

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

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 24, 2020

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel, assuming continuing compliance by the Borough (as hereinafter defined) with certain tax covenants described herein, under existing law, interest on the Bonds (each as hereinafter defined) is not included for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and does not constitute a tax preference item for purposes of the alternative minimum tax imposed on individuals. In addition, interest on the 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 Bonds and any gain from the sale thereof are not included in the gross income of owners thereof under the New Jersey Gross Income Tax Act, as presently executed and construed.

\$6,767,000
BOROUGH OF PALMYRA
County of Burlington, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2020
Consisting of:
\$5,245,000 General Improvement Bonds
\$1,522,000 Sewer Utility Bonds
(Bank Qualified) (Callable)

Dated: Date of Delivery

Due: November 1, as shown on inside front cover

The Borough of Palmyra, County of Burlington, New Jersey ("Borough") is issuing \$6,767,000 aggregate principal amount of General Obligation Bonds, Series 2020 ("Bonds"). The Bonds consist of: (i) \$5,245,000 General Improvement Bonds; and (ii) \$1,522,000 Sewer Utility Bonds. The Bonds shall be issued in fully registered book-entry-only form without coupons.

The principal of the Bonds shall be paid on the respective maturity dates thereof upon presentation and surrender of the Bonds at the offices of the Borough, as paying agent. Interest on the Bonds is payable semi-annually on May 1 and November 1 ("Interest Payment Dates"), commencing May 1, 2021, in each year until maturity or earlier redemption. The Bonds are subject to redemption prior to their stated maturity dates on the terms and conditions set forth herein.

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

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) Bond Ordinances 2015-13, 2016-07, 2016-08, 2017-10, 2018-09, 2018-10, 2019-06, 2019-07, 2020-06 and 2020-07, each duly and finally adopted by Borough Council and published in accordance with the requirements of the Local Bond Law; (iii) a resolution duly adopted by the Borough Council on November 16, 2020; and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the Borough on December __, 2020.

The Bonds are being issued by the Borough to provide funds which will be used to: (i) permanently finance the costs of various capital improvements and the acquisition of various capital equipment by the repayment at maturity of the principal amount of certain bond anticipation notes previously issued by the Borough; (ii) permanently finance the costs of various capital improvements and the acquisition of various capital equipment for which obligations have been authorized, but not yet issued; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The full faith and credit of the Borough are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are general obligations of the Borough payable as to principal and interest from *ad valorem* taxes that shall be levied upon all taxable real property within the Borough without limitation as to rate or amount.

This cover 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 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 to the Borough, and certain other conditions described herein. Certain legal matters will be passed upon for the Borough by its Solicitor, Ted Rosenberg, Esquire, Moorestown, New Jersey. Acacia Financial Group, Inc., Mount Laurel, New Jersey, has acted as Municipal Advisor to the Borough in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery, in immediately available funds, through DTC in New York, New York on or about December 10, 2020.

\$6,767,000
BOROUGH OF PALMYRA
County of Burlington, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2020
Consisting of:
\$5,245,000 General Improvement Bonds
\$1,522,000 Sewer Utility Bonds
(Bank Qualified) (Callable)

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Year	General Improvement Bonds	Sewer Utility Bonds	Total Principal Amount	Interest Rate	Yield	CUSIP¹
2021	\$375,000	\$102,000	\$477,000	%	%	
2022	375,000	100,000	475,000			
2023	375,000	100,000	475,000			
2024	375,000	105,000	480,000			
2025	380,000	105,000	485,000			
2026	380,000	105,000	485,000			
2027	385,000	105,000	490,000			
2028	395,000	110,000	505,000			
2029	720,000	110,000	830,000			
2030	735,000	110,000	845,000			
2031	750,000	115,000	865,000			
2032	0	115,000	115,000			
2033	0	120,000	120,000			
2034	0	120,000	120,000			

¹CUSIP is a registered trademark of the 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 Bonds and the Borough does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**BOROUGH OF PALMYRA
COUNTY OF BURLINGTON, NEW JERSEY**

Mayor and Borough Council

Gina Ragomo Tait	Mayor
Timothy Howard	Council President
Brandon Allmond	Member of Council
Michelle McCann	Member of Council
Bernadette Russell	Member of Council
Farrah Jenkins	Member of Council
Dr. Laura Craig Cloud	Member of Council

**Chief Financial Officer
Donna Condo, CMFO, QPA**

**Borough Clerk
Doretha (Rita) Jackson, RMC, CMR**

**Borough Administrator
John J. Gural, CPM**

**Solicitor
Ted Rosenberg, Esq.
Moorestown, New Jersey**

**Auditor
Bowman & Company LLP
Voorhees, New Jersey**

**Bond Counsel
Parker McCay P.A.
Mount Laurel, New Jersey**

**Municipal Advisor
Acacia Financial Group, Inc.
Mount Laurel, New Jersey**

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

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or any underwriter.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on any stock or other securities exchange and neither the Securities and Exchange Commission nor any other federal, State, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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

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\$6,767,000
BOROUGH OF PALMYRA
County of Burlington, New Jersey
GENERAL OBLIGATION BONDS, SERIES 2020
Consisting of:
\$5,245,000 General Improvement Bonds
\$1,522,000 Sewer Utility Bonds
(Bank Qualified) (Callable)

INTRODUCTION

This Official Statement, including the cover page and Appendices hereto, is to provide certain information relating to the issuance by the Borough of Palmyra, County of Burlington, New Jersey ("Borough") of its \$6,767,000 aggregate principal amount of General Obligation Bonds, Series 2020 ("Bonds"). The Bonds consist of: (i) \$5,245,000 General Improvement Bonds; and (ii) \$1,522,000 Sewer Utility Bonds.

AUTHORIZATION FOR THE BONDS

The Bonds are authorized to be issued pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) bond ordinances 2015-13, 2016-07, 2016-08, 2017-10, 2018-09, 2018-10, 2019-06, 2019-07, 2020-06 and 2020-07, each duly and finally adopted by the Borough Council and published in accordance with the requirements of the Local Bond Law; (iii) a resolution duly adopted by the Borough Council on November 16, 2020; and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the Borough on December __, 2020.

PURPOSE OF THE ISSUE

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

The improvements to be permanently financed with the proceeds of the Bonds include the following:

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General Improvement Ordinances

<u>Ordinance Number</u>	<u>Purpose/Improvements</u>	<u>Amount Authorized</u>	<u>Notes Outstanding</u>	<u>Bonds to be Issued</u>
2015-13	Security Cameras, Rt.73 Development and Other General Capital Improvements	\$1,109,315	\$151,701	\$151,701
2016-07	Police and Fire Dept. Equipment, Road Improvements and Other General Capital Improvements	1,048,515	625,550	625,550
2017-10	Acquisition of Fire Ladder Truck and Other General Capital Improvements	1,765,500	1,490,399	1,490,399
2018-09	Road and Grove Park Improvements	717,250	684,250	684,250
2019-06	Road Construction, Police and Public Works Equipment	1,387,000	938,600	1,293,100
2020-06	Road Construction, Computer Equipment, Police Department Equipment and Radios, Fire Department Equipment	1,918,810	0	1,000,000
Total		\$7,946,390	\$3,890,500	\$5,245,000

Sewer Utility Ordinances

<u>Ordinance Number</u>	<u>Purpose/Improvements</u>	<u>Amount Authorized</u>	<u>Notes Outstanding</u>	<u>Bonds to be Issued</u>
2016-08	Acquisition of Sewer Jetter	\$361,000	\$310,000	\$310,000
2018-10	Sewer Improvements, Public Road Elimination	355,250	315,000	315,000
2019-07	Sewer Equipment	125,875	100,000	125,600
2020-07	Sewer Improvements	771,400	0	771,400
Total		\$1,613,525	\$725,000	\$1,522,000

DESCRIPTION OF THE BONDS

General

The Bonds will be issued in the aggregate principal amount of \$6,767,000. The Bonds will be dated their date of delivery and bear interest from that date at the interest rates set forth on the inside front cover hereof. Interest on the Bonds is payable semi-annually on May 1 and November 1 (each an "Interest Payment Date" and collectively, "Interest Payment Dates"), commencing May 1, 2021, in each year until maturity or earlier redemption. The Bonds are subject to redemption prior to their stated maturity dates on the terms and conditions set forth below. The Bonds will mature on November 1 in the years and in the principal amounts all as shown on the inside front cover page of this Official Statement.

Individual purchases of the Bonds may be made in the principal amount of \$5,000, or any integral multiple of \$5,000, and in integral multiples of \$1,000 in excess thereof, or in such amount necessary to issue the principal amount of the Bonds, through book-entries made on the

books and the records of DTC (as hereinafter defined) and its participants. See "DESCRIPTION OF THE BONDS--Book-Entry-Only System" below.

The Bonds will be issued in fully registered book-entry only form without coupons. The principal of the Bonds will be payable to the registered owners at maturity upon presentation and surrender of the Bonds at the offices of the Borough, or its hereafter designated paying agent, if any. Interest on each Bond shall be payable on each Interest Payment Date of such Bond to the registered owner of record thereof appearing on the registration books kept by the Borough for such purpose at the offices of the Borough, or its hereafter designated paying agent, if any, as of the close of business on the first (15th) day of the calendar month immediately preceding an Interest Payment Date (each a "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 Bonds, payments of the principal of and interest on the Bonds will be made directly to Cede & Co., as nominee of 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 hereinafter defined) of the Bonds is the responsibility of the DTC Participants and not the Borough or its hereafter designated paying agent, if any.

Redemption Provisions

The Bonds maturing on and after November 1, 2030 are subject to redemption prior to their stated maturity dates at the option of the Borough, upon notice as set forth below, as a whole or in part (and, if in part, such maturities as the Borough shall determine and within any such maturity by lot) on any date on or after November 1, 2029, at a redemption price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of redemption shall be given by mailing 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 Bond of which all or a portion is to be redeemed at his or her last known address, if any, appearing on the registration books of the Borough. So long as the 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 Bonds. Failure of an owner of the 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 Bonds shall not affect the validity of any proceedings for the redemption of Bonds. Such notice shall specify: (i) the series and maturity of the 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 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of the Bonds to be redeemed; (iv) in the case of a 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 Bond or portion thereof to be redeemed the redemption price; and (vi) that from and after the redemption date interest on such Bonds or portion thereof to be redeemed shall cease to accrue and be payable.

Book-Entry-Only System¹

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

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

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

¹ Source: The Depository Trust Company

the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices, if any, shall be sent to DTC. If less than all of the 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 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 Borough or the hereafter designated paying agent, if any, as soon as possible after the applicable Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the applicable Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds, if any, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or its hereafter designated paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Borough or its hereafter designated paying agent, if any, 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 Borough or its hereafter designated paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Borough 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 Borough believes to be reliable, but neither the Borough nor the Underwriters (as hereinafter defined) take any responsibility for the accuracy thereof.

NEITHER THE BOROUGH NOR ITS HEREAFTER DESIGNATED PAYING AGENT, IF ANY, WILL HAVE THE RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE HEADING "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 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 Bonds, the following provisions would apply: (i) the Bonds may be exchanged for an equal principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the offices of the Borough or its hereafter designated paying agent, if any; (ii) the transfer of the Bonds may be registered on the books maintained by the Borough or its hereafter designated paying agent, if any, for such purposes only upon the surrender thereof to the Borough or its hereafter designated paying agent, if any, together with the duly executed assignment in form satisfactory to the Borough or its hereafter designated paying agent, if any; and (iii) for every exchange or registration of transfer of the Bonds, the Borough or its hereafter designated paying agent, if any, may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. In such event, interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date, to the registered owners thereof as of the close of business on the Record Date, whether or not a business day.

SECURITY FOR THE BONDS

The full faith and credit of the Borough are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are general obligations of the Borough payable as to principal and interest from *ad valorem* taxes that shall be levied upon all taxable real property within the Borough without limitation as to rate or amount.

The Borough may pledge only its own credit and taxing power in respect of the Bonds, and has no power to pledge the credit or taxing power of the State or any other political subdivision thereof, nor shall the Bonds be deemed to be obligations of said State or any other political subdivision thereof, nor shall said State or any other political subdivision thereof be liable for the payment of principal of or interest on the Bonds.

GENERAL INFORMATION REGARDING THE BOROUGH

General

General information concerning the Borough, including economic, financial, demographic and other relevant data is set forth in Appendix "A" to this Official Statement.

Financial

Appendix "B" to this Official Statement contains audited financial statements of the Borough for the years ending December 31, 2019, 2018, 2017, 2016 and 2015. The audited financial data was provided by Bowman & Company LLP, Voorhees, New Jersey, and is included herein in reliance upon the authority of such firm. Bowman & Company LLP, Voorhees, New Jersey, has consented to the inclusion of their report in this Official Statement. Copies of the Reports of Audit may be obtained upon request to the office of the Chief Financial Officer of the Borough.

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

Local Bond Law

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

Debt Limits - The authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to three and one-half percent (3.50%) of its equalized valuation basis. The equalized valuation basis of the Borough is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements as annually determined by the New Jersey State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Bonds, notes and long-term loans are included in the computation of debt for the statutory debt limit. The Borough, including the issuance of the Bonds, will not exceed its three and one-half percent (3.50%) debt limit.

Exceptions to Debt Limits – Extensions of Credit - The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or make certain other statutory determinations, approval may be granted.

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

Short-Term Financing – When approved by bond ordinance, the Borough may issue bond anticipation notes to temporarily finance capital improvements. Such notes may not be issued in an aggregate amount exceeding that specified by the ordinance. The notes may not be issued for periods of more than one year, renewable with the final maturity occurring no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original note. After the third year, the amount of the Notes that may be renewed annually must be decreased by the minimum amount required for the first year's principal payment for the bond issue in anticipation of which the Notes are issued.

Bonds – Bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-state administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of bonds.

Local Fiscal Affairs Law

The Local Fiscal Affairs Law, Chapter 5 of Title 40A of the New Jersey State Statutes, as amended and supplemented ("Local Fiscal Affairs Law"), governs audits, auditors, public moneys and financial statements of local governmental units, including the Borough.

Each local unit is required to cause an annual audit of its books, accounts and financial transactions to be made and completed within six months after the close of its fiscal year by either a Registered Municipal Accountant or, by agreement with the Director ("Director") of the Division of Local Government Services ("Division") in the Department of Community Affairs, by qualified employees of the Division.

An independent examination of the Borough's books, accounts and financial transactions must be performed annually by a Registered Municipal Accountant who is licensed by the State Board of Public Accountants. The audit, conforming to the Division's "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made. A Summary of Audit, together with recommendations, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2019 is on file with the Borough Clerk and is available for review during business hours.

The Local Fiscal Affairs Law also requires that the Chief Financial Officer of the local unit file annually with the Director a verified statement of the financial condition of the local unit as of the close of the fiscal year to be made not later than February 10 for December 31 fiscal year end local units and August 10 for June 30 fiscal year end local units.

Local Budget Law

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

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

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

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

A statute passed in 1976, as amended (*N.J.S.A. 40A:4-45.1 et seq.*), commonly known as the "Cap Law", imposed limitations on increases in municipal appropriations subject to various exceptions. On August 20, 1990, the Governor signed into law P.L. 1990, c. 89, which revised and made permanent the "Cap Law". Since its inception, the "Cap Law" has been amended and modified several times, most recently on July 13, 2010. While the revised "Cap Law" is more restrictive on the ability of a local unit to increase its overall appropriations, it does not limit the obligation of the Borough to levy *ad valorem* taxes upon all taxable real property within the Borough to pay debt service on the Bonds. The Cap Law provides that a local unit shall limit any increase of its budget to 2.5% or the index rate, whichever is less, over the previous year's final appropriations subject to certain exceptions. The "index rate" is the rate of annual

percentage increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services computed by the United States, Department of Commerce. Among the exceptions to the limitations imposed by the Cap Law are capital expenditures; debt service; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law.

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010 (S-29R1), which, among other things, imposes a two percent (2.00%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2.00%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.00%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.00% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 *et seq.*), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, *N.J.S.A. 40A:4-45-46*) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2.00%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2.00%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

In response to the outbreak of the Coronavirus (as defined and described under the heading "CERTAIN RISK FACTORS – Recent Healthcare Developments" below), on March 24, 2020, the Local Finance Board released Local Finance Notice 2020-07 specifically permitting emergency appropriations for response to the Coronavirus subsequent to the adoption of a local unit's budget. In particular, such emergency appropriation must be approved by 2/3 vote of the governing body of the local unit and be accompanied by a certification of the Chief Financial Officer stating that the resolution covers expenses incurred during the emergency response to the Coronavirus. Moreover, to the extent that such Coronavirus-related emergency appropriations exceed the cost of providing similar services under non-emergency conditions, the deferred charge to be raised in the following year's budget is an eligible exception to both the levy cap and the appropriations cap.

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

Miscellaneous Revenues

N.J.S.A. 40A:4-26 provides that: "No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the [D]irector shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." Such determination may be made by the governing body and the chief financial officer in any year during which the local unit is subject to local examination.

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

Real Estate Taxes

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

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

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

Another provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required for all current budget appropriations and school and county taxes of the current fiscal year. The reserve requirement is calculated as follows:

$$\frac{\text{Levy Required for Current Budget, School, County and Fire District Taxes}}{\text{Prior Year's Percentage of Current Tax Collections (or Lesser \%)}} = \text{Total Taxes to be Levied}$$

In response to the outbreak of the Coronavirus, on May 4, 2020, the Local Finance Board released Local Finance Notice 2020-11 specifically permitting alternative methodologies for calculating the reserve for uncollected taxes. In particular, instead of using the methodology described above for purpose of calculating the reserve for uncollected taxes, one of the following two alternatives may be used: (i) *N.J.S.A. 40A:4-41(c)* allows for use of the average of the prior three (3) years' tax collection rate to mitigate a short-term decrease in the tax collection rate; or (ii) *N.J.S.A. 40A:4-41(d)* allows for a municipality to reduce the prior year's certified tax levy by the amount of any tax levy adjustment resulting from a tax appeal judgement. Use of either alternative calculation requires submission to DLGS of a resolution of the governing body and subsequent approval therefrom.

Deferral of Current Expenses

Emergency appropriations (i.e., those made after the adoption of the budget and determination of the tax rate for an unforeseen event or purpose) may be authorized by the governing body of the local governmental units. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed three percent (3.00%) of the adopted operating budget, consent of the Director of Local Government Services must be obtained.

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

Budget Transfers

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

Capital Budget

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

Related Constitutional and Statutory Provisions

In the general election of January 2, 1976, as amended by the general election of January 6, 1984, the following Article 8, Section 1, Paragraph 7, with respect to a state income tax, was added to the State Constitution:

No tax shall be levied on personal incomes of individuals, estates and trusts of this State unless the entire net receipts therefrom shall be received into the treasury, placed in a perpetual fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this State exclusively for the purpose of reducing or offsetting property taxes. In no event, however, shall a tax so levied on personal income be levied on payments received under the Federal Social Security Act, the Federal Railroad Retirement Act, or any federal law which substantially reenacts the provisions of either of those laws.

A progressive state income tax is currently in effect in the State.

The State Constitution may only be amended after: (i) approval of a proposed amendment by three-fifths (3/5) of all of the members of each house of the State Legislature and approval by a majority vote in a statewide referendum; or (ii) approval in two successive legislative years by a majority of all of the members of each house and approval by a majority vote in a statewide referendum. Amendments failing to receive voter approval may not be resubmitted for voter approval before the third succeeding general election after such disaffirmance.

The Municipal Finance Commission

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

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

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

the readjustment of debts under the Federal Municipal Bankruptcy Act. Such Act permits municipalities to have access to bankruptcy court for protection against suits by bondholders and creditors.

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

Limitation of Remedies Under Federal Bankruptcy Code

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

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

THE ABOVE REFERENCES TO THE BANKRUPTCY CODE ARE NOT TO BE CONSTRUED AS AN INDICATION THAT THE BOROUGH EXPECTS TO RESORT TO THE PROVISIONS OF SUCH BANKRUPTCY CODE OR THAT, IF IT DID, SUCH ACTION WOULD BE APPROVED BY THE COMMISSION, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY OF THE BONDS.

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

TAXATION

Procedure for Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of maintaining new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures

equitable treatment to like property owners. The last complete revaluation of property within the Borough was for the year 2013.

Upon the filing of certified adopted budgets by the Borough, the Palmyra Borough School District and the County of Burlington ("County"), the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in *N.J.S.A. 54:4-1 et seq.* Special taxing districts are permitted in the State for various special services rendered to the properties located within the special district.

Tax bills are due quarterly on February 1, May 1, August 1 and November 1. Installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18.00% per annum on any amounts in excess of \$1,500.00. These interest penalties are the maximum permitted under New Jersey Statutes. Additionally, a 6.00% penalty is charged on any delinquencies in excess of \$10,000.00 if not paid by the end of each year. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. Tax liens retained by the Borough are periodically assigned to the Borough Solicitor for "in rem foreclosures" in order to acquire title to these properties.

In response to the outbreak of the Coronavirus, the Governor of the State of New Jersey signed Executive Order 130, authorizing 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. At a meeting held on April 29, 2020, Borough Council adopted Resolution No. 04:107-20, instituting the above-described grace period for the payment of property taxes. See "CERTAIN RISK FACTORS – Recent Healthcare Developments" below for additional information on temporary changes made to property tax laws and regulations in response to the Coronavirus.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the New Jersey Board of Taxation ("Tax Board") on or before the first day of April of the current tax year for review. The Tax Board has the authority, after a hearing, to decrease, increase or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Tax Board, appeal may be made to the State Tax Court. State Tax Court appeals tend to take several years prior to settlement and any losses in tax collection from prior years are charged directly to operations.

In response to the outbreak of the Coronavirus, on May 28, 2020, the Governor of the State of New Jersey signed legislation (A4157) extending the deadline to file 2020 property tax assessment appeals to July 1, and extending deadlines for county boards of taxation to decide on such cases to September 30, with certain exceptions. The bill took effect on May 28, 2020 and applies retroactively to April 1, 2020.

TAX MATTERS

Federal

In the opinion of Parker McCay P.A., Mount Laurel, New Jersey, Bond Counsel to the Borough ("Bond Counsel"), assuming continuing compliance by the Borough with the tax covenants described below, under existing law, interest on the 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 does 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 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 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 Borough 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 Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Borough to comply with such covenants could result in the interest on the 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 Bonds.

Ownership of the 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 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 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 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 Borough has designated the 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 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 Bonds and any gain from the sale thereof is not included in the gross income of the owners thereof under the New Jersey Gross Income Tax Act, as presently enacted and construed.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value of the 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 notes 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 Bonds.

PROSPECTIVE PURCHASERS OF THE 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 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.

LITIGATION

To the knowledge of the Borough's Solicitor, Ted Rosenberg, Esquire, Moorestown, New Jersey ("Solicitor"), there is no litigation of any nature now pending, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or

the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Solicitor, no litigation is presently pending that, in the opinion of the Solicitor, would have a material adverse impact on the financial condition of the Borough if adversely decided.

RATING

Moody's Investors Service ("Rating Agency"), has assigned its municipal bond rating of "A1" to the Bonds based on the creditworthiness of the Borough.

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 Borough forwarded to the Rating Agency certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that the rating 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 Bonds.

CERTAIN 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.

In response, the President declared a national emergency on March 13, 2020, which made available federal resources to combat the spread of the virus. In addition, a multi-billion-dollar relief package was signed into law by the President on March 18, 2020, providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. Further, an approximately \$2 trillion federal stimulus package was signed into law on March 27, 2020 (titled the "Coronavirus Aid, Relief, and Economic Security Act"), which includes extraordinary public health spending to confront Coronavirus; 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 and money market mutual funds.

The State has also taken action to assist both local governments and residents effected by the Coronavirus. In particular, on March 28, 2020, the Governor announced a temporary forbearance program for mortgage payments for borrowers economically impacted by the Coronavirus. Additionally, the State tax filing deadlines have been extended and the State fiscal year has been extended to September 30, 2020. The continuing impact of these changes could

result in short and long-term reductions in available tax and other miscellaneous revenues for governing bodies throughout the State, depending on duration and severity. In an effort to provide budgetary relief to local governmental units, the Governor signed legislation (A3971) on August 31, 2020, authorizing municipalities and counties to borrow funds to cover revenue shortfalls and expenditures caused by the Coronavirus. The State's finances have been and may continue to be materially adversely affected by the continuation of the pandemic.

The Borough 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 Borough.

The Borough has provided and intends to continue to provide essential services in and for the Borough including, but limited to, emergency services, core health and human services, and public works, together with certain other vital services the Borough deems necessary to remain operations and responsive to public needs. In addition, the Borough 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 Borough relies on a large and complex technology environment to conduct its various operations. As a result, the Borough 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 Borough has invested in multiple forms of cybersecurity and operational safeguards. Specifically, the Borough 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. The Borough has installed specific application software to train and assist employees in identifying suspicious emails. In addition, the Borough maintains insurance coverage for cyberattacks and related events.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein and in the Appendices attached hereto, including financial and statistical statements, are true and correct in all material respects, and it will confirm the same to the purchasers of the Bonds by certificates signed by various officers and officials of the Borough upon issuance and delivery of the Bonds.

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

Bond Counsel 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, Voorhees, New Jersey, compiled this Official Statement from information obtained from Borough 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 or fairness of the information contained herein and, accordingly, will express no opinion with respect thereto. Bowman & Company LLP does take responsibility for the financial statements, appearing in Appendix "B" hereto, to the extent specified in the Independent Auditor's Report.

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by _____, as underwriter ("Underwriter"), pursuant to a Certificate of Determination and Award, dated December __, 2020. The Underwriter has purchased the Bonds in accordance with the Notice of Sale prepared in connection with the Bonds. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement. The Underwriter is obligated to purchase all of the Bonds if any of the Bonds are purchased.

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

LEGALITY FOR INVESTMENT

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

MUNICIPAL ADVISOR

Acacia Financial Group, Inc., Mount Laurel, New Jersey, has served as municipal advisor to the Borough with respect to the issuance of the Bonds ("Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent

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

NO DEFAULT

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

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 Borough has undertaken to file notice of certain enumerated events, pursuant to a Continuing Disclosure Agreement, in the form attached as Appendix "D" to this Official Statement.

For the fiscal year ended December 31, 2019, the Borough inadvertently filed the wrong document on EMMA in place of the operating data; however, the audited financial statements were filed timely. The corrective filing was made on November 24, 2020. The Borough has appointed a dissemination agent (the "Dissemination Agent") to assist in the filing of certain information on EMMA as required with respect to the Bonds and future obligations.

LEGAL MATTERS

The legality of the Bonds will be subject to the approving legal opinion of Bond Counsel. Such opinion will be printed on or accompany the Bonds and provide, *inter alia*, that the Bonds are valid and binding obligations of the Borough, and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough without limitation as to rate or amount for the payment of the Bonds and interest thereon. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, or other law affecting creditors' rights or remedies heretofore or hereinafter enacted. Certain legal matters will be passed upon for the Borough by its Solicitor.

Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement (except to the extent, if any, as specifically stated herein) and will express no opinion relating thereto.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion 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.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Donna Condo, Chief Financial Officer, Borough of Palmyra, at 856-829-6100 x 141, or to the Borough's Municipal Advisor, Acacia Financial Group, Inc. at 856-234-2266.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth merely as opinions and not as representations of fact, and no representation is made that any such statements will be realized. Neither this Official Statement nor any statement, which may have been made verbally or in writing, is to be construed as a contract with, or a covenant for the benefit of, the holders of the Bonds. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

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

BOROUGH OF PALMYRA, NEW JERSEY

By: _____
DONNA CONDO, Chief Financial Officer

Dated: December __, 2020

APPENDIX A

**CERTAIN ECONOMIC, FINANCIAL AND DEMOGRAPHIC INFORMATION
REGARDING THE BOROUGH OF PALMYRA**

GENERAL INFORMATION ON THE BOROUGH

History, Location and Area

The Borough of Palmyra is located along the Delaware River directly across from Philadelphia, Pennsylvania in south western Burlington County and covers an area of approximately 1.9 square miles.

Palmyra is a residential community with some light industry, retail stores, financial institutions and restaurants serving the citizens of Palmyra and the neighboring communities. Located within the Borough are newly constructed recreational facilities, baseball fields, football and soccer fields and basketball courts. Within a short distance from Palmyra is a fully staffed hospital, three country clubs and golf courses, and shopping malls and state of the art library facilities.

Along the Delaware River in the Borough are boating and fishing facilities. The year 2003 saw the completion of a new 340 unit residential community with recreational facilities along the river. The Riverfront at Palmyra was completed over a five year period.

Form of Government

The Borough is governed by a Mayor and Borough Council composed of six members, all of whom are elected at large. The Borough employs a Borough Administrator who has the responsibility of operating the Borough government efficiently under the guidelines and provisions of the Mayor and Borough Council and the Borough Administrative Code.

The general administration of the Borough business, tax assessment and collection, zoning and planning, elections and court is provided, utilizing a full time staff of approximately 7 persons, plus several part-time staff members.

Planning and Development

The Borough Master Plan provides for well-planned development/redevelopment of the remaining vacant land within Palmyra. The Master Plan was adopted in 1992 and was re-examined and updated in 2007 and again in 2017, to conform with New Jersey guidelines.

The Borough recently entered into a Redevelopment Agreement for a 184-acre Brownfield Development Area (BDA) for mixed use redevelopment, which when complete will substantially increase tax rateables in the community. The NJ DEP & EDA have assisted the Borough's efforts by awarding approximately \$7,000,000 for environmental evaluation and remediation.

The Borough presently has 3,219 residential units and has seen the value of these units increase by approximately 20% in the past twelve months. This is one of the largest increases in Burlington County, which contains 40 municipalities.

Public Services

The Borough has 17 police officers and 15 police vehicles including a utility trailer and electronic message board trailer. The Borough is also protected by approximately 35 volunteers from the Independence Fire Company, which has recently been outfitted with a new Fire and Rescue Engine. Emergency medical services have paid daytime coverage to augment its

numerous volunteers. The Palmyra Ambulance Association is the oldest volunteer ambulance service in the United States.

Improvements and maintenance of the Borough streets and equipment utilizes an 8 person Public Works Department. Once-a-week automated garbage and trash collection and special leaf collections are operated during the Fall, financed through Borough tax dollars.

Public Service Electric and Gas Company, provides electric and gas to the Borough. Water supply is provided by New Jersey American Water Company. The Borough operates its own sewerage system and charges an annual fee for service to approximately 3400 customers.

Transportation

The Borough of Palmyra is bisected by New Jersey State Highway 73, which provides direct access to the New Jersey Turnpike, Interstate 295, and the City of Philadelphia via the Tacony-Palmyra Bridge. Public transportation options within the Borough include New Jersey Transit bus service as well as the RiverLine light rail service which links to AMTRACK service in Trenton. Additionally, the Heritage Trail, a bikeway beginning in Palmyra, extending north to Trenton, and looping back through Pennsylvania has been implemented by the County.

Compensated Absences

Borough employees are entitled to paid vacation depending upon their length of service with the Borough. Vacation time is not accrued from year to year unless specifically approved by the Borough Administrator and the Governing Body. Sick time may be accumulated and carried forward to succeeding years. After 25 years, and at retirement, accrued sick days will be paid at the rate of 60% of final salary not to exceed \$15,000.

Pension Plans

The Borough, on behalf of most of its employees, is enrolled in the New Jersey Public Employees Retirement System, a pension actuarial system administered by the Division of Pensions within the Treasury Department of the State. The members of the Police Department, however, are enrolled in the Police and Firemen's Retirement System. For additional information regarding pension plans, see Appendix B: Audited Financial Statements of the Borough, Note 8.

Borough Employees

	December 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Full-time	36	36	35	35	33
Part-time	<u>43</u>	<u>42</u>	<u>40</u>	<u>35</u>	<u>34</u>
	<u>79</u>	<u>78</u>	<u>75</u>	<u>70</u>	<u>67</u>

Employee Collective Bargaining Units

There are 15 Borough Police Officers represented by the Palmyra Police Association. The three-year agreement with the Police Association expires December 31, 2020 and is the only collective bargaining unit representing Borough employees.

Borough Population(1)

2010 Federal Census	7,336
2000 Federal Census	7,091
1990 Federal Census	7,056
1980 Federal Census	7,085
1970 Federal Census	6,969

Selected Census 2018 Data for the Borough (1)

Median household income	\$70,714
Per capita income	\$34,154

Borough Labor Force (2)

The following table discloses annual average labor force data for the Borough.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Borough					
Labor Force	3,932	3,882	3,927	3,929	3,949
Employed	3,801	3,734	3,760	3,752	3,743
Unemployed	131	148	167	177	206
Unemployment Rate	3.3%	3.8%	4.3%	4.5%	5.2%
County					
Labor Force	230,589	227,612	229,971	229,949	229,689
Employment	223,049	219,125	220,557	219,677	217,394
Unemployment	7,540	8,487	9,414	10,272	12,295
Unemployment Rate	3.3%	3.7%	4.1%	4.5%	5.4%
State					
Labor Force	4,493,100	4,432,500	4,454,700	4,473,800	4,487,300
Employment	4,333,300	4,250,800	4,248,700	4,251,200	4,227,600
Unemployment	159,800	181,700	205,900	222,600	259,700
Unemployment Rate	3.6%	4.1%	4.6%	5.0%	5.8%

Business and Industry

There are two major commercial centers within Palmyra. The first fronts along New Jersey State Highway 73 and includes typical highway commercial uses, such as a car dealerships, gas stations and convenience stores. The Borough's main small business district is along Broad Street (County Route 543). Additional non-residential uses are located along Public Road and Market Street.

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

(2) Source: New Jersey Department of Labor

A new mixed-use development is planned for the 184-acre Rt. 73 South Redevelopment Area (BDA previously referenced) on the western side of New Jersey State Highway 73. The current plan proposes 102 affordable housing units with some age-restricted, along with 1.7 million square feet of warehousing. An additional 300,000 to 400,000 square feet of commercial space including retail, restaurant and other supportive uses are planned for future phases of development.

TEN LARGEST EMPLOYERS (1)

<u>Company</u>	<u>Nature of Business</u>	<u>Approximate Number of Employees</u>
Philadelphia Sign Company	Design Manufacturing and Installers	260
Palmyra Public School	K-12 Education	145
Kerbeck Cadillac	Auto Sales	140
Wawa	Convenience Food Market	50
Gemini Linens	Commercial Laundry For Linen Supply	37
Callahan Chemical	Wholesale Chemical Distribution	22
Bridge Machine Company	Food Processing Machine Manufacturing	21
Curran's Irish Inn	Restaurant/Bar	20
Joshua Motor Car Company Inc.	Used Car Sales	18
Palmyra Ambulance Association	Emergency Medical Services	17

Building Permits Issued(2)

<u>Year</u>	<u>Number of Permits Issued</u>	<u>Value of Construction</u>
2020(3)	253	\$1,054,823
2019	419	2,661,033
2018	475	1,740,059
2017	459	2,194,604
2016	441	2,020,393
2015	412	1,618,668

GENERAL INFORMATION ON THE SCHOOL DISTRICT (4)

The Borough of Palmyra School District ("School District") functions independently through a nine member board, elected by the citizens in alternate three-year terms. There are presently three schools for grades pre-school through twelve.

Borough high school students attend the Palmyra High School.

Taxes for the support of the School District, as approved by the voters in the School District, are levied on the valuations in the Borough as equalized by the County.

- (1) Source: Borough Officials
- (2) Source: Borough Construction Official
- (3) As of October 30, 2020
- (4) Source: School District officials

**BOROUGH OF PALMYRA SCHOOL DISTRICT
SCHOOL ENROLLMENTS(1)**

<u>Grade</u>	<u>2019</u>	<u>2018</u>	<u>October 15, 2017</u>	<u>2016</u>	<u>2015</u>
Pre-K	4	4	8	6	5
K	55	59	57	53	63
1	54	54	52	52	74
2	53	50	49	69	78
3	46	45	66	70	67
4	46	58	67	69	65
5	59	65	71	63	64
6	64	71	63	60	58
7	63	60	64	59	54
8	53	61	60	51	46
9	70	84	72	59	55
10	83	79	60	57	58
11	80	60	60	57	61
12	58	56	58	55	77
Special Education	<u>127</u>	<u>120</u>	<u>117</u>	<u>115</u>	<u>116</u>
Totals	<u>915</u>	<u>926</u>	<u>924</u>	<u>895</u>	<u>941</u>

PRESENT SCHOOL FACILITIES, ENROLLMENT AND CAPACITY(1)

<u>Name of School</u>	<u>Date Constructed</u>	<u>Renovations/ Additions</u>	<u>Grades</u>	<u>Enrollment</u>	
				<u>Oct. 15, 2019</u>	<u>Functional Capacity</u>
Charles Street School	1958	1962, 1992	Pre-K-6	424	705
Delaware Avenue School(2)	1956	None	Pre-K, Admin	0	180
Palmyra High School	1922	1957, 1961 and 1993	7-12	<u>491</u>	<u>765</u>
Totals				<u>915</u>	<u>1,650</u>

HIGHER EDUCATION FACILITIES

Rowan College at Burlington County (Formerly Burlington County College)

Rowan College at Burlington County (formerly Burlington County College) ("RCBC" or the "County College") is a comprehensive, publicly supported, coeducational, two-year institution developed by the County and the State and accredited by the Middle States Association of Colleges and Schools. The County College was founded in October 1965 and opened in September 1969. The 225-acre main campus is located on Pemberton-Browns Mills Road in Pemberton Township, while the Mount Laurel campus opened in July 1995. The Freeholder Board sponsors the College, appointing nine of the twelve Trustees.

(1) Source: School District Officials

(2) Closed 2013-2014

In June 2015, the Rowan University Board of Trustees approved a resolution to partner with the County College thereby allowing students to obtain a bachelor's degree from Rowan University on the County College's Mount Laurel Campus. The unique partnership provides students the opportunity to seamlessly transition from the community college to the university. RCBC is the first community college in the region to offer junior-level courses as part of the "3+1" program in which students complete 75 percent of a Rowan University degree with the community college before completing their senior year at the university.

In July 2015, RCBC announced a transition from its original Pemberton Campus to the more accessible and modern Mount Laurel Campus. All of the academic programs have been moved to Mount Laurel. Located at the intersection of Route 38 and I-295, the 100-acre Mount Laurel campus is already home to the Technology and Engineering Center. Joining it as part of the transformed Mount Laurel campus is a new Health Sciences Center as well as a new Student Success Center - a 78,000 square foot, \$25.4 million state-of-the-art building that will feature a one-stop shop for student services from enrollment to academic planning, knowledge commons library, bookstore, dining area and state-of-the-art technology. This building will serve as the gateway to the newly transformed Mount Laurel campus with a total investment of \$55 million and renovation of 240,000 square feet.

RCBC's fall 2019 enrollment in academic courses was 8,493 students. In addition, the County College serves thousands of other County residents each semester through youth programs, Learning is for Everyone, workforce development, theatrical productions, guest speakers, and art exhibitions.

The Board of Trustees governs the County College and certain fiscal matters are subject to review by the Board of School Estimate. The County College is not permitted to borrow for capital expenditures. Instead, the Board of Trustees and the Board of School Estimate certify the need for funding to the Board, which either currently appropriates the amount certified or authorizes the issuance of County debt, generally in accordance with the provisions of the Local Bond Law.

Burlington County Institute of Technology

The Burlington County Board of Vocational Education was created by the Board in 1962 after a favorable referendum. The enrollment for the two campuses, Westampton and Medford, is 2,092 students as of June 30, 2019.

The Burlington County Institute of Technology ("BCIT") is governed by a consolidated Board of Education of the Special Services School District and the Vocational School District of the County of Burlington and certain fiscal matters are subject to the review of the Board of School Estimate. BCIT is not permitted to borrow for capital expenditures. Instead, the Board of Education and the Board of School Estimate certify the need for funding to the Board which either currently appropriates the amount certified or authorizes the issuance of County debt, generally in accordance with the provisions of the Local Bond Law except that no down payment is required.

BCIT contributes to the County workforce each year an average of 462 high school seniors certified in one of thirty-three career and technical programs and, through its Adult School Division, approximately 760 adults who have completed either a certification or licensing program in one of the thirty-five career programs offered. The Superintendent of BCIT is the liaison between the education community of the County and business and industry.

Burlington County Special Services School District

The Burlington County Special Services School District ("Special Services School District") was created by the Board in June 1972. The Special Services School District is comprised of state-of-the-art facilities located in the Townships of Westampton, Lumberton, Medford, and Mount Laurel and programs are provided for: (1) the orthopedically handicapped, the multiple handicapped, autistic and deaf and hard of hearing; (2) elementary school students with severe emotional and social problems; (3) students ages fourteen (14) through twenty-one (21) with educational needs which are beyond the capabilities of existing local school boards and regions; and (4) trainable mentally retarded young people from ages fourteen (14) to twenty-one (21). The enrollment for the Special Services School District for the 2018-19 academic year is 590 students.

CERTAIN TAX INFORMATION TEN LARGEST REAL PROPERTY TAXPAYERS (1)

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>2020</u>	
		<u>Assessed</u>	<u>Valuation</u>
WILLOW SHORES LP - C/O KORMAN RESIDENTIAL PROPERTIES (12 Properties)	REAL ESTATE	\$	11,365,900
BOSS LADY LLC	AUTOMOTIVE		3,500,000
RIVER VILLAS MEWS LLC	REAL ESTATE		2,261,600
NAI ENTERTAINMENT HOLDINGS, LLC	ENTERTAINMENT		2,009,000
PHILADELPHIA SIGN COMPANY	MANUFACTURING		1,809,200
JOSEPH RAINER (5 Properties)	REAL ESTATE		1,530,300
PALMYRA HOLDINGS LLC	APARTMENT BUILDINGS		1,320,600
RUNQUIST, EDWARD AND MONETTE (12 Properties)	HOUSE/TOWNHOUSES		1,314,400
ROTO CYLINDERS, INC (PAMARCO)	MANUFACTURING		1,247,800
CALLAHAN, PAUL W TRUSTEE (5 Properties)	WHOLESALE CHEMICAL CO.		1,177,700

CURRENT TAX COLLECTIONS (2)

<u>Year</u>	<u>Total Levy</u>	<u>Outstanding Dec. 31</u>		<u>Collected in Year of Levy</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2019	\$ 18,532,750	\$ 404,644	2.18%	\$ 18,050,283	97.40%
2018	18,249,366	411,947	2.26%	17,802,022	97.55%
2017	18,024,288	369,440	2.05%	17,625,440	97.79%
2016	17,696,043	299,775	1.69%	17,366,486	98.14%
2015	17,469,024	325,031	1.86%	17,113,693	97.97%

DELINQUENT TAXES(2)

<u>Year</u>	<u>Outstanding</u>		<u>Collected</u>		<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u>
	<u>Jan. 1</u>	<u>Added</u>	<u>Amount</u>	<u>Percentage</u>			
2019	\$ 422,025	\$ 4,259	\$ 403,579	94.67%	\$ 5,395	\$ 6,157	\$ 11,153
2018	376,644	2,520	367,958	97.04%	578	550	10,078
2017	305,638	7,218	304,196	97.23%	-	1,455	7,204
2016	333,093	3,000	319,161	94.96%	539	10,530	5,863
2015	290,552	4,044	281,373	95.51%	5,161	-	8,062

(1) Source: Borough Tax Assessor

(2) Source: Borough Reports of Audit

TAX TITLE LIENS(1)

<u>Year</u>	<u>Added by</u>			<u>Balance Dec. 31</u>
	<u>Balance Jan. 1</u>	<u>Sales and Transfers</u>	<u>Foreclosed/ Collected</u>	
2019	\$ 22,686	\$ 19,487	\$ 1,035	\$ 41,138
2018	78,750	8,615	64,679	22,686
2017	81,337	11,036	13,623	78,750
2016	79,759	14,199	12,621	81,337
2015	65,673	24,006	9,920	79,759

FORECLOSED PROPERTY (1)(2)

<u>Year</u>	<u>Balance</u>		<u>Transferred from</u>		<u>Balance Dec. 31</u>
	<u>Jan. 1</u>	<u>Adjustments</u>	<u>Tax Title and Sewer Liens</u>		
2019	\$ 570,050	\$ -	\$ -	-	\$ 570,050
2018	402,650	102,336	-	65,064	570,050
2017	402,650	-	-	-	402,650
2016	402,650	-	-	-	402,650
2015	166,150	222,478	-	14,022	402,650

CURRENT SEWER COLLECTIONS(1)

<u>Year</u>	<u>Beginning</u>		<u>Collected in Year of Levy</u>		<u>Outstanding Dec. 31</u>	
	<u>Balance</u>	<u>Total Levy</u>	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2019	\$ 163,642	\$ 1,689,411	\$ 1,704,706	91.99%	\$ 148,348	8.01%
2018	165,880	1,650,031	1,652,270	90.99%	163,642	9.01%
2017	171,130	1,645,130	1,650,380	90.87%	165,880	9.13%
2016	172,161	1,664,625	1,661,865	90.48%	171,130	9.32%
2015	162,994	1,460,466	1,447,315	89.15%	172,161	10.60%

(1) Source: Annual Reports of Audit

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

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

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Tax Rate (2)</u>			
		<u>Total Rate</u>	<u>County</u>	<u>Local School</u>	<u>Municipal</u>
2020	\$ 476,635,339	\$ 4.005	\$ 0.421	\$ 2.289	\$ 1.295
2019	477,382,738	3.879	0.430	2.206	1.243
2018	476,914,469	3.824	0.429	2.171	1.224
2017	477,098,169	3.775	0.433	2.142	1.200
2016	477,863,768	3.701	0.442	2.071	1.188

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

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita(4)</u>
2020	\$ 476,635,245	93.67%	\$ 508,845,143	\$ 69,363
2019	477,382,645	92.97%	513,480,311	69,995
2018	476,914,375	93.66%	509,197,496	69,411
2017	477,098,075	94.24%	506,258,569	69,010
2016	477,863,675	94.24%	507,070,962	69,121

REAL PROPERTY CLASSIFICATION(5)

<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>
2020	\$ 476,635,245	\$ 4,627,600	\$ 408,915,145	\$ 32,380,300	\$ 9,506,300	\$ 21,205,900	\$ -
2019	477,382,645	4,787,800	408,502,345	32,380,300	10,506,300	21,205,900	-
2018	476,914,375	4,745,800	408,349,375	32,396,800	10,506,300	20,916,100	-
2017	477,863,675	4,696,800	408,717,075	32,223,300	10,579,000	20,876,400	5,500
2016	478,745,130	4,719,400	409,121,975	32,492,300	10,648,100	20,876,400	5,500

(1) Source: Borough's Tax Collector

(2) Per \$100 of assessed valuation

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

(4) Based upon the 2010 Federal Census of 7,336

(5) Source: Borough's Tax Assessor

**BOROUGH OF PALMYRA
STATEMENT OF INDEBTEDNESS(1)**

The following table summarizes the direct debt of the Borough as of December 31, 2019 in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Sewer Utility and Debt of the Local School District. Deductions from gross debt to arrive at net debt include reserve for the payment of debt, local school district debt, and debt considered to be self-liquidating. The resulting net debt of \$12,153,592 represents 2.380% of the average of equalized valuations for the Borough for the last three years, of \$510,671,104 which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued		Debt Auth. But Not Issued	Gross Debt	Deductions			Net Debt
	Bonds/Loans/Notes				School District	Reserve for Payment of Debt	Self Liquidating / Other	
General	\$ 11,770,500	\$ 1,036,942	\$ 12,807,442		\$ 653,850		\$ 12,153,592	
Local School District	7,365,000		7,365,000	\$ 7,365,000				
Sewer Utility	4,999,805	26,125	5,025,930			\$ 5,025,930		
	\$ 24,135,305	\$ 1,063,067	\$ 25,198,372	\$ 7,365,000	\$ 653,850	\$ 5,025,930	\$ 12,153,592	

(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	\$	510,671,104
Statutory Net debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2017, 2018 and 2019		2.38%
2020 Net Valuation Taxable	\$	476,635,339
2020 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$	508,845,237
Gross Debt (2)		
As a Percentage of 2020 Net Valuation Taxable		5.29%
As a Percentage of 2020 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications		4.95%
Net Debt (2)		
As a Percentage of 2020 Net Valuation Taxable		2.55%
As a Percentage of 2020 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications		2.39%
Gross Debt per Capita(3)	\$	3,435
Net Debt per Capita(3)	\$	1,657

(1) Excluding overlapping debt

(2) Based on 2010 Federal Census of 7,336

BOROUGH BORROWING CAPACITY(1)

3.5% of Average (2017-19) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$510,671,104)	\$	17,873,489
Net Debt		<u>(12,153,592)</u>
Remaining Borrowing Capacity	\$	<u>5,719,896</u>

LOCAL SCHOOL BORROWING CAPACITY(1)

3% of Average (2017-19) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$510,671,104)	\$	15,320,133
Net Debt		<u>(7,365,000)</u>
Remaining Borrowing Capacity	\$	<u>7,955,133</u>

(1) As of December 31, 2019

**BOROUGH OF PALMYRA
OVERLAPPING DEBT
AS OF DECEMBER 31, 2019**

	DEBT ISSUED				Debt Auth. but not Issued
	<u>Debt Outstanding</u>	<u>Deductions</u>	<u>Net Debt Outstanding</u>	<u>Net Debt Outstanding Allocated to the Issuer</u>	
County of Burlington:					
General					
Bonds	\$ 195,644,000	\$ 20,051,390 (1)	\$ 175,592,610	\$ 1,873,584 (2)	
Notes	23,000,000		23,000,000	245,411 (2)	\$ 15,863,827
Loans	6,854,573		6,854,573	73,139 (2)	
Bonds Issued by Other Public Bodies					
Guaranteed by the County	409,610,800	409,610,800 (3)			
Solid Waste Utility	43,985,000	43,985,000			2,526,193
	<u>\$ 679,094,373</u>	<u>\$ 473,647,190</u>	<u>\$ 205,447,183</u>	<u>\$ 2,192,134</u>	<u>\$ 18,390,020</u>

- (1) Includes cash on hand, accounts receivable and County College Bonds paid with State Aid.
- (2) Such debt is allocated as a proportion of the Issuer's share of the total 2019 Net Valuations on which County taxes are apportioned, which is 1.067%.
- (3) Deductible in accordance with N.J.S. 40:37A-80.

**BOROUGH OF PALMYRA
SCHEDULE OF DEBT SERVICE(1)
(BONDED DEBT ONLY)**

Present Debt							Grand Total
General			Sewer Utility				
Principal	Interest	Total	Principal	Interest	Total		
\$ 620,000	\$ 232,400	\$ 852,400	\$ 370,343	\$ 78,409	\$ 448,752	\$ 1,301,152	
815,000	205,575	1,020,575	255,343	68,669	324,012	1,344,587	
835,000	180,825	1,015,825	255,343	64,269	319,612	1,335,437	
865,000	155,325	1,020,325	260,343	59,869	320,212	1,340,537	
890,000	129,000	1,019,000	265,343	55,144	320,487	1,339,487	
915,000	101,925	1,016,925	275,343	50,269	325,612	1,342,537	
945,000	74,025	1,019,025	275,343	46,069	321,412	1,340,437	
980,000	45,150	1,025,150	280,343	41,794	322,137	1,347,287	
1,015,000	15,225	1,030,225	285,343	37,444	322,787	1,353,012	
			290,343	32,869	323,212	323,212	
			295,343	28,078	323,421	323,421	
			305,343	23,000	328,343	328,343	
			305,343	17,625	322,968	322,968	
			310,343	12,094	322,437	322,437	
			120,000	6,325	126,325	126,325	
			125,000	2,188	127,188	127,188	
<u>\$ 7,880,000</u>	<u>\$ 1,139,450</u>	<u>\$ 9,019,450</u>	<u>\$ 4,274,805</u>	<u>\$ 624,112</u>	<u>\$ 4,898,917</u>	<u>\$ 13,918,367</u>	

(1) As of December 31, 2019

**BOROUGH OF PALMYRA
2020 MUNICIPAL BUDGET (1)**

CURRENT FUND

Anticipated Revenues:	
Fund Balance	\$ 1,314,800
Miscellaneous Revenues:	
Local Revenues	216,488
State Aid without Offsetting Appropriations	558,255
Dedicated Uniform Construction Code Fees	55,000
Other Special Items of Revenue	216,000
Receipts from Delinquent Taxes	300,000
Amount to be Raised by Taxation for Municipal Purposes	<u>6,174,697</u>
 Total Anticipated Revenues	 <u><u>\$ 8,835,240</u></u>

Appropriations:	
Within CAPS:	
Operations	\$ 6,057,920
Deferred Charges and Statutory Expenditures	657,195
Excluded from CAPS:	
Other Operations	36,300
Debt Service	1,401,800
Reserve for Uncollected Taxes	<u>682,025</u>
 Total Appropriations	 <u><u>\$ 8,835,240</u></u>

SEWER UTILITY FUND

Anticipated Revenues:	
Fund Balance	\$ 240,000
Sewer Service Charges	1,678,582
Miscellaneous	<u>7,500</u>
 Total Anticipated Revenues	 <u><u>\$ 1,926,082</u></u>

Appropriations:	
Operating	\$ 1,289,066
Capital Improvement Fund	40,600
Debt Service	529,916
Pension, Social Security, Unemployment Compensation	<u>66,500</u>
 Total Appropriations	 <u><u>\$ 1,926,082</u></u>

(1) 2020 Adopted Budget May 18, 2020.

**BOROUGH OF PALMYRA
CAPITAL BUDGET
PROJECTS SCHEDULED FOR THE YEARS 2020 - 2022 (1)**

	<u>Estimated Total Cost</u>	<u>Capital Improvement Fund</u>	<u>Capital Surplus</u>	<u>Bonds and Notes</u>	
				<u>General</u>	<u>Self Liquidating</u>
General Improvements:					
General:					
Borough Hall Improvements	\$ 50,000	\$ 2,500		\$ 47,500	
Community Center Improvements	35,000	1,750		33,250	
Property Purchases/Improvements	100,000	5,000		95,000	
Redevelopment Efforts	125,000	6,250		118,750	
Computer System Hardware/Software	66,000	3,300		62,700	
War Memorial Project	284,000	14,200		269,800	
Legion Field:					
Turf Replacement Soccer	590,000	29,500		560,500	
Turf Installation Football	1,250,000	62,500		1,187,500	
Ethel Hardy Park Playground	227,484	11,374		216,110	
Legion Field Fitness Equipment	37,082	1,854		35,228	
Document Archiving/Record Retention	40,000	2,000		38,000	
Broad Street Landscaping	25,000	25,000			
Codification of Ordinances	15,000	15,000			
Police Department:					
Four Wheel Drive Patrol Vehicles	96,500	4,825		91,675	
Radios	10,000	500		9,500	
New Website	6,500	6,500			
Security System/Camera	50,000	2,500		47,500	
Transition Frequency	80,000	4,000		76,000	
Fire Department:					
Personal Protective Gear	15,000	750		14,250	
Fire Ground Radios	25,000	1,250		23,750	
Deputy Fire Chief Vehicle	45,000	2,250		42,750	
Air Packs	124,000	6,200		117,800	
Air Bottles/Cylinders	47,600	2,380		45,220	
Public Works Department:					
Legional Field Improvements	25,000	1,250		23,750	
Road Improvements	2,762,000	138,100		2,623,900	
Total General Improvements	6,131,166	350,733	-	5,780,433	-
Sewer Utility Improvements:					
Utility Body Vehicle with Accessories & Equipment	75,000	3,750		\$ 71,250	
Berkley Avenue Pump Station Rehabilitation Proj.	1,350,000	67,500		1,282,500	
Public Road Pump Station Project	251,000	12,550		238,450	
Temple Blvd Stoem Water Basin	317,000	15,850		301,150	
Miscellaneous Improvements	244,000	12,200		231,800	
Total Sewer Utility Improvements	2,237,000	111,850	-	-	2,125,150
Totals--All Projects	\$ 8,368,166	\$ 462,583	\$ -	\$ 5,780,433	\$ 2,125,150

(1) 2020 Adopted Budget May 18, 2020.

APPENDIX B

FINANCIAL STATEMENTS OF THE BOROUGH OF PALMYRA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Members of the Borough Council
Borough of Palmyra
Palmyra, New Jersey 08065

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 Palmyra, in the County of Burlington, State of New Jersey, as of December 31, 2019, 2018, 2017, 2016 and 2015, 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.

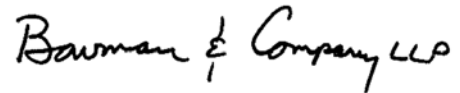
Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

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 Palmyra, in the County of Burlington, State of New Jersey, as of December 31, 2019, 2018, 2017, 2016 and 2015, 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 Palmyra, in the County of Burlington, State of New Jersey, as of December 31, 2019, 2018, 2017, 2016 and 2015, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Certified Public Accountant
Registered Municipal Accountant

Voorhees, New Jersey
August 31, 2020

BOROUGH OF PALMYRA
CURRENT FUND
Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS					
Cash	\$ 6,115,267	\$ 5,530,886	\$ 5,502,787	\$ 5,124,265	\$ 5,713,111
Federal and State Grants Receivable	712,005	130,424	294,803	480,961	290,657
Receivables with Full Reserves:					
Delinquent Property Taxes Receivable	415,797	422,025	376,644	305,638	333,093
Tax Title Liens Receivable	41,138	22,686	78,750	81,337	79,759
Property Acquired for Taxes--Assessed Valuation	570,050	570,050	402,650	402,650	402,650
Revenue Accounts Receivable	9,206	10,001	6,679	10,411	13,955
Interfunds Receivable	37,936	3,105	2,095	2,033	90
Deferred Charges		1,940	3,880	60,820	117,760
	<u>\$ 7,901,400</u>	<u>\$ 6,691,118</u>	<u>\$ 6,668,288</u>	<u>\$ 6,468,115</u>	<u>\$ 6,951,076</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Appropriation Reserves	\$ 777,882	\$ 573,451	\$ 622,781	\$ 531,009	\$ 383,578
Accounts Payable	52,326	48,958	42,064	39,780	34,198
Reserve for Encumbrances	237,214	236,220	274,510	1,125,540	1,943,848
Interfunds Payable	227,824	196,282	196,282	196,282	148,968
County Taxes Payable	1,558	1,173	1,318	1,167	514
Local District Taxes Payable	1,191,530	1,100,950	1,036,427	875,059	715,581
Prepaid Revenues	98,456	96,613	275,036	94,001	93,722
Tax Overpayments	2,691	3,014	4,262		
Other Liabilities and Special Funds	54,816	53,138	54,342	52,127	91,930
Reserve for Receivables and Other Assets	1,074,127	1,027,867	866,818	802,068	829,547
Reserve for Federal and State Grants	942,632	215,856	398,629	450,879	352,841
Fund Balance	3,240,344	3,137,595	2,895,820	2,300,203	2,356,348
	<u>\$ 7,901,400</u>	<u>\$ 6,691,118</u>	<u>\$ 6,668,288</u>	<u>\$ 6,468,115</u>	<u>\$ 6,951,076</u>

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

BOROUGH OF PALMYRA
CURRENT FUND
Statements of Operations and Changes in Fund Balance--Regulatory Basis

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
Revenue Realized:					
Current Tax Collections	\$ 18,050,283	\$ 17,802,022	\$ 17,625,440	\$ 17,366,486	\$ 17,113,693
Delinquent Tax Collections	406,155	367,958	317,819	331,783	291,294
Total Taxes	18,456,437	18,169,980	17,943,258	17,698,269	17,404,987
Miscellaneous Revenues Anticipated	2,262,848	1,740,662	1,524,665	1,565,568	3,155,939
Other Income	949,535	874,841	963,879	770,479	834,643
Fund Balance Utilized	1,364,800	1,240,000	865,000	1,275,000	665,000
Total Income	23,033,620	22,025,483	21,296,802	21,309,316	22,060,568
Expenditures:					
Operating	6,930,001	6,285,699	6,028,647	6,103,483	7,620,604
Capital Improvements	50,000			488,000	100,000
Debt Service	1,371,822	1,272,727	918,402	931,891	559,927
Deferred Charges and Statutory Expenditures	590,792	584,270	599,720	554,935	534,883
County Taxes	2,049,559	2,041,066	2,059,337	2,106,190	2,241,041
Local District School Purposes	10,533,845	10,352,685	10,223,639	9,900,903	9,581,947
Other Expenditures	40,053	7,260	6,440	5,059	90
Total Expenditures and Encumbrances	21,566,071	20,543,708	19,836,185	20,090,461	20,638,492
Excess in Revenues	1,467,549	1,481,775	1,460,617	1,218,855	1,422,077
Fund Balance Beginning of Year	3,137,595	2,895,820	2,300,203	2,356,348	1,599,271
	4,605,144	4,377,595	3,760,820	3,575,203	3,021,348
Decreased by:					
Utilized as Revenue	1,364,800	1,240,000	865,000	1,275,000	665,000
Fund Balance Ending of Year	\$ 3,240,344	\$ 3,137,595	\$ 2,895,820	\$ 2,300,203	\$ 2,356,348

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

BOROUGH OF PALMYRA
GENERAL CAPITAL FUND
Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS					
Cash	\$ 2,092,559	\$ 2,338,201	\$ 3,839,329	\$ 1,399,680	\$ 1,838,163
Deferred Charges to Future Taxation:					
Funded	7,880,000	8,504,618	9,123,716	9,742,635	10,361,379
Unfunded	4,927,442	4,090,408	3,962,349	2,217,935	1,169,420
Interfunds Receivable	140,517	140,517	140,517	140,517	89,267
	<u>\$ 15,040,518</u>	<u>\$ 15,073,743</u>	<u>\$ 17,065,911</u>	<u>\$ 13,500,767</u>	<u>\$ 13,458,228</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Bond Anticipation Notes	\$ 3,890,500	\$ 3,531,000	\$ 2,950,000		
General Serial Bonds	7,880,000	8,500,000	9,110,000	\$ 9,720,000	\$ 10,330,000
Loans Payable		4,618	13,716	22,635	31,379
Improvement Authorizations:					
Funded	49,584	103,898	251,236	559,987	621,797
Unfunded	1,732,179	837,596	1,742,082	1,456,481	823,089
Reserve for Encumbrances	184,540	716,615	1,543,585	215,598	507,878
Capital Improvement Fund	305,734	315,894	404,944	551,944	119,129
Interfunds Payable	76,893	36,893	36,893	36,893	36,977
Reserves for Payment of Debt	651,672	731,672	811,672	886,673	911,422
Other Liabilities and Special Funds	2,178	2,718			
Fund Balance	267,238	292,838	201,782	50,556	76,556
	<u>\$ 15,040,518</u>	<u>\$ 15,073,743</u>	<u>\$ 17,065,911</u>	<u>\$ 13,500,767</u>	<u>\$ 13,458,228</u>

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

BOROUGH OF PALMYRA
SEWER UTILITY
Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,				
	2019	2018	2017	2016	2015
ASSETS					
Operating Fund:					
Cash and Investments	\$ 979,142	\$ 902,356	\$ 957,322	\$ 934,779	\$ 932,557
Interfunds Receivable	21,503	13,803	13,803		
Receivables with Full Reserves:					
Sewer Rents Receivable	148,347	163,642	165,880	171,130	172,161
Sewer Liens Receivable	980		385	385	365
Total Operating Fund	1,149,972	1,079,801	1,137,390	1,106,294	1,105,083
Capital Fund:					
Cash	973,125	744,889	371,189	371,189	892,843
Interfunds Receivable	76,893	36,893	36,893	43,656	43,656
Due New Jersey Infrastructure Trust Loans					
Fixed Capital	6,891,518	6,545,945	6,545,945	6,545,945	6,545,945
Fixed Capital Authorized and Uncompleted	6,150,500	6,433,000	6,059,000	6,059,000	5,679,000
Total Capital Fund	14,092,036	13,760,727	13,013,027	13,019,790	13,161,445
Total Assets	\$ 15,242,008	\$ 14,840,528	\$ 14,150,417	\$ 14,126,084	\$ 14,266,528
LIABILITIES, RESERVES AND FUND BALANCE					
Operating Fund:					
Appropriation Reserves	\$ 164,379	\$ 138,458	\$ 278,513	\$ 136,659	\$ 154,366
Reserve for Encumbrances	70,440	92,212	59,496	104,941	95,009
Accounts Payable	3,485	1,929	1,929	260	
Accrued Interest on Bonds and Notes	28,374	29,657	31,556	33,293	34,019
Prepaid Sewer Service Charges	3,790	3,427	8,205	10,503	8,026
Overpaid Sewer Service Charges	4,355	3,540	2,074	3,512	2,120
Interfunds Payable				6,763	6,763
Reserve for Receivables	149,328	163,642	166,265	171,515	172,526
Fund Balance	725,821	646,936	589,353	638,848	632,254
Total Operating Fund	1,149,972	1,079,801	1,137,390	1,106,294	1,105,083
Capital Fund:					
Serial Bonds	1,675,000	1,870,000	2,065,000	2,255,000	2,445,000
Loans Payable	2,599,805	2,770,148	2,940,492	3,105,835	3,271,178
Bond Anticipation Notes	725,000	355,000			
Reserve for Encumbrances	138,041	126,368	5,904	14,933	155,393
Improvement Authorizations:					
Funded	532,718	582,846	586,845	577,816	648,436
Unfunded	279,726	326,962	69,427	69,427	
Capital Improvement Fund	11,325	10,950	11,000	11,000	30,000
Interfunds Payable	21,503	13,803	13,803		
Reserve for Amortization	7,690,140	7,284,797	6,919,454	6,564,110	6,208,767
Reserve for Payment of Debt	30,877	38,577	38,577	59,143	59,143
Reserve for Deferred Amortization	344,375	337,750	319,000	319,000	300,000
Fund Balance	43,526	43,526	43,526	43,526	43,526
Total Capital Fund	14,092,036	13,760,727	13,013,027	13,019,790	13,161,445
Total Liabilities, Reserves and Fund Balance	\$ 15,242,008	\$ 14,840,528	\$ 14,150,417	\$ 14,126,084	\$ 14,266,528

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

BOROUGH OF PALMYRA
SEWER UTILITY
Statements of Operations and Changes in Fund Balance--Regulatory Basis

	For the Years Ended December 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue Realized:					
Miscellaneous Revenues not Anticipated	\$ 43,602	\$ 35,100	\$ 50,820	\$ 21,014	\$ 21,286
Rents	1,703,615	1,652,270	1,650,380	1,661,865	1,447,315
Reserve for Payment of Debt Service	7,700		20,566		
Other Credits to Income	139,043	246,068	131,414	160,529	138,768
Fund Balance	197,637	237,465	222,000	155,000	312,226
Total Income	2,091,597	2,170,903	2,075,179	1,998,408	1,919,595
Expenditures and Encumbrances:					
Operating	1,243,367	1,334,467	1,381,384	1,303,147	1,366,424
Capital Improvements	7,000	18,700			
Debt Service	503,208	460,944	459,758	467,435	374,636
Deferred Charges and Statutory Expenditures	61,500	61,500	60,500	65,500	50,000
Other Charges to Income:					
Refund of Prior Year Revenue		243	1,032	732	181
Total Expenditures and Encumbrances	1,815,075	1,875,854	1,902,674	1,836,814	1,791,241
Excess in Revenues	276,522	295,048	172,505	161,594	128,354
Fund Balance Beginning of Year	646,936	589,353	638,848	632,254	816,126
Decreased by:	923,458	884,401	811,353	793,848	944,480
Utilized as Revenue	197,637	237,465	222,000	155,000	312,226
Fund Balance End of Year	\$ 725,821	\$ 646,936	\$ 589,353	\$ 638,848	\$ 632,254

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

BOROUGH OF PALMYRA
TRUST FUND
 Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS					
Cash and Investments	\$ 829,655	\$ 1,040,934	\$ 1,046,254	\$ 987,835	\$ 1,049,658
Investments - Length of Service Award Program	258,612	225,803	235,150	205,287	197,427
Interfunds Receivable	55,765	55,765	55,765	55,765	59,701
	<u>\$ 1,144,032</u>	<u>\$ 1,322,502</u>	<u>\$ 1,337,169</u>	<u>\$ 1,248,887</u>	<u>\$ 1,306,786</u>
LIABILITIES, RESERVES AND FUND BALANCE					
Interfund Loans Payable	\$ 6,395	\$ 3,105	\$ 2,095	\$ 2,033	\$ 5
Reserve for Liabilities and Special Funds	1,137,638	1,319,397	1,335,074	1,246,854	1,306,781
	<u>\$ 1,144,032</u>	<u>\$ 1,322,502</u>	<u>\$ 1,337,169</u>	<u>\$ 1,248,887</u>	<u>\$ 1,306,786</u>

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

BOROUGH OF PALMYRA
Notes to Financial Statements
For the Year Ended December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Borough of Palmyra (hereafter referred to as the "Borough") was incorporated as a Borough by an act of the New Jersey legislature on April 19, 1894 from portions of Cinnaminson Township and Riverton Borough. On February 20, 1923, Palmyra was reincorporated as a Borough. The Borough is located in Burlington County, New Jersey, and is located approximately ten miles northeast of the City of Philadelphia. The Borough borders the Delaware River, Riverton Borough, Cinnaminson Township, and Pennsauken Township. According to the 2000 census, the population is 7,091.

The Borough is governed by a Mayor/Council form of government which consists of seven members elected at large by the voters. The Mayor is elected by the voters to a four-year term and acts as the Chief Executive Officer of the Borough. Each of the six members of the Borough Council is elected to serve three year terms that are staggered. The legislative powers rest with the Borough Council. The Borough Administrator, Borough Clerk, and Borough Chief Financial Officer are appointed by the Borough Council and monitor the daily administrative and financial responsibilities, including but not limited to, staffing and personnel issues and budget preparation and implementation.

Component Units - The Borough had no component units as defined by Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39, No. 61 and No. 80.

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

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.

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

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

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

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

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

Budgets are adopted on the same basis of accounting utilized for the preparation of the 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. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded. Investments recorded in the trust fund for the Borough's length of service awards program, however, are stated at fair value.

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

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.

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

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

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

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

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

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

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

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

Fund Balance - Fund balances included in the current fund and sewer utility operating fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

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

Revenues - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the 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 Burlington and the Borough of Palmyra School District. 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 Palmyra School District. Operations is charged for the Borough's share of the amount required to be raised by taxation for the period from July 1 to June 30, increased by the amount deferred at December 31, 2018 and decreased by the amount deferred at December 31, 2019.

County Taxes - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Burlington. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. Operations is charged for the amount due to the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year.

Reserve for Uncollected Taxes - The inclusion of the "reserve for uncollected taxes" appropriation in the 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 payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

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

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

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

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

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, 2019, the Borough's bank balances of \$11,046,633.92 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 10,661,434.49
Uninsured and Uncollateralized	<u>385,199.43</u>
Total	<u>\$ 11,046,633.92</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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	<u>\$ 3.879</u>	<u>\$ 3.824</u>	<u>\$ 3.775</u>	<u>\$ 3.701</u>	<u>\$ 3.648</u>
Apportionment of Tax Rate:					
Municipal	\$ 1.243	\$ 1.224	\$ 1.200	\$ 1.188	\$ 1.177
County	.430	.429	.433	.442	.470
Local School	2.206	2.171	2.142	2.071	2.001

Note 3: PROPERTY TAXES (CONT'D)

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

Assessed Valuation

<u>Year</u>	<u>Amount</u>
2019	\$ 477,382,738.00
2018	476,914,469.00
2017	477,098,169.00
2016	477,863,768.00
2015	478,745,221.00

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2019	\$ 18,532,750.29	\$ 18,050,282.54	97.40%
2018	18,249,366.17	17,802,022.32	97.55%
2017	18,024,288.27	17,625,439.61	97.79%
2016	17,696,043.31	17,366,485.83	98.14%
2015	17,469,023.71	17,113,693.02	97.97%

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>
2019	\$ 41,138.33	\$ 415,797.03	\$ 456,935.36	2.47%
2018	22,686.19	422,024.99	444,711.18	2.44%
2017	78,749.81	376,644.07	455,393.88	2.53%
2016	81,336.86	305,637.89	386,974.75	2.19%
2015	79,759.46	333,092.98	412,852.44	2.36%

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>
2019	10
2018	12
2017	14
2016	18
2015	20

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>
2019	\$ 570,050.00
2018	570,050.00
2017	402,650.00
2016	402,650.00
2015	402,650.00

Note 5: SEWER UTILITY SERVICE CHARGES

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

<u>Year</u>	<u>Balance Beginning of Year Receivable</u>	<u>Liens</u>	<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
2019	\$ 163,642.04		\$ 1,689,411.38	\$ 1,853,053.42	\$ 1,703,615.10
2018	165,880.33	\$ 385.00	1,650,031.39	1,816,296.72	1,652,269.68
2017	171,130.03	385.00	1,645,130.24	1,816,645.27	1,650,379.94
2016	172,160.99	365.00	1,664,625.43	1,837,151.42	1,661,865.38
2015	162,993.69	14,386.71	1,406,466.35	1,583,846.75	1,447,315.35

Note 6: FUND BALANCES APPROPRIATED

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

Current Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2019	\$ 3,240,343.90	\$ 1,314,800.00	40.58%
2018	3,137,595.12	1,364,800.00	43.50%
2017	2,895,820.04	1,240,000.00	42.82%
2016	2,300,203.31	865,000.00	37.61%
2015	2,356,348.25	1,275,000.00	54.11%

Sewer Utility Fund

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2019	\$ 725,821.45	\$ 240,000.00	33.07%
2018	646,936.12	197,637.00	30.55%
2017	589,352.95	237,465.00	40.29%
2016	638,847.97	222,000.00	34.75%
2015	632,253.93	155,000.00	24.52%

Note 7: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2019:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 37,935.89	\$ 107,015.00
Federal and State Grant		120,808.56
Trust - Animal Control		4,375.44
Trust - Other	55,765.00	2,019.15
General Capital	140,517.26	76,893.00
Sewer Utility - Operating	21,502.51	
Sewer Utility - Capital	76,893.00	21,502.51
	<u> </u>	<u> </u>
Totals	<u>\$ 332,613.66</u>	<u>\$ 332,613.66</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 2020, the Borough expects to liquidate such interfunds, depending upon the availability of cash flow.

Note 8: 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 plans' 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.state.nj.us/treasury/pensions/financial-reports.shtml>

General Information about the Pension Plans**Plan Descriptions**

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the 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.

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

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

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.

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

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

The following represents the membership tiers for PFRS:

Tier Definition

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

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

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

Contributions

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% in State fiscal year 2019. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10.0% in State fiscal year 2019. Employers' contributions 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, 2019 was 15.48% 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.

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

Public Employees' Retirement System (Cont'd) - Based on the most recent PERS measurement date of June 30, 2019, the Borough's contractually required contribution to the pension plan for the year ended December 31, 2019 is \$140,613.00, and was payable by April 1, 2020. 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, 2018, the Borough's contractually required contribution to the pension plan for the year ended December 31, 2018 was \$125,356.00, which was paid on April 1, 2019. Employee contributions to the Plan during the year ended December 31, 2019 were \$69,932.41.

Police and Firemen's Retirement System - The contribution policy for PFRS 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 member contribution rate was 10.0% in State fiscal year 2019. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, 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, 2019 was 29.10% 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, 2019, the Borough's contractually required contribution to the pension plan for the year ended December 31, 2019 is \$384,767.00, and was payable by April 1, 2020. 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, 2018, the Borough's contractually required contribution to the pension plan for the year ended December 31, 2018 was \$346,162.00, which was paid on April 1, 2019. Employee contributions to the Plan during the year ended December 31, 2019 were \$134,612.80.

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, 2019 was 3.75% of the Borough's covered payroll.

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

Police and Firemen's Retirement System (Cont'd) - Based on the most recent PFRS measurement date of June 30, 2019, the State's contractually required contribution, on-behalf of the Borough, to the pension plan for the year ended December 31, 2019 is \$49,596.00, and was payable by April 1, 2020. Based on the 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 was \$38,544.00, which was paid on April 1, 2019.

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, 2019, employee contributions totaled \$13,178.92, and the Borough's contributions were \$9,683.60. There were no forfeitures during the year.

Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees' Retirement System - At December 31, 2019, the Borough's proportionate share of the PERS net pension liability was \$2,604,728.00. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. 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, 2019 measurement date, the Borough's proportion was .0144558666%, which was an increase of .0018531815% from its proportion measured as of June 30, 2018.

At December 31, 2019, the Borough's proportionate share of the PERS pension (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is \$241,334.00. This (benefit) 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, 2019, the Borough's contribution to PERS was \$125,356.00, and was paid on April 1, 2019.

Police and Firemen's Retirement System - At December 31, 2019, 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	\$ 4,661,577.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the Borough	<u>736,072.00</u>
	<u>\$ 5,397,649.00</u>

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. 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, 2019 measurement date, the Borough's proportion was .0380915715%, which was an increase of .0026839160% from its proportion measured as of June 30, 2018. Likewise, at June 30, 2019, the State of New Jersey's proportion, on-behalf of the Borough, was .0380915715%, which was an increase of .0026839160% from its proportion, on-behalf of the Borough, measured as of June 30, 2018.

At December 31, 2019, the Borough's proportionate share of the PFRS pension (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is \$545,604.00. This (benefit) 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, 2019, the Borough's contribution to PFRS was \$346,162.00, and was paid on April 1, 2019.

At December 31, 2019, the State's proportionate share of the PFRS pension (benefit) expense, associated with the Borough, calculated by the Plan as of the June 30, 2019 measurement date is \$85,526.00. This on-behalf (benefit) 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, 2019, 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	\$ 46,751.00	\$ 39,350.00	\$ 86,101.00	\$ 11,507.00	\$ 29,513.00	\$ 41,020.00
Changes of Assumptions	260,092.00	159,731.00	419,823.00	904,093.00	1,506,579.00	2,410,672.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	41,117.00	63,163.00	104,280.00
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	457,372.00	586,297.00	1,043,669.00	182,406.00	458,626.00	641,032.00
Borough Contributions Subsequent to the Measurement Date	70,307.00	192,384.00	262,691.00	-	-	-
	<u>\$ 834,522.00</u>	<u>\$ 977,762.00</u>	<u>\$ 1,812,284.00</u>	<u>\$ 1,139,123.00</u>	<u>\$ 2,057,881.00</u>	<u>\$ 3,197,004.00</u>

\$70,307.00 and \$192,384.00 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, 2020. These amounts were based on an estimated April 1, 2021 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2019 to the Borough's year end of December 31, 2019.

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) 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	-
June 30, 2019	5.21	-	-	5.92
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
June 30, 2019	-	5.21	-	5.92
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
June 30, 2019	-	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
June 30, 2019	5.21	5.21	5.92	5.92

Note 8: PENSION PLANS (CONT'D)**Pension Liabilities, Pension (Benefit) 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>
2020	\$ 27,691.00	\$ (159,336.00)	\$ (131,645.00)
2021	(193,108.00)	(493,622.00)	(686,730.00)
2022	(179,520.00)	(388,115.00)	(567,635.00)
2023	(36,386.00)	(197,078.00)	(233,464.00)
2024	6,415.00	(34,352.00)	(27,937.00)
	<u>\$ (374,908.00)</u>	<u>\$ (1,272,503.00)</u>	<u>\$ (1,647,411.00)</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>PFRS</u>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases (1):		
Through 2026	2.00% - 6.00%	
Thereafter	3.00% - 7.00%	
Through All Future Years		3.25% - 15.25%
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018	July 1, 2013 - June 30, 2018

(1) Based on Years of Service

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

For PERS, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

For PFRS, pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

For PERS and PFRS, in accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2019) 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	<u>100.00%</u>	

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

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2019 was 6.28% for PERS and 6.85% 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 3.50% as of June 30, 2019, 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 rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057 for PERS and 2076 for PFRS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 for PERS and 2076 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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, 2019, the Plan's measurement date, calculated using a discount rate of 6.28%, 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:

	<u>PERS</u>		
	1% Decrease <u>(5.28%)</u>	Current Discount Rate <u>(6.28%)</u>	1% Increase <u>(7.28%)</u>
Borough's Proportionate Share of the Net Pension Liability	<u>\$ 3,290,195.00</u>	<u>\$ 2,604,728.00</u>	<u>\$ 2,027,125.00</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, 2019, the Plan's measurement date, for the Borough and the State of New Jersey, calculated using a discount rate of 6.85%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<u>PFRS</u>		
	1% Decrease <u>(5.85%)</u>	Current Discount Rate <u>(6.85%)</u>	1% Increase <u>(7.85%)</u>
Borough's Proportionate Share of the Net Pension Liability	\$ 6,300,754.00	\$ 4,661,577.00	\$ 3,304,923.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Borough	<u>994,901.00</u>	<u>736,072.00</u>	<u>521,854.00</u>
	<u>\$ 7,295,655.00</u>	<u>\$ 5,397,649.00</u>	<u>\$ 3,826,777.00</u>

Note 8: PENSION PLANS (CONT'D)**Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (benefit) 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.state.nj.us/treasury/pensions/financial-reports.shtml>.

Supplementary Pension Information

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

Schedule of the Borough's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Seven Plan Years)

	<u>Measurement Date Ended June 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Borough's Proportion of the Net Pension Liability	0.0144558666%	0.0126026851%	0.0131832790%	0.0141762747%
Borough's Proportionate Share of the Net Pension Liability	\$ 2,604,728.00	\$ 2,481,406.00	\$ 3,068,857.00	\$ 4,198,606.00
Borough's Covered Payroll (Plan Measurement Period)	\$ 1,027,272.00	\$ 923,656.00	\$ 898,664.00	\$ 975,224.00
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	253.56%	268.65%	341.49%	430.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.27%	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	0.0125491461%	0.0117651258%	0.0111464203%	
Borough's Proportionate Share of the Net Pension Liability	\$ 2,817,032.00	\$ 2,202,753.00	\$ 2,130,302.00	
Borough's Covered Payroll (Plan Measurement Period)	\$ 815,400.00	\$ 819,512.00	\$ 768,916.00	
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	345.48%	268.79%	277.05%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%	

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of the Borough's Contributions - Public Employees' Retirement System (PERS) (Last Seven Years)***

	<u>Year Ended December 31,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Borough's Contractually Required Contribution	\$ 384,767.00	\$ 125,356.00	\$ 122,129.00	\$ 125,940.00
Borough's Contribution in Relation to the Contractually Required Contribution	<u>(384,767.00)</u>	<u>(125,356.00)</u>	<u>(122,129.00)</u>	<u>(125,940.00)</u>
Borough's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Borough's Covered Payroll (Calendar Year)	\$ 908,265.00	\$ 995,538.00	\$ 945,016.00	\$ 920,107.00
Borough's Contributions as a Percentage of Covered Payroll	42.36%	12.59%	12.92%	13.69%
	<u>Year Ended December 31,</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	
Borough's Contractually Required Contribution	\$ 107,889.00	\$ 96,990.00	\$ 83,986.00	
Borough's Contribution in Relation to the Contractually Required Contribution	<u>(107,889.00)</u>	<u>(96,990.00)</u>	<u>(83,986.00)</u>	
Borough's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Borough's Covered Payroll (Calendar Year)	\$ 975,024.00	\$ 829,481.00	\$ 796,077.00	
Borough's Contributions as a Percentage of Covered Payroll	11.07%	11.69%	10.55%	

Note 8: 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 Seven Plan Years)***

	<u>Measurement Date Ended June 30,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Borough's Proportion of the Net Pension Liability	0.0380915715%	0.0354076555%	0.0398784903%	0.0382384984%
Borough's Proportionate Share of the Net Pension Liability	\$ 4,661,577.00	\$ 4,791,240.00	\$ 6,156,468.00	\$ 7,304,531.00
State's Proportionate Share of the Net Pension Liability associated with the Borough	736,072.00	650,811.00	689,576.00	613,399.00
Total	<u>\$ 5,397,649.00</u>	<u>\$ 5,442,051.00</u>	<u>\$ 6,846,044.00</u>	<u>\$ 7,917,930.00</u>
Borough's Covered Payroll (Plan Measurement Period)	\$ 1,303,184.00	\$ 1,254,908.00	\$ 1,277,080.00	\$ 1,222,196.00
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	357.71%	381.80%	482.07%	597.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.00%	62.48%	58.60%	52.01%
	<u>Measurement Date Ended June 30,</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	
Borough's Proportion of the Net Pension Liability	0.0364642544%	0.0328532955%	0.0326857557%	
Borough's Proportionate Share of the Net Pension Liability	\$ 6,073,674.00	\$ 4,132,640.00	\$ 4,345,276.00	
State's Proportionate Share of the Net Pension Liability associated with the Borough	532,641.00	445,016.00	405,033.00	
Total	<u>\$ 6,606,315.00</u>	<u>\$ 4,577,656.00</u>	<u>\$ 4,750,309.00</u>	
Borough's Covered Payroll (Plan Measurement Period)	\$ 1,127,212.00	\$ 1,023,832.00	\$ 1,086,020.00	
Borough's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	538.82%	403.64%	400.11%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%	

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)*****Schedule of the Borough's Contributions - Police and Firemen's Retirement System (PFRS) (Last Seven Years)***

	<u>Year Ended December 31,</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Borough's Contractually Required Contribution	\$ 384,767.00	\$ 346,162.00	\$ 352,932.00	\$ 311,774.00
Borough's Contribution in Relation to the Contractually Required Contribution	(384,767.00)	(346,162.00)	(352,932.00)	(311,774.00)
Borough's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Borough's Covered Payroll (Calendar Year)	\$ 1,322,027.00	\$ 1,277,134.00	\$ 1,212,308.00	\$ 1,276,214.00
Borough's Contributions as a Percentage of Covered Payroll	29.10%	27.10%	29.11%	24.43%
	<u>Year Ended December 31,</u>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	
Borough's Contractually Required Contribution	\$ 296,400.00	\$ 252,336.00	\$ 238,468.00	
Borough's Contribution in Relation to the Contractually Required Contribution	(296,400.00)	(252,336.00)	(238,468.00)	
Borough's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	
Borough's Covered Payroll (Calendar Year)	\$ 1,190,751.00	\$ 1,138,016.00	\$ 1,029,661.00	
Borough's Contributions as a Percentage of Covered Payroll	24.89%	22.17%	23.16%	

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (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, 5.66% 2018, and 6.28% 2019.

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, 2018 and 2019.

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2014 - June 30, 2018 Experience Study. For pre-retirement mortality, the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For healthy retirees and beneficiaries, the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For disabled retiree mortality, the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males, and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

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.

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, 6.51% 2018 and 6.85% 2019.

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, 2018 and 2019.

Note 8: PENSION PLANS (CONT'D)**Supplementary Pension Information (Cont'd)****Other Notes to Supplementary Pension Information (Cont'd)*****Police and Firemen's Retirement System (PFRS) (Cont'd)*****Changes in Assumptions (Cont'd)**

For 2019, the assumed rates of retirement, mortality, salary increases, and inflation were updated based on the July 1, 2013 - June 30, 2018 Experience Study. For pre-retirement mortality, the Pub-201 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For healthy retirees, the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For beneficiaries mortality, the Pub-2010 General Retiree Below-Median Income Weighted mortality table, unadjusted, and with future improvement from the base year of 2010 on a generational basis was used. For disabled mortality, the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis was used. For mortality improvement, Scale MP-2019 was used.

For 2016, the mortality improvement scale incorporated the plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter. For 2015, demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study.

Note 9: LENGTH OF SERVICE AWARDS PROGRAM

Plan Description - The Borough's length of service awards program (the "Plan"), which is a defined contribution plan reported in the Borough's trust fund, was created by a Borough Resolution adopted on December 3, 2001 pursuant to Section 457(e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The accumulated assets of the Plan are not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

The voters of the Borough approved the adoption of the Plan at the general election held on November 8, 2001, and the first year of eligibility for entrance into the length of service awards program by qualified volunteers was calendar year 2002. The Plan provides tax deferred income benefits to emergency service volunteers of the Palmyra Fire Department, and is administered by Lincoln National Life Insurance Company ("Plan Administrator"), a State of New Jersey approved length of service awards program provider. The Borough's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

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

Note 9: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)

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

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

The Borough elected to contribute \$755.95 for the year ended December 31, 2019 per eligible volunteer, into the Plan, depending on how many years the volunteer has served. Participants direct the investment of the contributions into various investment options offered by the Plan. The Borough has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the Plan Administrator.

For the year ended December 31, 2019, the Borough's total expenditure to the Plan was \$12,095.20.

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

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

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

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

Note 9: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)

Forfeited Accounts - For the year ended December 31, 2019, no accounts were forfeited.

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

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

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**General Information about the OPEB Plan**

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

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

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

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

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**General Information about the OPEB Plan (Cont'd)**

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

The Borough was billed monthly by the Plan and paid \$221,442.80 for the year ended December 31, 2019, representing 9.93% of the Borough's covered payroll. During the year ended December 31, 2019, retirees were required to contribute \$5,940.96.

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

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

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

The Borough does not have a Special Funding Situation within the Plan.

OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

OPEB Liability - At December 31, 2019 the Borough's proportionate share of the net OPEB liability was \$7,752,281.00.

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019.

The Borough's proportion of the net OPEB liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. For the June 30, 2019 measurement date, the Borough's proportion was .057229% which was a decrease of .003603% from its proportion measured as of the June 30, 2018 measurement date.

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

OPEB (Benefit) Expense - At December 31, 2019, the Borough's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2019 measurement date is (\$323,773.00). This (benefit) 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, 2019, the Borough made contributions to the Plan totaling \$221,442.80.

Deferred Outflows of Resources and Deferred Inflows of Resources - At December 31, 2019, the Borough had deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 2,267,069.00
Changes of Assumptions	-	2,747,236.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	6,386.00	-
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	-	1,478,064.00
Borough Contributions Subsequent to the Measurement Date	<u>110,760.54</u>	<u>-</u>
	<u>\$ 117,146.54</u>	<u>\$ 6,492,369.00</u>

\$110,760.54 reported as deferred outflows of resources resulting from the Borough's contributions subsequent to the measurement date will be included as a reduction of the Borough's net OPEB liability during the year ending December 31, 2020.

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

Deferred Outflows of Resources and Deferred Inflows of Resources - The Borough will amortize the above other deferred outflow of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
June 30, 2017	-	-
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Changes of Assumptions		
Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04
June 30, 2018	-	8.14
June 30, 2019	-	8.05
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:		
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions		
Year of OPEB Plan Deferral:		
June 30, 2017	8.04	8.04
June 30, 2018	8.14	8.14
June 30, 2019	8.05	8.05

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (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 the OPEB liability will be recognized in future periods as follows:

Year Ending Dec. 31,	
2020	\$ (1,067,146.00)
2021	(1,067,146.00)
2022	(1,067,646.00)
2023	(1,068,455.00)
2024	(1,069,195.00)
Thereafter	<u>(1,146,395.00)</u>
	<u>\$ (6,485,983.00)</u>

Actuarial Assumptions

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2019 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
PERS:	
Initial Fiscal Year Applied:	
Rate Through 2026	2.00% to 6.00%
Rate Thereafter	3.00% to 7.00%
PFRS:	
Rate for all Years	3.25% to 15.25%

* Salary Increases are Based on Years of Service
Within the Respective Plan

PERS mortality rates were based on Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

PFRS mortality rates were based on Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)

Actuarial Assumptions (Cont'd)

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

Discount Rate - The discount rate used to measure the OPEB Liability at June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Health Care Trend Assumptions - For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Sensitivity of the net OPEB Liability to Changes in the Discount Rate

The Borough's proportionate share of the net OPEB liability as of June 30, 2019, the Plan's measurement date, calculated using a discount rate of 3.50%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows:

	1% Decrease <u>(2.50%)</u>	Current Discount Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 8,963,609.00</u>	<u>\$ 7,752,281.00</u>	<u>\$ 6,767,917.00</u>

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

The Borough's proportionate share of the net OPEB Liability as of June 30, 2019, the Plan's measurement date, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Borough's Proportionate Share of the Net OPEB Liability	<u>\$ 6,541,970.00</u>	<u>\$ 7,752,281.00</u>	<u>\$ 9,296,237.00</u>

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**OPEB Plan Fiduciary Net Position**

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

Supplementary OPEB Information

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

Schedule of the Borough's Proportionate Share of the net OPEB Liability (Last Three Plan Years)

	<u>Measurement Date Ended June 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Borough's Proportion of the Net OPEB Liability	0.057229%	0.060832%	0.061001%
Borough's Proportionate Share of the Net OPEB Liability	\$ 7,752,281.00	\$ 9,530,317.00	\$ 12,453,835.00
Borough's Covered Payroll (Plan Measurement Period)	\$ 2,238,917.00	\$ 2,198,811.00	\$ 2,210,315.00
Borough's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	346.25%	433.43%	563.44%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.97%	1.03%

Schedule of the Borough's Contributions (Last Three Years)

	<u>Year Ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Borough's Required Contributions	\$ 221,442.80	\$ 379,655.51	\$ 394,486.25
Borough's Contributions in Relation to the Required Contribution	<u>(221,442.80)</u>	<u>(379,655.51)</u>	<u>(394,486.25)</u>
Borough's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Borough's Covered Payroll (Calendar Year)	\$ 2,230,292.00	\$ 2,272,672.00	\$ 2,157,324.00
Borough's Contributions as a Percentage of Covered Payroll	9.93%	16.71%	18.29%

Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)**Other Notes to Supplementary OPEB Information**Changes in Benefit Terms

In 2019, there were slight changes to the Chapter 48 provisions.

Changes in Assumptions

In 2019, the discount rate changed to 3.50% from 3.87%, and there were changes in the assumed health care cost trend, PPO/HMO future retiree elections, and excise tax assumptions. Further, decrements, salary scale, and mortality assumptions were updated based on the July 1, 2013 - June 30, 2018 PFRS and July 1, 2014 - June 30, 2018 PERS experience studies. For mortality related to PFRS members and retirees, the Pub-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used. For mortality related to PERS members and retirees, the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019 was used.

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

In 2017, the discount rate changed to 3.58% from 2.85%.

Note 11: COMPENSATED ABSENCES

Under the existing policy of the Borough, full-time employees, except for the police department, are entitled to paid sick leave and personal days each year in varying amounts as outlined in the employee handbook. Unused sick leave may be accumulated and carried forward to the subsequent year. Personal days cannot be carried forward to the subsequent year. Vacation days are earned based on years of service. Unused vacation days may not be carried forward to the subsequent year, unless specifically approved by the Borough Administrator. Vacations days carried forward must be used in the next succeeding year or be forfeited.

Borough employees, who have at least 20 years of employment with the Borough and retire from the Borough, will be compensated for any accumulated unused sick leave at 60% of their final pay rate. The maximum benefit payable under this provision shall be fifteen thousand dollars (\$15,000.00).

Police department employees, regardless of the number of years serving the Borough and upon retirement from the Borough, will be compensated for any accumulated unused sick leave at 60% of their final pay rate. The maximum benefit payable under this provision shall be fifteen thousand dollars (\$15,000.00).

The Borough does not record accrued expenses related to compensated absences. It is estimated that as of December 31, 2019, Borough employees who have met the above criteria, have accrued benefits for compensated absences valued at \$421,221.77.

The Borough has established a Compensated Absence Trust Fund to set aside funds for the future payments of compensated absences. At December 31, 2019 the balance of the trust fund is \$178,345.47.

Note 12: 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 13: CAPITAL DEBT**General Improvement Bonds**

General Improvement Bonds, Series 2005 - On December 1, 2005, the Borough issued \$1,474,000.00 of general improvement bonds, with interest rates ranging from 3.0% - 4.5%. The bonds were issued for the purpose of funding various capital projects in the Borough. The final maturity of the bonds is December 1, 2020.

General Improvement Bonds, Series 2015 - On September 8, 2015, the Borough issued \$9,830,000.00 of general improvement bonds, with interest rates ranging from 3.0% - 4.0%. The purpose of the bonds is to fund various capital ordinances. The final maturity of the bonds is March 1, 2028.

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>
2020	\$ 620,000.00	\$ 232,400.00	\$ 852,400.00
2021	815,000.00	205,575.00	1,020,575.00
2022	835,000.00	180,825.00	1,015,825.00
2023	865,000.00	155,325.00	1,020,325.00
2024	890,000.00	129,000.00	1,019,000.00
2025-2028	<u>3,855,000.00</u>	<u>236,325.00</u>	<u>4,091,325.00</u>
Totals	<u>\$ 7,880,000.00</u>	<u>\$ 1,139,450.00</u>	<u>\$ 9,019,450.00</u>

Sewer Utility Debt – Utility Improvement Bonds

Sewer Utility Improvement Bonds, Series 2005 - On December 1, 2005, the Borough issued \$1,615,000.00 of general improvement bonds, with interest rates ranging from 3.0% - 4.5%. The bonds were issued for the purpose of funding various capital projects in the Borough. The final maturity of the bonds is December 1, 2020.

Sewer Utility Improvement Bonds, Series 2015 - On September 8, 2015, the Borough issued \$1,845,000.00 of general improvement bonds, with interest rates ranging from 3.0% - 4.0%. The purpose of the bonds is to fund various capital ordinances. The final maturity of the bonds is March 1, 2035.

Note 13: CAPITAL DEBT (CONT'D)**Sewer Utility Debt – Utility Improvement Bonds (Cont'd)**

The following schedule represents the remaining debt service, through maturity, for the sewer utility improvement bonds.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 195,000.00	\$ 52,833.76	\$ 247,833.76
2021	80,000.00	45,093.76	125,093.76
2022	80,000.00	42,693.76	122,693.76
2023	80,000.00	40,293.76	120,293.76
2024	85,000.00	37,818.76	122,818.76
2025-2029	470,000.00	148,218.80	618,218.80
2030-2034	560,000.00	68,446.88	628,446.88
2035	125,000.00	2,187.50	127,187.50
Totals	<u>\$ 1,675,000.00</u>	<u>\$ 437,586.98</u>	<u>\$ 2,112,586.98</u>

Sewer Utility Debt – New Jersey Environmental Infrastructure Loans

On May 21, 2014, the Borough entered into a loan agreement with the New Jersey Environmental Infrastructure Trust to provide \$2,661,750.00, at no interest, from the fund loan, and \$865,000.00 with interest ranging from 3.0% - 5.0% from the trust loan. The proceeds were used to finance various capital ordinances. Semiannual debt payments are due February 1st and August 1st through 2033.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 175,343.21	\$ 25,575.00	\$ 200,918.21
2021	175,343.21	23,575.00	198,918.21
2022	175,343.21	21,575.00	196,918.21
2023	180,343.21	19,575.00	199,918.21
2024	180,343.21	17,325.00	197,668.21
2025-2029	936,716.05	60,225.00	996,941.05
2030-2033	776,373.04	18,675.00	795,048.04
Totals	<u>\$ 2,599,805.14</u>	<u>\$ 186,525.00</u>	<u>\$ 2,786,330.14</u>

Note 13: CAPITAL DEBT (CONT'D)

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 11,770,500.00	\$ 12,035,617.56	\$ 12,073,715.99
Sewer Utility:			
Bonds, Loans and Notes	4,999,805.14	4,995,148.35	5,005,491.56
Total Issued	<u>16,770,305.14</u>	<u>17,030,765.91</u>	<u>17,079,207.55</u>
<u>Authorized but not Issued</u>			
General:			
Bonds, Loans and Notes	1,036,941.71	559,407.83	1,012,349.22
Sewer Utility:			
Bonds, Loans and Notes	26,125.00	361,250.00	361,000.00
Total Authorized but not Issued	<u>1,063,066.71</u>	<u>920,657.83</u>	<u>1,373,349.22</u>
Total Issued and Authorized but not Issued	<u>17,833,371.85</u>	<u>17,951,423.74</u>	<u>18,452,556.77</u>
<u>Deductions</u>			
General:			
Reserve for Payment of Debt	651,672.46	731,672.46	811,672.46
Excess Note Cash	2,177.62	2,177.62	
Sewer Utility:			
Self-Liquidating	5,025,930.14	5,356,398.35	5,366,491.56
Total Deductions	<u>5,679,780.22</u>	<u>6,090,248.43</u>	<u>6,178,164.02</u>
Net Debt	<u>\$ 12,153,591.63</u>	<u>\$ 11,861,175.31</u>	<u>\$ 12,274,392.75</u>

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 2.380%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 7,365,000.00	\$ 7,365,000.00	
Self-Liquidating	5,025,930.14	5,025,930.14	
General	12,807,441.71	653,850.08	\$ 12,153,591.63
	<u>\$ 25,198,371.85</u>	<u>\$ 13,044,780.22</u>	<u>\$ 12,153,591.63</u>

Net debt \$12,153,591.63 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$510,671,104.33, equals 2.380%.

Note 13: CAPITAL DEBT (CONT'D)

Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd)

3 1/2% of Equalized Valuation Basis (Municipal)	\$	17,873,488.65
Less: Net Debt		<u>12,153,591.63</u>
Remaining Borrowing Power	<u>\$</u>	<u>5,719,897.02</u>

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

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year	\$	1,952,544.61
Deductions:		
Operating and Maintenance Costs	\$	1,304,867.00
Debt Service		<u>503,208.16</u>
Total Deductions		<u>1,808,075.16</u>
Excess in Revenue	<u>\$</u>	<u>144,469.45</u>

Note 14: ARBITRAGE REBATE

The Tax Reform Act of 1986 placed restriction on investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined, at the option of the issuing entity, as either the date of the first anniversary of bond settlement or the issuing entity's year end.

<u>Issue Date</u>	<u>Settlement Date</u>	<u>Amount</u>	<u>Liability</u>
March 1, 2015	September 8, 2015	\$ 11,675,000.00	(1)

(1) The rebate calculations this bond is required to be made at least once every five years. However, the Borough has not prepared the rebate calculation for purposes of determining any contingent liability for rebate. It is anticipated that when such calculation is made, the liability, if any, will be appropriated in that year's general budget.

Note 15: SCHOOL TAXES

The Borough of Palmyra School District tax has been raised and the liability deferred by statutes, resulting in the school tax payable set forth in the current fund liabilities as follows:

	<u>Balance December 31,</u>	
	<u>2019</u>	<u>2018</u>
Balance of Tax	\$ 5,255,044.94	\$ 5,164,464.96
Deferred	<u>4,063,515.00</u>	<u>4,063,515.00</u>
Taxes Payable	<u>\$ 1,191,529.94</u>	<u>\$ 1,100,949.96</u>

Note 16: 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.

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>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Canceled to Current Fund</u>	<u>Ending Balance</u>
2019	\$ 4,797.23	\$ 767.73	\$ 18,129.87		\$ 48,417.90
2018	4,637.09	614.72	736.88		60,982.81
2017	4,345.27	1,045.54	106.50	\$ 90,000.00	56,467.88

There were no unreimbursed payments on behalf of the Borough at December 31, 2019.

Joint Insurance Pool - The Borough is a member of the Burlington County Insurance Pool Joint Insurance Fund and the Municipal Excess Liability Joint Insurance Fund. The Fund provides its members with the following coverage:

- Public Officials Bonds in excess of amounts statutorily required
- Public Employees Dishonesty Bonds
- Automobile Liability
- Workers' Compensation and Employer's Liability
- Commercial Property
- General Liability
- Public Officials Liability
- Employment Practices Liability
- Environmental Liability

Contributions to the JIF and MEL, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by each of the fund's actuaries. 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 Funds publish their own financial reports which can be obtained from:

Burlington County Municipal Joint Insurance Fund
 P.O. Box 325
 Hammonton, New Jersey 08037

Municipal Excess Liability Joint Insurance Fund
 Park 80 West Plaza I
 Saddle Brook, New Jersey 07663

Note 17: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the 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 18: 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.

Note 19: SUBSEQUENT EVENTS

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

<u>Purpose</u>	<u>Adoption</u>	<u>Authorization</u>
General Improvements:		
Acquisition of Various Pieces of Equipment and Completion of Various Capital Improvements	7/20/2020	\$ 1,918,810.00
Completion of Various Improvements to the Sewer Utility System	7/20/2020	771,400.00

COVID-19 - On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Borough's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Borough is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for calendar year 2020.

APPENDIX C

FORM OF BOND COUNSEL OPINION



December 10, 2020

Mayor and Borough Council
of the Borough of Palmyra
Municipal Building
20 West Broad Street
Palmyra, New Jersey

**RE: \$6,767,000 BOROUGH OF PALMYRA, COUNTY OF BURLINGTON,
NEW JERSEY, GENERAL OBLIGATION BONDS, SERIES 2020**

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, issuance, sale and delivery of the above-referenced obligations ("Bonds") by the Borough of Palmyra, County of Burlington, New Jersey ("Borough"). The Bonds consist of: (i) \$5,245,000 General Improvement Bonds; and (ii) \$1,522,000 Sewer Utility Bonds.

The Bonds are authorized pursuant to and in accordance with: (i) the Local Bond Law, constituting Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) the bond ordinances set forth in the Resolution (hereinafter defined), each duly and finally adopted by the Borough Council and published in accordance with the Local Bond Law (collectively, the "Bond Ordinances"); (iii) a resolution adopted by the Borough Council on November 16, 2020 ("Resolution"); and (iv) a Certificate of Determination and Award executed by the Chief Financial Officer of the Borough on December __, 2020 ("Award Certificate").

The Bonds are dated their date of delivery, mature on November 1 in each of the years and in the respective principal amounts set opposite each such year in the table below and bear interest at the interest rates per annum in the table below, payable semi-annually on May 1 and November 1, commencing May 1, 2021, in each year until maturity or earlier redemption.

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<u>Year</u>	<u>General Improvement Bonds</u>	<u>Sewer Utility Bonds</u>	<u>Total Principal Amount</u>	<u>Interest Rate</u>
2021	\$375,000	\$102,000	\$477,000	%
2022	375,000	100,000	475,000	
2023	375,000	100,000	475,000	
2024	375,000	105,000	480,000	
2025	380,000	105,000	485,000	
2026	380,000	105,000	485,000	
2027	385,000	105,000	490,000	
2028	395,000	110,000	505,000	
2029	720,000	110,000	830,000	
2030	735,000	110,000	845,000	
2031	750,000	115,000	865,000	
2032	0	115,000	115,000	
2033	0	120,000	120,000	
2034	0	120,000	120,000	

The Bonds are issued in fully registered book-entry-only form without coupons, and are subject to redemption prior to maturity as stated therein.

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

As the basis for the opinion set forth below, we have examined such matters of law as we have deemed necessary including, *inter alia*, the Constitution of the State of New Jersey, the Internal Revenue Code of 1986, as amended ("Code"), and the Local Bond Law. We have also examined such documents, certifications and instruments as we have deemed necessary including, without limitation, the Bond Ordinances, the Resolution, the Award Certificate, the representations and covenants of the Borough given pursuant to the Code as set forth in the Certificate as to Nonarbitrage and other Tax Matters ("Nonarbitrage Certificate"), and the other certifications, opinions and instruments listed in the closing agenda prepared in connection with the settlement for the Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments, certifications and opinions examined including, without limiting the generality of the foregoing, the Nonarbitrage Certificate.

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

1. The Bonds are legal, valid and binding obligations of the Borough enforceable in accordance with the terms thereof, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally ("Creditors' Rights Limitations").



2. For the payment of principal and interest on the Bonds, the Borough has the power and is obligated, to the extent payment is not otherwise provided, to levy ad valorem taxes upon all taxable real property within the Borough without limitation as to rate or amount, except to the extent that enforcement thereof may be affected by Creditors' Rights Limitations.

3. Interest on the Bonds is not included 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 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 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 Borough 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 Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the Borough to comply with such covenants could result in the interest on the 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 Bonds.

Ownership of the 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 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 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 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 Borough has designated the 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 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.

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

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

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

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

This letter is being provided solely for the benefit of the Borough and may not be relied upon by any other person, party, firm or organization without our prior written consent.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT ("Disclosure Agreement") is made on this 10th day of December, 2020 between the Borough of Palmyra, County of Burlington, New Jersey ("Borough") and the Dissemination Agent (hereinafter defined). This Disclosure Agreement is entered into in connection with the issuance and sale by the Borough of its General Obligation Bonds, Series 2020, in the principal amount of \$6,767,000 ("Bonds"). The Bonds consist of: (i) \$5,245,000 General Improvement Bonds; and (ii) \$1,522,000 Sewer Utility Bonds.

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 Bonds (collectively, the "Bondholders") and in compliance with the provisions of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission ("Commission") pursuant to the Securities Exchange Act of 1934, as it may be amended from time to time, including administrative or judicial interpretations thereof, as it applies to the Bonds ("Rule").

SECTION 2. Definitions. Capitalized terms, not otherwise defined herein, shall, for purposes of this Disclosure Agreement, have the following meanings:

"Annual Report" shall mean, the Borough's Annual Report provided pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Commission" shall have the meaning set forth in Section 1 of this Disclosure Agreement

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which 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 Acacia Financial Group, Inc., Mount Laurel, New Jersey, or any successor Dissemination Agent designated in writing by the Borough and which has filed with the Borough a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System, an internet based filing system created and maintained by the MSRB in accordance with Release No. 34-59062 of the Commission, dated December 5, 2008, pursuant to which issuers of tax-exempt bonds, including the 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.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"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 Commission as a repository for purposes of the Rule.

"Official Statement" shall mean the Official Statement of the Borough, dated December __, 2020, relating to the Bonds.

"Opinion of Counsel" shall mean a written opinion of counsel expert in federal securities law acceptable to the Borough.

"Rule" shall have the meaning set forth in Section 1 of this Disclosure Agreement.

SECTION 3. Provision of Annual Report.

(a) The Borough shall not later than two hundred seventy (270) days after the end of its fiscal year (currently December 31) for each fiscal year until termination of the Borough's reporting obligations under this Disclosure Agreement pursuant to the provisions of Section 6 hereof provide to the Dissemination Agent the Annual Report prepared for the preceding fiscal year of the Borough (commencing for the fiscal year ending December 31, 2020). Each Annual Report provided to the Dissemination Agent by 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 Commission.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the Borough, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the Borough certifying that the Annual Report has been provided pursuant to this Disclosure Agreement to the National Repository and stating the date it was provided to the National Repository.

(c) If the Borough fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Borough advising of such failure. Whether or not such notice is given or received, if 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 (with a copy of said notice to the Borough) to the National Repository in substantially the form attached as EXHIBIT "A" hereto.

SECTION 4. Contents of Annual Report. Annual Report shall mean: (i) certain financial information and operating data of the Borough consisting of: (a) Borough and overlapping indebtedness, including a schedule of outstanding debt issued by the Borough; (b) the Borough's most current adopted budget; (c) property valuation information; and (d) tax rate, levy and collection data; and (ii) the Borough's annual financial statements, audited by an independent certified public accountant, provided that the annual audited financial statements of the Borough may be submitted separately from the balance of the Annual Report and later than the date required in Section 3(a) hereof for the filing of the 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 Annual Report. Each annual audited financial statement will conform to generally accepted accounting principles applicable to governmental units or will be prepared in accordance with the standards of the Governmental Accounting Standards Board and

requirements of the Division of Local Government Services in the New Jersey Department of Community Affairs as such principles, standards and requirements exist at the time of the filing of the particular annual audited financial statements.

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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to the rights of Bondholders, if material;
- (8) 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 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 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),

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.

(10), (13), (14) or (15) of subsection (a) of this Section 5, the Borough may, but shall not be required to, rely conclusively on an Opinion of Counsel.

(c) If the Dissemination Agent has been instructed by 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 Borough.

SECTION 6. Termination of Reporting Obligations. The reporting obligations of the Borough under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Borough is no longer an Obligated Person (as defined in the Rule) with respect to the Bonds.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Borough 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 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 Borough shall give notice of such amendment or waiver to this Disclosure Agreement to the Dissemination Agent 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 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 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 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 the outstanding Bonds and provision of indemnity and security for expenses satisfactory to it, shall), or any beneficial owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Disclosure Agreement. A failure of the Borough to comply with any provision of this Disclosure Agreement shall not be deemed to be a default under the Bonds. The sole remedy under this Disclosure Agreement in the event of any failure of 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 Borough:

Borough of Palmyra
20 West Broad Street
Palmyra, New Jersey 08065
Attention: Chief Financial Officer

- (ii) If to the Dissemination Agent:

Acacia Financial Group, Inc.
6000 Midlantic Drive, Suite 410
Mount Laurel, New Jersey 08054

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 10 for the giving of notice.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Borough, 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 Borough 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. Successors and Assigns. All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of 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 15. 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 16. 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 17. 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 18. 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.

BOROUGH OF PALMYRA, NEW JERSEY

By: _____
DONNA CONDO, Chief Financial Officer

**ACACIA FINANCIAL GROUP, INC.,
as Dissemination Agent**

By: _____
JENNIFER G. EDWARDS, Managing Director

EXHIBIT A

NOTICE TO NATIONAL REPOSITORY OF FAILURE TO FILE AN ANNUAL REPORT

Name of Issuer: Borough of Palmyra, County of Burlington, New Jersey

Name of Bond Issues Affected: General Obligation Bonds, Series 2020

Date of Issuance of the Affected
Bond Issue: December 10, 2020

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above named Bond issue as required by Section 3 of the Continuing Disclosure Agreement, dated December 10, 2020, between the Borough and the Dissemination Agent. [TO BE INCLUDED ONLY IF THE DISSEMINATION AGENT HAS BEEN ADVISED OF THE EXPECTED FILING DATE - The Issuer anticipates that such Annual Report will be filed by _____.]

Dated: _____

ACACIA FINANCIAL GROUP, INC.,
as Dissemination Agent

cc: Borough of Palmyra, New Jersey