$ 822,876.00
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	324.08%	269.37%	276.70%
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 Borough'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>
Borough's Contractually Required Contribution	\$ 106,163.00	\$ 101,318.00	\$ 102,201.00
Borough's Contribution in Relation to the Contractually Required Contribution	(106,163.00)	(101,318.00)	(102,201.00)
Borough's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Borough's Covered Payroll (Calendar Year)	\$ 830,720.00	\$ 747,985.00	\$ 762,291.00
Borough's Contributions as a Percentage of Covered Payroll	12.78%	13.55%	13.41%
	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Borough's Contractually Required Contribution	\$ 91,218.00	\$ 80,031.00	\$ 89,766.00
Borough's Contribution in Relation to the Contractually Required Contribution	(91,218.00)	(80,031.00)	(89,766.00)
Borough's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Borough's Covered Payroll (Calendar Year)	\$ 759,647.00	\$ 748,180.00	\$ 727,931.00
Borough's Contributions as a Percentage of Covered Payroll	12.01%	10.70%	12.33%

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

	Measurement Date Ended June 30,		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Borough's Proportion of the Net Pension Liability	0.0488746794%	0.0492747915%	0.0512214164%
Borough's Proportionate Share of the Net Pension Liability	\$ 6,613,550.00	\$ 7,607,075.00	\$ 9,784,601.00
State's Proportionate Share of the Net Pension Liability associated with the Borough	898,341.00	852,056.00	821,664.00
Total	<u>\$ 7,511,891.00</u>	<u>\$ 8,459,131.00</u>	<u>\$ 10,606,265.00</u>
Borough's Covered Payroll (Plan Measurement Period)	\$ 1,672,064.00	\$ 1,630,804.00	\$ 1,683,752.00
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	395.53%	466.46%	581.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%
	Measurement Date Ended June 30,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Borough's Proportion of the Net Pension Liability	0.0498279608%	0.0456556598%	0.0435116068%
Borough's Proportionate Share of the Net Pension Liability	\$ 8,299,601.00	\$ 5,743,059.00	\$ 5,784,475.00
State's Proportionate Share of the Net Pension Liability associated with the Borough	727,847.00	618,431.00	539,183.00
Total	<u>\$ 9,027,448.00</u>	<u>\$ 6,361,490.00</u>	<u>\$ 6,323,658.00</u>
Borough's Covered Payroll (Plan Measurement Period)	\$ 1,625,428.00	\$ 1,488,380.00	\$ 1,411,840.00
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	510.61%	385.86%	409.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%

Note 7: PENSION PLANS (CONT'D)Supplementary Pension Information (Cont'd)*Schedule of the Borough'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>
Borough's Contractually Required Contribution	\$ 477,822.00	\$ 436,091.00	\$ 417,629.00
Borough's Contribution in Relation to the Contractually Required Contribution	<u>(477,822.00)</u>	<u>(436,091.00)</u>	<u>(417,629.00)</u>
Borough's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Borough's Covered Payroll (Calendar Year)	\$ 1,754,770.00	\$ 1,643,558.00	\$ 1,644,438.00
Borough's Contributions as a Percentage of Covered Payroll	27.23%	26.53%	25.40%
	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Borough's Contractually Required Contribution	\$ 405,027.00	\$ 350,667.00	\$ 317,451.00
Borough's Contribution in Relation to the Contractually Required Contribution	<u>(405,027.00)</u>	<u>(350,667.00)</u>	<u>(317,451.00)</u>
Borough's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Borough's Covered Payroll (Calendar Year)	\$ 1,684,990.00	\$ 1,631,411.00	\$ 1,518,399.00
Borough's Contributions as a Percentage of Covered Payroll	24.04%	21.49%	20.91%

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

None

Changes in Assumptions

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

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

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

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

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

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

Changes in Assumptions

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

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

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

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

Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The Borough’s defined benefit postemployment healthcare plan, the Borough of Pine Hill Postemployment Benefits Plan (the “Borough Plan”), allows for employees retiring with twenty-five (25) full-time years of service with the Borough, or twenty-five (25) or more years of service credit in a state or locally administered retirement system, regardless of age, or employees retiring on an accidental disability pension, to receive health care benefits consistent with the benefits offered to active employees covered under the collective bargaining agreement.

The Borough Plan also requires that retirees that become eligible for Medicare benefits utilize the Borough Plan as the secondary insurance coverage. The employees will be required to purchase the Medicare coverage without reimbursement, but the retirees will not be expected to contribute to the secondary Borough coverage. The level of coverage for an employee and their dependents is based upon the applicable employment agreements.

The Borough Plan is a single-employer postemployment healthcare plan administered by the Borough. The benefit provisions of the plans that participate may be established or amended by the Borough Council; for the Borough Plan that authority rests with the Borough Council. The plan does not issue a separate financial report.

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

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	23
Inactive Employees Entitled to but Not Yet Receiving Benefit Payments	-
Active Employees	31
	54

Total OPEB Liability

The Borough’s total OPEB liability of \$15,421,759.00 was measured as of December 31, 2018 and was determined by an actuarial valuation as of this same date.

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

Inflation	2.5% Annually
Salary Increases	2.5% Annually
Discount Rate	4.10%
Healthcare Cost Trend Rates	5.8% in 2018, reducing by 0.1% per annum, leveling at 5% per annum in 2026 Drug: 10.0% in 2018, reducing by 0.5% per annum to 2022 and 1.0% per annum thereafter, leveling at 5% per annum in 2026 Dental: 3.5% per annum
Retirees' Share of Benefit-Related Costs	Pursuant to Chapter 78

Note 8: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Actuarial Assumptions and Other Inputs (Cont'd) -**

- The discount rate was based on the Bond Buyer 20 Index December 31, 2018.
- Mortality Rates were based on the RP 2000 Combined Healthy Male Mortality Rates Set Forward Three Years.
- Turnover was based on the NJ State Pensions Ultimate Withdrawal Rates – prior to benefits eligibility.
- Assumed Retirement Age was based upon first eligibility after completion of 25 years of service.
- Full Attribution Period was based on service to assumed retirement age.
- Medical Cost Aging Factor was based on NJ SHBP Medical Morbidity Rates.

An experience study was not performed on the actuarial assumptions used in the December 31, 2018 valuation since the Plan had insufficient data to produce a study with credible results. The actuary has used their professional judgement in applying these assumptions to this Plan.

Changes in Total OPEB Liability

Balance at December 31, 2017		\$ 14,916,967.00
Changes for the Year:		
Service Cost	\$ 216,064.00	
Interest Cost	613,791.00	
Benefit Payments	(325,063.00)	
Changes in Assumptions	-	
Difference Between Expected and Actual Experience	<u>-</u>	
Net Changes		<u>504,792.00</u>
Balance at December 31, 2018		<u><u>\$ 15,421,759.00</u></u>

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

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

	1.00% Decrease (3.10%)	Current Discount Rate 4.10%	1.00% Increase (5.10%)
Total OPEB Liability	<u>\$ 17,155,222.00</u>	<u>\$ 15,421,759.00</u>	<u>\$ 13,983,547.00</u>

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

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

	<u>1.00%</u> <u>Decrease</u>	Healthcare Cost Trend <u>Rate</u>	<u>1.00%</u> <u>Increase</u>
Total OPEB Liability	\$ 14,163,833.00	\$ 15,421,759.00	\$ 16,941,999.00

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2018, the Borough recognized OPEB expense of \$325,063.00. As of December 31, 2018, the Borough did not report any deferred outflows of resources and/or deferred inflows of resources related to OPEB.

Supplementary OPEB Information

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

Schedule of Changes in the Borough's Total OPEB Liability and Related Ratios

Service Cost	\$ 216,064.000
Interest Cost	613,791.00
Benefit Payments	(325,063.00)
Changes in Assumptions	-
Difference Between Expected and Actual Experience	-
Net Change in Total OPEB Liability	504,792.00
Total OPEB Liability - Beginning of Year	<u>14,916,967.00</u>
Total OPEB Liability - End of Year	<u>\$ 15,421,759.00</u>
Covered-Employee Payroll	\$ 1,754,770.00
Total OPEB Liability as a Percentage of Covered-Employee Payroll	878.85%

Other Notes to Supplementary OPEB Information**Changes in Benefit Terms**

None

Changes in Assumptions

None

Note 9: COMPENSATED ABSENCES

Full-time employees are entitled to eighteen paid sick leave days each year. Employees who are part of the Council Ten Union are entitled to carry forward sick and vacation time. The maximum accrual of sick time is equal to four hundred five (405) hours in addition to the amount of sick time they had accumulated prior to the consummation of their agreement in 2001. Vacation time accrued and unused in the current year can be carried for no greater than one (1) year. Employees under the collective bargaining agreement for the Police are entitled to no greater than forty (40) hours of accumulated vacation time and an unlimited accumulation of sick time. Employees not covered under the above agreements may accumulate up to forty (40) hours of vacation and an unlimited accumulation of sick time.

The Borough of Pine Hill compensates employees for unused sick leave upon termination or retirement. The Borough's liability is limited to the accrual provisions as outlined above.

The Borough of Pine Hill does not record accrued expenses related to compensated absences. However, it is estimated that, at December 31, 2018, accrued benefits for compensated absences are valued at \$414,746.67.

Note 10: DEFERRED COMPENSATION SALARY ACCOUNT

The Borough 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 Borough or its creditors. Since the Borough does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Borough's financial statements.

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

General Improvement Bonds, Series 2006 - On August 1, 2006, the Borough of Pine Hill issued \$2,630,000.00 of general improvement bonds, with interest rates ranging from 4.5% to 4.75%. The bonds were issued for the purpose of funding various capital projects in the Borough of Pine Hill. The final maturity of the bonds is August 1, 2026.

General Improvement Bonds, Series 2015 - On August 25, 2015, the Borough of Pine Hill issued \$3,045,000.00 of general improvement bonds, with interest rates ranging from 2.0% to 2.5%. The bonds were issued for the purpose of funding various capital projects in the Borough of Pine Hill. The final maturity of the bonds is September 1, 2026.

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

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	\$ 405,000.00	\$ 111,075.00	\$ 516,075.00
2020	420,000.00	99,350.00	519,350.00
2021	435,000.00	87,200.00	522,200.00
2022	445,000.00	74,500.00	519,500.00
2023	460,000.00	61,125.00	521,125.00
2024-2026	1,440,000.00	95,300.00	1,535,300.00
	<u>\$ 3,605,000.00</u>	<u>\$ 528,550.00</u>	<u>\$ 4,133,550.00</u>

General Debt - New Jersey Environmental Infrastructure Loans

On November 5, 1998, the Borough of Pine Hill entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$301,289.00, at no interest, from the fund loan, and \$305,000.00 at interest rates ranging of 4.40% from the trust loan. The proceeds were used to fund storm sewer system improvements. Semiannual debt payments are due February 1st and August 1st through 2018. The final payment on the New Jersey Environmental Infrastructure Loans was made in 2018.

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

Summary of Debt

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 3,605,000.00	\$ 4,041,760.62	\$ 4,482,107.45
<u>Authorized but not Issued</u>			
General:			
Bonds, Loans and Notes			667.00
Net Debt	<u>\$ 3,605,000.00</u>	<u>\$ 4,041,760.62</u>	<u>\$ 4,482,774.45</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 .78%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 6,120,000.00	\$ 6,120,000.00	
General	3,605,000.00		\$ 3,605,000.00
	<u>\$ 9,725,000.00</u>	<u>\$ 6,120,000.00</u>	<u>\$ 3,605,000.00</u>

Net debt \$3,605,000.00 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$462,822,002.33, equals .78%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 16,198,770.08
Less: Net Debt	<u>3,605,000.00</u>
Remaining Borrowing Power	<u>\$ 12,593,770.08</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:

<u>Description</u>	<u>Balance</u> <u>December 31, 2018</u>	<u>2019</u> <u>Budget</u> <u>Appropriation</u>
Current Fund:		
Special Emergency Authorization	\$ 74,855.00	\$ 45,000.00
Emergency Authorization	62,742.03	62,742.03

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

Note 13: RISK MANAGEMENT

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

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

Note 13: RISK MANAGEMENT (CONT'D)

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

<u>Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ -	\$ 6,249.25	\$ 26.64	\$ 15,233.93	\$ 34,988.00
2017	-	6,068.56	29.39	490.81	43,946.04
2016	-	23,355.30	14.97	3,532.55	38,338.90

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

Joint Insurance Pool - The Borough of Pine Hill is a member of the Camden County Municipal Insurance Joint Insurance Fund. The Fund provides its members with the following coverage:

Workers' Compensation including Employer's Liability
 General Liability including Police Professional and Employee Benefit Liability
 Automobile Liability
 Blanket Crime including Public Employee Dishonesty
 Property Including Boiler and Machinery
 Public Officials and Employment Practices Liability
 Volunteer Directors and Officers Liability
 Cyber Liability

The following coverages are provided to the Fund's member local units by their membership in the Municipal Excess Liability Joint Insurance Fund (MEL):

Excess Workers' Compensation
 Excess General Liability
 Non-Owned Aircraft Liability
 Excess Auto Liability
 Fidelity and Performance (Blanket)
 Excess Property including Boiler and Machinery
 Crime including Excess Public Employee and Public Official Coverage

Environmental Impairment Liability coverage is provided to the Fund's member local units by the Fund's membership in the New Jersey Municipal Environmental Risk Management Fund.

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of 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 Borough'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, which is an insurance pool formed by all the other joint insurance funds.

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report which can be obtained from:

Camden County Municipal Joint Insurance Fund
 P.O. Box 345
 Voorhees, New Jersey 08043

Note 14: DEBT SERVICE AGREEMENT (FINANCIAL GUARANTEE)

On November 1, 1986, the Borough entered into a debt service agreement with the Pine Hill Municipal Utilities Authority, a component unit of the Borough. This agreement obligates the Borough to advance payment for any debt service deficiency of the Authority. The Authority is obligated, by the agreement, to repay to the Borough all advances paid on their behalf, upon the financial ability to do so. At December 31, 2018, the Authority had \$3,712,349.04 in outstanding debt covered by this agreement.

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 Borough expects such amount, if any, to be immaterial.

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

Note 16: CONCENTRATIONS

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

APPENDIX E

FORM OF BOND COUNSEL OPINION



July __, 2020

The Pine Hill Borough Municipal Utilities Authority
907 Turnersville Road
Pine Hill, New Jersey

**RE: \$ _____ THE PINE HILL BOROUGH MUNICIPAL UTILITIES
AUTHORITY, REVENUE BONDS, SERIES 2019**

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance and sale by The Pine Hill Borough Municipal Utilities Authority ("Authority"), a public body politic and corporate duly organized and existing under and by virtue of the laws of the State of New Jersey, of its \$ _____ aggregate principal amount of Revenue Bonds, Series 2020 ("2020 Bonds").

The 2020 Bonds are authorized under and issued pursuant to: (i) the Municipal and County Utilities Authorities Law, constituting Chapter 183 of the Laws of 1957 of the State, and the acts amendatory thereof and supplemented thereto ("Act"); (ii) a Bond Resolution duly adopted by the Authority on March 26, 2020 ("2020 Bond Resolution"), as supplemented by a supplemental bond resolution of the Authority duly adopted on June __, 2020 ("2020 Supplemental Bond Resolution"; together with the 2020 Bond Resolution, the "Resolution"); and (iii) a Trust Agreement, by and between the Authority and The Bank of New York Mellon, as trustee, ("Trustee"), dated August 1, 1962, as previously amended and supplemented ("Original Trust Agreement"), and as further supplemented by the Fifth Supplemental Trust Agreement, dated as of July 1, 2020 ("Fifth Supplemental Trust Agreement"; together with the Original Trust Agreement, the "Trust Agreement"). Capitalized terms, not otherwise defined herein, shall have the meanings ascribed thereto in the Trust Agreement or the Resolution, unless the context clearly requires otherwise.

The 2020 Bonds are being issued by the Authority to provide funds which will be used to: (i) finance the costs of various capital improvements to the Authority's water system, including the rehabilitation of the Erial Road Water Main, installation of a backup well for Well #4 and decommissioning of Well #6 and Well #7; (ii) fund the Debt Service Reserve Account created under the Trust Agreement in an amount equal to the Debt Service Reserve Requirement established in the Trust Agreement for the 2020 Bonds; and (iii) pay the cost and expenses incidental to the issuance and delivery of the 2020 Bonds.

The 2020 Bonds are dated their date of delivery, mature on August 1 in each of the years and the respective principal amounts set opposite each such year in the table below and bear interest at the rates per annum below, payable semi-annually on February 1 and August 1, commencing on February 1, 2021, in each year until maturity or earlier redemption.

COUNSEL WHEN IT MATTERS.SM



<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$	%	2028	\$	%	2035	\$	%
2022			2029			2036		
2023			2030			2037		
2024			2031			2038		
2025			2032			2039		
2026			3033			2040		
2027			2034					

The 2020 Bonds are issued in fully registered book-entry-only form without coupons, and are subject to redemption prior to their stated maturity dates on the terms and conditions stated therein.

The 2020 Bonds are direct and limited obligations of the Authority and are payable solely from and secured as to payment from Net Revenues. Net Revenues include all rates, fees, rentals or other charges or income received by the Authority or accrued to the Authority from the operation of the Water System, all as calculated in accordance with sound accounting practice, remaining after deduction only of Operating Expenses. The 2020 Bonds are additionally secured by payments due under the Service Agreement, dated November 1, 1986, as amended and supplemented ("Service Agreement"), between the Authority and the Borough of Pine Hill ("Borough"), subject to the application thereof in the manner provided in the Trust Agreement. The 2020 Bonds shall be in all respects equally and ratably secured with the other Bonds issued under the Trust Agreement.

As the basis for the opinion set forth below, we have examined such matters of law as we have deemed necessary including, *inter alia*, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as amended ("Code"), and the Act. We have also examined and relied upon the proceedings authorizing the issuance and sale of the 2020 Bonds and such documents, certifications and instruments as we have deemed necessary including, without limitation, the Trust Agreement, the Service Agreement, the Resolution, a certification of officials of the Authority ("Non-Arbitrage Certificate") having the responsibility for issuing the 2020 Bonds intended to satisfy certain provisions of the Code and applicable Treasury Regulations, and the other certifications, instruments, documents and opinions listed in the closing agenda prepared in connection with the settlement of the 2020 Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments and certifications examined, including, without limiting the generality of the foregoing, the Non-Arbitrage Certificate.

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

1. The Authority has been duly created and is validly existing under the provisions of the Constitution and of the laws of the State of New Jersey ("State"), including the Act.



2. The Resolution has been validly adopted by the Authority and the obligations of the Authority thereunder are valid and legally binding obligations of the Authority enforceable in accordance with the respective terms thereof, except to the extent that enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium or other laws or other legal or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").

3. The Trust Agreement has been duly authorized, executed and delivered by the Authority, and assuming due and valid authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding obligation of the Authority, enforceable in accordance with the terms thereof, except insofar as the enforcement thereof may be limited by Creditors' Rights Limitations.

4. The 2020 Bonds have been validly authorized, executed, authenticated and delivered and constitute valid and legally binding direct and limited obligations of the Authority enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by Creditors' Rights Limitations.

5. The Service Agreement has been duly authorized, executed and delivered by the respective parties thereto and is enforceable in accordance with its terms except insofar as the enforcement thereof may be limited by Creditors' Rights Limitations. The obligation of the Borough under the Service Agreement to pay that portion of the Annual Charges (as therein defined) related to the debt service requirements on Outstanding Bonds of the Authority, including the 2020 Bonds, is a valid and legally binding obligation of the Borough, and, to the extent that other funds of the Borough are insufficient to pay such portion of the Annual Charges related to such debt service requirements, the Borough is obligated to levy unlimited *ad valorem* taxes in an amount sufficient to provide for said payment.

6. Interest on the 2020 Bonds will not be includable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals.

Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to thirty percent (30%) of the "dividend equivalent amount" for the taxable year. Interest on the 2020 Bonds received or accrued by a foreign corporation subject to the branch profits tax is included in computing the "dividend equivalent amount" of such corporation.

In addition, passive investment income, including interest on the 2020 Bonds, may be subject to federal income taxation under Section 1375 of the Code for any S corporation that has Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporation is passive investment income.

In rendering this opinion, we have assumed continuing compliance by the Authority with the covenants contained in the 2020 Bond Resolution, the Trust Agreement and the Nonarbitrage Certificate; that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the 2020 Bonds and



rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Authority to comply with its respective covenants could result in the interest on the 2020 Bonds being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the 2020 Bonds.

Ownership of the 2020 Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, controlled foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, individuals who otherwise qualify for the earned income credit, and individuals and families that qualify for a premium assistance credit amount under Section 36B of the Code. The Code denies the earned income credit to an individual who is otherwise eligible if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds certain limits set forth in Sections 32(i) and (j) of the Code. Interest on the 2020 Bonds will constitute disqualified income for this purpose. The Code also provides that the earned income credit is phased out if the modified adjusted gross income of the taxpayer exceeds certain amounts. Interest on the 2020 Bonds is included in determining the modified adjusted gross income of the taxpayer. Section 36B of the Code provides that the amount of the premium assistance credit amount is in part determined by household income. Section 36B(d) of the Code provides that household income consists of the "modified adjusted gross income" of the taxpayer and certain other individuals. "Modified adjusted gross income" means adjusted gross income increased by certain amounts, including interest received or accrued by the taxpayer which is exempt from tax, such as the interest on the 2020 Bonds.

In addition, attention is called to the fact that Section 265(b)(1) of the Code eliminates the interest deduction otherwise allowable with respect to indebtedness deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations acquired after August 7, 1986 other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code. The Authority has designated the 2020 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or carry "qualified tax-exempt obligations" is deductible.

Owners of the 2020 Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on passive investment income of S corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

7. Interest on the 2020 Bonds and any gain from the sale thereof are not includible in the gross income of the owners thereof under the New Jersey Gross Income Tax Act.

We call your attention to the fact that the 2020 Bonds are direct and limited obligations of the Authority payable solely from Net Revenues. The 2020 Bonds do not constitute a debt or obligation of the State or any political subdivision thereof (except the Authority, to the extent of



the Net Revenues and the Borough to the extent set forth in the Service Agreement), and neither the credit nor the taxing power of the State or any political subdivisions thereof (except the Authority, to the extent of the Net Revenues and the Borough to the extent set forth in the Service Agreement) is pledged for the payment of the principal of or interest on the 2020 Bonds. The Authority has no taxing power.

We express no opinion as to any matter not set forth in the numbered paragraphs above including, without limitation, any financial or other information which has been or may be supplied to purchasers of the 2020 Bonds.

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

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

This letter is being provided solely for the benefit of the Authority and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX F

FORM OF BOND CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this ____ day of July, 2020 by and between The Pine Hill Borough Municipal Utilities Authority ("Authority"), a public body politic and corporate duly organized and existing under and by virtue of the Municipal and County Utilities Authorities Law, Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended and supplemented ("Act"), the Borough of Pine Hill, New Jersey ("Borough"), and the Dissemination Agent (as hereinafter defined). This Disclosure Agreement is entered into in connection with the issuance and sale of the Authority's \$_____ aggregate principal amount of Revenue Bonds, Series 2020 ("2020 Bonds"). The 2020 Bonds are authorized to be issued pursuant to the Trust Agreement, by and between the Authority and The Bank of New York Mellon, as trustee, ("Trustee"), dated August 1, 1962, as amended and supplemented to date, and as further supplemented by the Fifth Supplemental Trust Agreement, dated as of July 1, 2020 (collectively, the "Trust Agreement"), and by a bond resolution of the Authority, duly adopted on March 26, 2020.

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered for the benefit of the holders and beneficial owners of the 2020 Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 ("Exchange Act"), as it may be amended and supplemented from time to time, including administrative or judicial interpretations thereof, as it applies to the 2020 Bonds ("Rule").

SECTION 2. Definitions. Capitalized terms, not otherwise defined herein, shall, for purposes of this Disclosure Agreement, have the meanings ascribed thereto in the Trust Agreement unless otherwise defined in this Section 2:

"Annual Report" shall mean, collectively or individually as the context may require, the Authority's Annual Report and the Borough's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the Authority, the Borough or the Dissemination Agent is authorized by law or contract to remain closed.

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the National Repository pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the National Repository pursuant to Section 3(c) hereof.

"Dissemination Agent" shall mean The Bank of New York Mellon, Woodland Park, New Jersey, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System ("EMMA"), an internet based filing system created and maintained by the MSRB in accordance with the SEC Release, pursuant to which issuers of tax-exempt bonds, including the 2020 Bonds, and other filers on behalf of such issuers shall upload Continuing Disclosure Information to assist underwriters in

complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

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

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the Authority.

"SEC Release" shall mean Release No. 34-59062, of the SEC, dated December 5, 2008.

SECTION 3. Provision of Annual Report.

(a) (i) The Authority shall not later than 270 days after the end of its fiscal year (currently June 30) during which any of the 2020 Bonds remain outstanding provide to the Dissemination Agent the Authority's Annual Report prepared for the preceding fiscal year of the Authority; (ii) the Borough shall not later than 270 days after the end of the Borough's fiscal year (currently July 31) during which any of the 2020 Bonds remain outstanding provide to the Dissemination Agent the Borough's Annual Report, prepared for the preceding fiscal year of the Borough. Each Annual Report provided to the Dissemination Agent by the Authority and the Borough shall comply with the requirements of Section 4 of this Disclosure Agreement but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

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

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

SECTION 4. Contents of Annual Report. Annual Report shall mean:

(a) In the case of the Authority's Annual Report: (i) the general financial information and operating data of the Authority consistent with the information set forth in the Official Statement, dated June __, 2020, prepared in connection with the sale of the 2020 Bonds ("Official Statement") under the headings "The Water System", "Water Rates", "Ten Largest Users", and "Litigation"; and (ii) the Authority's annual financial statements using the accounting standards set forth below in Subsection (c) of this Section 4 and audited by an independent certified public accountant, substantially in the form set forth in Appendix "B" to the Official Statement; provided that the annual audited financial statements of the Authority may be submitted separately from the balance of the Authority's Annual Report and later than the date required in Section 3(a) hereof for the filing of the Authority's Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of the Authority are included in the Authority's Annual Report.

(b) In the case of the Borough's Annual Report: (i) certain financial information and operating data of the Borough consisting of Borough indebtedness, property valuation information and tax rate, levy and collection data; and (ii) the Borough's annual financing statements using the accounting standards set forth below in Subsection (d) of this Section 4 and audited by an independent certified public accountant, substantially in the form set forth in Appendix "C" to the Official Statement; provided that the annual audited financial statements of the Borough may be submitted separately from the balance of the Borough's Annual Report and later than the date required in Section 3(a) hereof for the filing of the Borough's Annual Report if the annual audited financial statements are not available by that date, but only if the unaudited financial statements of the Borough are included in the Borough's Annual Report.

(c) The Authority's audited financial statements will be prepared in accordance with generally accepted accounting principles, as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statement.

(d) The Borough's audited financial statements will be prepared in accordance with modified cash accounting as mandated by the State of New Jersey statutory principles or with generally accepted accounting principles as modified by governmental accounting standards if required by New Jersey law, as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statement.

SECTION 5. Reporting of Significant Events.

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-

TEB) or other material notices or determinations with respect to the tax status of the 2020 Bonds, or other material events affecting the tax status of the 2020 Bonds;

- (7) modifications to the rights of Bondholders, if material;
- (8) 2020 Bond calls (excluding mandatory sinking fund redemptions), if material, or tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the 2020 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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 obligation¹ of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) The Authority and/or the Borough shall within eight (8) Business Days of the occurrence of any of the Listed Events, notify the Dissemination Agent in writing to report the event pursuant to subsection (c) of this Section 5. In determining the materiality of a Listed Event specified clauses (2), (7), (8), (10), (13), (14) or (15) of subsection (a) of this Section 5, the Authority and the Borough may, but shall not be required to, rely conclusively on an Opinion of Counsel. The Dissemination Agent shall have no obligation under this Disclosure Agreement to provide, or to monitor the Authority and the Borough's obligation to provide, notification of the occurrence of any of the Listed Events except as set forth in Section 5(c) of this Disclosure Agreement.

(c) If the Dissemination Agent has been instructed by the Authority and the Borough to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the National Repository within two (2) Business Days of the receipt of such instruction, with a copy of such notice provided by the Dissemination Agent to the Authority and/or the Borough (with a copy to the Trustee, if the Dissemination Agent is not the Trustee).

¹ The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

SECTION 6. Termination of Disclosure Agreement. This Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the 2020 Bonds or when the Authority and the Borough are no longer Obligated Persons (as defined in the Rule) with respect to the 2020 Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provisions of this Disclosure Agreement, the Authority, the Borough or the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an Opinion of Counsel addressed to the Authority, the Borough and the Dissemination Agent to the effect that such amendment or waiver will not, in and of itself, cause the undertakings herein to violate the Rule. No amendment to this Disclosure Agreement shall change or modify the rights or obligations of the Dissemination Agent without its written assent thereto. The Authority and/or the Borough shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent (with a copy to the Trustee, if the Dissemination Agent is not the Trustee) and the Dissemination Agent shall file such notice with the National Repository.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority and/or the Borough from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority and/or the Borough chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, it shall not have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default and Remedies. In the event of a failure of the Authority and/or the Borough to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Bondholders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding 2020 Bonds and after provision of satisfactory indemnification in accordance with the Trust Agreement, shall), or any beneficial owner of the 2020 Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority and/or the Borough to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed to be an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority and/or the Borough to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Notices. All notices and other communications required or permitted under this Disclosure Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Authority:

The Pine Hill Borough Municipal Utilities Authority
907 Turnerville Road
Pine Hill, New Jersey 08021
Attention: Executive Director

(ii) If to the Dissemination Agent:

The Bank of New York Mellon
385 Rifle Camp Road
Woodland Park, New Jersey 07424
Attention: Corporate Trust Department

(iii) If to the Borough:

Borough of Pine Hill
45 West 7th Avenue
Pine Hill, New Jersey 08021
Attention: Borough Clerk

Any party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provision of this Section 11 for the giving of notice.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borough, the Authority, the Dissemination Agent and the Bondholders and nothing herein contained shall confer any right upon any other person.

SECTION 12. Submission of Information to MSRB. Any Continuing Disclosure Information filed with the MSRB in accordance with this Disclosure Agreement shall be in electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 13. Compensation. The Authority shall pay the Dissemination Agent from time to time reasonable compensation for all services rendered under this Disclosure Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Disclosure Agreement.

SECTION 14. Duties Appointment, Removal and Resignation of the Dissemination Agent.

(a) The Authority and/or the Borough may discharge the Dissemination Agent and satisfy its obligations under this Disclosure Agreement without the assistance of a Dissemination Agent, or the Authority and/or the Borough may discharge the Dissemination Agent and appoint a successor Dissemination Agent, in either case by giving not less than thirty (30) days' written notice to the Dissemination Agent (with a copy to the Authority).

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and, to the extent permitted by law, the Authority agrees to indemnify and hold the Dissemination Agent and its officers, directors, employees and agents harmless against any loss, expense or liability it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liability due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Authority under this Section 14(b) shall survive termination of this Agreement or the resignation or removal of the Dissemination Agent solely with respect to any actions taken by the Dissemination Agent prior to such termination, resignation or removal.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations under this Disclosure Agreement by giving not less than forty-five (45) days written notice to the Borough and the Authority. Such resignation shall take effect on the date specified in such notice unless a replacement Dissemination Agent has not been appointed by the Authority, in which event, the Dissemination Agent shall continue to serve in such capacity until a successor has been appointed. If no successor is appointed within sixty (60) days after the notice of resignation, the Dissemination Agent may petition any court of competent jurisdiction to appoint a successor.

SECTION 15. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the Authority and/or the Borough, or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 16. Headings for Convenience Only. The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 18. Severability. If any provision of this Disclosure Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Disclosure Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 19. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

THE PINE HILL BOROUGH MUNICIPAL UTILITIES AUTHORITY

By: _____
DEBRA CORSON, Executive Director

BOROUGH OF PINE HILL, NEW JERSEY

By: _____
THOMAS CARDIS, Chief Financial Officer

**THE BANK OF NEW YORK MELLON,
as Dissemination Agent**

By: _____
JANET M. RUSSO, Vice President

EXHIBIT A

**NOTICE TO THE NATIONAL REPOSITORY OF
FAILURE TO FILE AN ANNUAL REPORT**

Name of Issuer: The Pine Hill Borough Municipal Utilities Authority

Name of Bond Issues Affected: \$ Revenue Bonds, Series 2020

Date of Issuance of the Affected Bond Issue: July __, 2020

NOTICE IS HEREBY GIVEN that [The Pine Hill Borough Municipal Utilities Authority][the Borough of Pine Hill, County of Gloucester, New Jersey] has not provided an Annual Report with respect to the above named 2020 Bond issue as required by Section 3 of the Continuing Disclosure Agreement, dated July __, 2020, between the Authority, the Borough and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The [Authority/Borough] anticipates that such Annual Report will be filed by _____].

Dated:

**THE BANK OF NEW YORK MELLON,
Dissemination Agent**

cc: The Pine Hill Borough Municipal Utilities Authority
Borough of Pine Hill, New Jersey