

**OFFICIAL STATEMENT DATED MAY 31, 2018**

**NEW ISSUE (BOOK-ENTRY ONLY)**

**RATING: NOT RATED**

*In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Notes (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.*

**TOWNSHIP OF MONROE  
IN THE COUNTY OF MIDDLESEX  
STATE OF NEW JERSEY**

**\$28,000,000 BOND ANTICIPATION NOTES  
consisting of  
\$20,072,000 GENERAL IMPROVEMENT BOND ANTICIPATION NOTES  
and  
\$7,928,000 WATER-SEWER UTILITY BOND ANTICIPATION NOTES**

**NON-CALLABLE**

**Dated: June 12, 2018**

**Due: June 11, 2019**

The \$28,000,000 aggregate principal amount of Bond Anticipation Notes, dated the date of delivery, consisting of \$20,072,000 aggregate principal amount of General Improvement Bond Anticipation Notes (the "General Improvement Notes") and \$7,928,000 aggregate principal amount of Water-Sewer Utility Bond Anticipation Notes (the "Water-Sewer Notes" and together with the General Improvement Notes, the "Notes") are general obligations of the Township of Monroe, in the County of Middlesex, State of New Jersey (the "Township"), payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid from the issuance of bonds or from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the Township for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The Notes will be issued in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof, except that any amount of Notes maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof.

The Notes shall bear interest from June 12, 2018 and shall mature on June 11, 2019. The Notes shall bear interest at the rate of 3.00% (at a reoffering yield of 1.77%) per annum, commencing from their date of delivery. Interest on the Notes will be payable at maturity. Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent at the date of maturity. While DTC is acting as securities depository for the Notes, the principal of and interest on the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), and various bond ordinances duly adopted by the Township Council of the Township on the dates set forth herein.

The General Improvement Notes are being issued to: (i) refund, on a current basis, a \$16,810,000 portion of prior bond anticipation notes of the Township issued in the aggregate principal amount of \$19,600,000 on August 2, 2017 and maturing June 13, 2018 (the "Prior General Improvement Notes"), which Prior General Improvement Notes were originally issued to temporarily finance the cost of various capital improvements in and for the Township; (ii) temporarily finance the cost of various capital improvements in and for the Township in the amount of \$3,262,000; and (iii) pay for the costs of issuance of the General Improvement Notes.

The Water-Sewer Notes are being issued to: (i) refund, on a current basis, prior bond anticipation notes of the Township issued in the aggregate principal amount of \$6,928,000 on August 2, 2017 and maturing June 13, 2018 (the "Prior Water-Sewer Notes"), which Prior Water-Sewer Notes were originally issued to temporarily finance the cost of various water and sewer capital improvements in and for the Township; (ii) temporarily finance the cost of various water and sewer capital improvements in and for the Township in the amount of \$1,000,000; and (iii) pay for the costs of issuance of the Water-Sewer Notes.

The Notes are not subject to redemption prior to their stated maturity.

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

This cover page and inside front cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement, including all appendices, to obtain information essential to making an informed investment decision.

The Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Township in connection with the issuance of the Notes. Certain legal matters will be passed upon for the Township by the Township Attorney, Joel L. Shain, Esq., Bernardsville, New Jersey. It is anticipated that the Notes will be available for delivery through DTC on or about June 12, 2018.

**TD Securities (USA) LLC**

**TOWNSHIP OF MONROE  
IN THE COUNTY OF MIDDLESEX  
STATE OF NEW JERSEY**

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**MAYOR**

Gerald W. Tamburro

**TOWNSHIP COUNCIL**

Stephen Dalina, Council President  
Elizabeth Schneider, Council Vice-President  
Leonard Baskin  
Miriam Cohen  
Charles Dipierro

**ADMINISTRATOR**

Alan Weinberg

**CHIEF FINANCIAL OFFICER**

George J. Lang

**TOWNSHIP CLERK**

Patricia Reid, RMC, CMR

**TOWNSHIP ATTORNEY**

Joel L. Shain, Esq.  
Bernardsville, New Jersey

**INDEPENDENT AUDITOR**

Hodulik & Morrison, P.A.  
Highland Park, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

Wilentz, Goldman & Spitzer, P.A.  
Woodbridge, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Township of Monroe, in the County of Middlesex, State of New Jersey (the "Township") to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the Township. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Township, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the Township; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the Township, such information is not to be construed as a representation or warranty by the Township.

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or owners of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale 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. The Township has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

References in this Official Statement to laws, rules, regulations, resolutions, ordinances, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of, and exceptions to, statements made herein and may not be reproduced or used in whole, or part, for any other purpose. This Official Statement should be read in its entirety.

The presentation of information is intended to show recent historical information except as expressly stated otherwise, and is not intended to indicate future or continuing trends in the financial condition of other affairs of the Township. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

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

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

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

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**OFFICIAL STATEMENT  
OF THE  
TOWNSHIP OF MONROE  
IN THE COUNTY OF MIDDLESEX, STATE OF NEW JERSEY  
RELATING TO  
\$28,000,000 BOND ANTICIPATION NOTES  
consisting of  
\$20,072,000 GENERAL IMPROVEMENT BOND ANTICIPATION NOTES  
and  
\$7,928,000 WATER-SEWER UTILITY BOND ANTICIPATION NOTES**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Township of Monroe (the "Township"), in the County of Middlesex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$28,000,000 aggregate principal amount of Bond Anticipation Notes, consisting of \$20,072,000 aggregate principal amount of General Improvement Bond Anticipation Notes (the "General Improvement Notes") and \$7,928,000 aggregate principal amount of Water-Sewer Utility Bond Anticipation Notes (the "Water-Sewer Notes" and together with the General Improvement Notes, the "Notes") of the Township. This Official Statement, which includes the cover page, inside front cover page and appendices attached hereto, has been authorized by the Township Council, and executed by and on behalf of the Township by its Chief Financial Officer, to be distributed in connection with the sale of the Notes.

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

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

**DESCRIPTION OF THE NOTES**

**General Description**

The Notes are general obligation bond anticipation notes of the Township in the aggregate principal amount of \$28,000,000, consisting of \$20,072,000 aggregate principal amount of General Improvement Notes and \$7,928,000 aggregate principal amount of Water-Sewer Notes. The Notes shall be dated and shall bear interest from June 12, 2018 and shall mature on June 11, 2019. The Notes shall bear interest at the rate as indicated on the cover page of this Official Statement, payable upon maturity. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of, and held by, Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Notes (the "Securities Depository"). Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent on the date of maturity of the Notes by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, except that any amount of Notes maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in

denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The General Improvement Note certificate and the Water-Sewer Note certificate will each be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Township or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

### **Redemption**

The Notes are not subject to redemption prior to their stated maturity.

### **Authorization for the Issuance of the Notes**

The Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and various bond ordinances duly adopted by the Township Council of the Township on the dates and in the amounts set forth under "Purpose of the Notes" herein and published and approved as required by law.

The bond ordinances authorizing the Notes were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. Such estoppel period has concluded as of the date of this Official Statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Township.

### **Purpose of the Notes**

The General Improvement Notes are being issued to: (i) refund, on a current basis, a \$16,810,000 portion of prior bond anticipation notes of the Township issued in the aggregate principal amount of \$19,600,000 on August 2, 2017 and maturing June 13, 2018 (the "Prior General Improvement Notes"), which Prior General Improvement Notes were originally issued to temporarily finance the cost of various capital improvements in and for the Township; (ii) temporarily finance the cost of various capital improvements in and for the Township in the amount of \$3,262,000; and (iii) pay for the costs of issuance of the General Improvement Notes. The remaining portion of the Prior General Improvement Notes, in the amount of \$2,790,000 will be funded by a budget appropriation of the Township or other available funds. The Water-Sewer Notes are being issued to: (i) refund, on a current basis, prior bond anticipation notes of the Township issued in the aggregate principal amount of \$6,928,000 on August 2, 2017 and maturing June 13, 2018 (the "Prior Water-Sewer Notes"), which Prior Water-Sewer Notes were originally issued to temporarily finance the cost of various water and sewer capital improvements in and for the Township; (ii) temporarily finance the cost of various water and sewer capital improvements in and for the Township in the amount of \$1,000,000; and (iii) pay for the costs of issuance of the Water-Sewer Notes. The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Township, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount of Prior Notes being refunded and new money Notes being issued with the Notes to be issued for such purposes:



<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount of Prior Notes Being Refunded with the Notes</b>	<b>Amount of New Money Notes</b>
<b><u>\$20,072,000 General Improvement Notes</u></b>			
O-8-2000-026, as amended by O-10-2001-035, as amended by O-12-2002-048, as amended by O-8-2003-029, as amended by O-12-2003-053, as amended by O-12-2005-054, as amended by O-6-2006-020, as amended by O-9-2008-021, as amended by O-8-2012-020, as amended by O-4-2013-003, as amended by O-8-2014-014, as amended by O-3-2016-012, as amended by O-5-2016-016, as amended by O-9-2016-032	Various 2000 capital improvements in and for the Township, finally adopted August 28, 2000 (O-8-2000-026), as amended on October 1, 2001 (O-10-2001-035), December 2, 2002 (O-12-2002-048), August 4, 2003 (O-8-2003-029), December 29, 2003 (O-12-2003-053), December 5, 2005 (O-12-2005-054), June 26, 2006 (O-6-2006-020), September 3, 2008 (O-9-2008-021), August 6, 2012 (O-8-2012-020), April 1, 2013 (O-4-2013-003), August 4, 2014 (O-8-2014-014), April 4, 2016 (O-3-2016-012), June 8, 2016 (O-5-2016-016) and October 5, 2016 (O-9-2016-032)	\$2,076,000	\$0
O-5-2002-017, as amended by O-5-2003-015, as amended by O-5-2004-022, as amended by O-7-2008-013, as amended by O-7-2014-013	Various 2002 capital improvements in and for the Township, finally adopted May 6, 2002 (O-5-2002-017), as amended on May 5, 2003 (O-5-2003-015), May 24, 2004 (O-5-2004-022), July 7, 2008 (O-7-2008-013) and July 7, 2014 (O-7-2014-013)	\$73,000	\$0
O-6-2007-029	Various 2007 capital improvements in and for the Township, finally adopted June 25, 2007	\$66,200	\$0

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount of Prior Notes Being Refunded with the Notes</b>	<b>Amount of New Money Notes</b>
O-5-2009-010	Veteran's Park Phase II improvements, finally adopted May 4, 2009	\$92,000	\$0
O-6-2011-017	Various 2011 capital improvements in and for the Township, finally adopted June 27, 2011	\$1,682,400	\$0
O-8-2012-029	Various 2012 capital improvements in and for the Township, finally adopted August 27, 2012	\$1,260,200	\$0
O-7-2013-011, as amended by O-3-2015-005	Various 2013 capital improvements in and for the Township, finally adopted July 1, 2013 (O-7-2013-011), as amended on March 2, 2015 (O-3-2015-005)	\$1,565,200	\$0
O-7-2014-012	Various 2014 capital improvements in and for the Township, finally adopted July 7, 2014	\$1,854,000	\$0
O-7-2015-010	Various 2015 capital improvements in and for the Township, finally adopted July 6, 2015	\$4,612,500	\$0
O-11-2015-021, as amended by O-3-2016-011	Various improvements to the soccer complex and tennis courts within the Township, finally adopted November 4, 2015 (O-11-2015-021), as amended on April 4, 2016 (O-3-2016-011)	\$1,427,700	\$0
O-6-2016-022	Various 2016 capital improvements in and for the Township, finally adopted July 6, 2016	\$2,100,800	\$0
O-6-2017-014	Various 2017 capital improvements in and for the Township, finally adopted July 5, 2017	\$0	\$887,000
O-7-2017-020	Acquisition of real property being designated as Block 25, Lots 14.1 and 16 in and for the Township, finally adopted September 6, 2017	\$0	\$2,375,000
<b>Subtotal General Improvement Notes</b>		<b>\$16,810,000</b>	<b>\$3,262,000</b>
<b>Total General Improvement Notes</b>		<b><u>\$20,072,000</u></b>	

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount of Prior Notes Being Refunded with the Notes</b>	<b>Amount of New Money Notes</b>
<b><u>\$7,928,000 Water-Sewer Notes</u></b>			
O-5-2010-006	Improvements to Well Numbers 20, 21 and 23 in and for the Township, finally adopted May 3, 2010	\$306,000	\$0
O-7-2012-015	Ashmall Pumping Station improvements in and for the Township, finally adopted July 2, 2012	\$402,000	\$0
O-8-2012-028	Various 2012 water and sewer utility improvements in and for the Township, finally adopted August 27, 2012	\$1,220,000	\$0
O-7-2015-011	Various 2015 water and sewer utility improvements in and for the Township, finally adopted July 6, 2015	\$3,000,000	\$0
O-12-2015-024	Acquisition of water allocation rights and improvements to Well Number 25 in and for the Township, finally adopted December 28, 2015	\$1,000,000	\$0
O-6-2016-021	Various 2016 water and sewer utility improvements in and for the Township, finally adopted July 6, 2016	\$1,000,000	\$0
O-6-2017-015	Various 2017 water and sewer utility improvements in and for the Township, finally adopted July 5, 2017	\$0	\$1,000,000
<b>Subtotal Water-Sewer Notes</b>		<b>\$6,928,000</b>	<b>\$1,000,000</b>
<b>Total Water-Sewer Notes</b>		<b><u>\$7,928,000</u></b>	
<b>TOTAL NOTES</b>		<b><u>\$28,000,000</u></b>	

#### **SECURITY FOR THE NOTES**

The Notes are valid and legally binding general obligations of the Township for which the full faith and credit of the Township are irrevocably pledged for the punctual payment of the principal of and interest on the Notes. Unless paid from other sources, the Township has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of the Notes and the interest thereon without limitation as to rate or amount.

The Township is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Notes, for the current year in each annual budget unless provision has been made for payment of such general obligation indebtedness from other sources. The

enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF NOTES", including "Municipal Bankruptcy" herein.

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

### **NO DEFAULT**

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the Township as of the date hereof.

### **BOOK-ENTRY ONLY SYSTEM**

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

DTC will act as securities depository for the Notes. The Notes 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 General Improvement Note certificate will be issued for the General Improvement Notes in the aggregate principal amount of the General Improvement Notes, and one fully registered Water-Sewer Note certificate will be issued for the Water-Sewer Notes in the aggregate principal amount of the Water-Sewer Notes, as set forth on the cover hereof, 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes 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 Notes, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, nor its nominee, Paying Agent or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

## **PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

### **Procedure for Authorization**

The Township has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of Township debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The Township is not required to submit the proposed incurrence of indebtedness to a public referendum.

The Township, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally adopted by the recorded affirmative vote of at least two-thirds of the full membership of the Township Council and approved by the Mayor. The Local Bond Law requires publication and posting of the bond ordinance. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the Township.

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

The Notes are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and bond anticipation notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in serial or sinking fund installments, and that, unlike school debt, and with some exceptions, including self-liquidating obligations and the improvements involving State grants, a five percent (5%) cash down payment must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the Township are general "full faith and credit" obligations.

## **Short Term Financing**

Local governmental units (including the Township) may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such note at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment) is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the Township, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

## **Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)**

Refunding bonds may be issued by a local unit pursuant to the Local Bond Law for the purpose of paying, funding or refunding its outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, the present value of unfunded accrued liabilities for State administered early retirement incentive benefits, 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 refunding bonds. The Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds and must provide a certificate of endorsement of consent to any issue of refunding bonds. If the refunding bonds are issued in accordance with N.J.A.C. 5:30-2.5, no approval is required by the Local Finance Board; however, the details of the sale, issuance and delivery of the refunding bonds will be delivered to the Local Finance Board within ten (10) days of the delivery of the refunding bonds.

## **Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)**

There are statutory requirements which limit the amount of debt which the Township is permitted to authorize. The authorized bonded indebtedness of a Township is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3 1/2%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the Township for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

## **Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)**

The debt limit of the Township may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the Township must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request,

concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the Township and that the proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. As shown in Appendix A attached hereto, the Township has not exceeded its debt limit.

### **Debt Statements**

The Township must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the Township, the Township must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the Township Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Township's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

## **FINANCIAL MANAGEMENT**

### **Accounting and Reporting Practices**

The accounting policies of the Township conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the Township does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the Township, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may



examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of the local unit. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriation. N.J.S.A. 40A:4-22. If in any year the Township's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate section of the budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "current" or operating budget.

#### **Local Examination of Budgets (N.J.S.A. 40A:4-78(b))**

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. The Township will adopt its 2018 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)".

#### **State Supervision (N.J.S.A. 52:27BB-1 et seq.)**

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

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

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Township shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and

Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Township may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Township for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

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

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

### **Deferral of Current Expenses**

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

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

### **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three

(3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

### **Anticipation of Real Estate Taxes**

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

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

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

$$\begin{array}{lcl} \text{Total of Local, County,} & - & \text{Anticipated Revenues} \\ \text{and School Levies} & & \\ \hline \text{Cash Required from Taxes to Support} & = & \text{Cash Required from Taxes to Support} \\ \text{Local Municipal Budget and Other Taxes} & & \text{Local Municipal Budget and Other Taxes} \end{array}$$

$$\frac{\text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes}}{\text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)}} = \begin{array}{l} \text{Amount to be} \\ \text{Raised by} \\ \text{Taxation} \end{array}$$

### **Anticipation of Miscellaneous Revenues**

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

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the Township's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must

be filed with the Township Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Township Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles.

### **Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)**

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, such as the Township, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. It reflects the results of operations for the year of the Current and Utility Funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire annual audit report is filed with the clerk of the local unit and is available for review during business hours.

### **Investment of Municipal Funds**

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

## **CAPITAL IMPROVEMENT PROGRAM**

In accordance with the Local Budget Law, the Township must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing three (3) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

## **TAX ASSESSMENT AND COLLECTION**

### **Assessment and Collection of Taxes**

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the

assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

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

Tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Township Attorney (as defined herein) for in rem foreclosures in order to acquire title to these properties.

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

## **Tax Appeals**

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1<sup>st</sup> day of April of the current tax year for its review or the 1<sup>st</sup> day of May for municipalities that have conducted revaluations. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

## **TAX MATTERS**

### **Federal Income Tax Treatment**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Notes in order for the interest on the Notes to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest

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

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Township with the requirements of the Code and its tax certificate described above, interest on the Notes is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax.

The Notes do not constitute “qualified tax-exempt obligations” as defined in and for the purpose of Section 265(b)(3) of the Code.

### **Additional Federal Income Tax Consequences Relating to Notes**

In the case of certain corporate holders of the Notes, interest on the Notes will be included in adjusted current earnings for purposes of the alternative minimum tax applicable to taxable years beginning before January 1, 2018.

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

### **State Taxation**

Bond Counsel is also of the opinion that interest on the Notes, and any gain on the sale thereof, is not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Notes.

### **Prospective Tax Law Changes**

Federal, state or local legislation, administrative pronouncements or court decisions may affect the federal and State tax-exempt status of interest on the Notes, gain from the sale or other disposition of the Notes, the market value of the Notes or the marketability of the Notes. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Notes should consult their own tax advisors regarding such matters.

### **Other Tax Consequences**

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

See APPENDIX C for the complete text of the proposed form of Bond Counsel’s legal opinion with respect to the Notes.

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

### **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 institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Township, including the Notes, and such Notes are authorized security for any and all public deposits.

### **RISK TO HOLDERS OF NOTES**

It is understood that the rights of the holders of the Notes, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

### **Municipal Bankruptcy**

**THE TOWNSHIP HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE FEDERAL BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE TOWNSHIP EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE NOTES, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.**

The undertakings of the Township should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

## **Remedies of Holders of Bonds or Notes (N.J.S.A. 52:27-1 et seq.)**

If the Township defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or notes outstanding, any holder of such bonds or notes may bring an action against the Township in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the Township is so in default. Once a judgment is entered by the Superior Court to the effect that the Township is in default, the Municipal Finance Commission (the "Commission") would become operative in the Township. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Division, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, notes or other indebtedness of the municipality which have fallen due, and all bonds or notes which will fall due within one (1) year (except tax anticipation or revenue anticipation notes), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, notes or other indebtedness of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

## **CERTIFICATES OF THE TOWNSHIP**

Upon the delivery of the Notes, the original purchaser shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Township, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the Township from that set forth in or contemplated by this Official Statement. In addition, the original purchaser of the Notes shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Notes and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Notes, and signed by the officers who signed the Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Notes or the levy or collection of taxes to pay the Notes, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Notes are issued, and that neither the corporate existence or boundaries of the Township, nor the title of any of the said officers to the respective offices, is being contested.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as APPENDIX C, attached hereto. Certain legal matters with respect to the Notes will be passed on for the Township by its Township Attorney, Joel L. Shain, Esq., Bernardsville, New Jersey (the "Township Attorney").

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Township of Monroe, George J. Lang, Chief Financial Officer, Municipal Complex, 1 Municipal Plaza, Monroe, New Jersey 08831, (732) 521-4400; Everett M. Johnson, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6149 or Anthony P. Inverso, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey 08505 at (609) 291-0130.



## **MUNICIPAL ADVISOR**

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

## **LITIGATION**

To the knowledge of the Township Attorney there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes offered for sale or the levy and collection of any taxes to pay the principal of or the interest on said Notes, or in any manner questioning the authority of a proceeding for the issuance of the Notes or for the levy or collection of taxes to pay the principal of and interest on the Notes, or any action contesting the corporate existence or boundaries of the Township or the title of any of its present officers. Further, to the knowledge of the Township Attorney, there is no litigation presently pending or threatened against the Township that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided. The original purchaser of the Notes will receive a certificate of the Township Attorney to such effect upon the closing of the Notes.

## **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

The Township has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes (the "Notices"), as set forth in section (b)(5)(i)(C) of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented. The Notices will be filed by the Township with the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the Notices will be detailed in a certificate (the "Note Disclosure Certificate") to be executed on behalf of the Township by its Chief Financial Officer, in the form appearing in APPENDIX D hereto, such Note Disclosure Certificate to be delivered concurrently with the delivery of the Notes.

The Township has entered into prior undertakings to provide information pursuant to prior continuing disclosure agreements for multiple outstanding issues. In connection with certain of such undertakings and within the five-year period preceding the date of this Official Statement, the Township has failed to timely file with respect to all or some of the affected issues: (i) annual financial information as required for year-end December 31, 2012 and 2013; and (ii) operating data as required for year-end December 31, 2012 and 2013. The Township has subsequently filed such financial statements, operating data and material event notices. The Township has also failed to timely file various required notices of its failure to file certain of such financial statements and operating data, but the Township has subsequently filed such notices. The Township appointed Phoenix Advisors, LLC, Bordentown, New Jersey, in January 2015 to act as Continuing Disclosure Agent.

## **PREPARATION OF OFFICIAL STATEMENT**

Bond Counsel has participated in the preparation and review of this Official Statement but has not participated in the collection of financial, statistical or demographic information contained in this Official Statement and has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Hodulik & Morrison, P.A., Highland Park, New Jersey, the Auditor to the Township, has participated in the preparation of the information contained in this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

The Township Attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

#### **RATING**

The Township has not applied for a rating on the Notes.

#### **UNDERWRITING**

The Notes have been purchased from the Township at a public sale by TD Securities (USA) LLC (the "Underwriter") at a price of \$28,335,720.00. The purchase price of the Notes reflects the par amount of Notes, less an Underwriter's discount in the amount of \$1,680.00 plus an original issue premium in the amount of \$337,400.00.

The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at a yield higher than the public offering yield stated on the front cover page hereof.

#### **FINANCIAL STATEMENTS**

The audited financial statements of the Township for the years ended December 31, 2016 and 2015, together with the Notes to the Financial Statements, as well as unaudited financial statements for the year ended December 31, 2017, are presented in Appendix B to this Official Statement. The audited financial statements have been audited by Hodulik & Morrison, P.A., Highland Park, New Jersey, a firm of independent auditors, as stated in its report appearing in Appendix B.

#### **MISCELLANEOUS**

All quotations from summaries and explanations of the provisions of the 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 is not to be construed as a contract or an agreement between the Township and any purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs of the Township, the State or any of their agencies or authorities, since the date hereof.

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

**TOWNSHIP OF MONROE**

/s/ George J. Lang

**GEORGE J. LANG,**  
**Chief Financial Officer**

**DATED: May 31, 2018**

**APPENDIX A**

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION  
CONCERNING THE TOWNSHIP OF MONROE**

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## **INFORMATION REGARDING THE TOWNSHIP OF MONROE<sup>1</sup>**

The following material presents certain economic and demographic information of the Township of Monroe (the "Township").

### **Description of the Township**

The Township is located in the southern portion of Middlesex County (the "County"), in the State of New Jersey (the "State") midway between the metropolitan areas of New York City and Philadelphia. The Township consists of 42.8 square miles and is bordered by the Townships of East Brunswick and Old Bridge and the Boroughs of Jamesburg, Helmetta, Cranbury and Spotswood in Middlesex County, the Township of Manalapan and the Borough of Englishtown in Monmouth County and the Township of East Windsor in Mercer County.

The Township has become a very desirable location in which to raise a family and to retire due to its beautiful green landscape, low property taxes, low crime rate and low population density.

### **Government**

The Township operates under the Mayor-Council Plan under the provisions of the Faulkner Act, Chapter 210 of the 1970 Laws of New Jersey, as amended and supplemented, N.J.S.A. 40:69A-et seq., as amended and supplemented. The Township is governed by a Mayor, who is elected for a term of four (4) years and is the chief executive. A five (5) member Township Council has the responsibility for all legislative matters including the adoption of operating budgets, the enactment of ordinances and general citizen representation. The Township Council consists of three (3) individual ward council members and two (2) at-large council members, all of whom are elected to staggered four (4) year terms. The Mayor appoints a professionally qualified Business Administrator with the advice and consent of the Township Council. Daily Township operations are the responsibility of the professional staff, coordinated by the Township's Business Administrator. The Township Council meets on the first and last Monday of each month. The meetings are open to the public and public discussion and comments are scheduled at various points in each meeting agenda.

The Township has the following four (4) labor union contracts:

<b><u>Union</u></b>	<b><u>Contract Expiration</u></b>
PBA	12/31/18
Blue Collar	12/31/18
White Collar	12/31/18
Superior Officers Association	12/31/18

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<sup>1</sup> Source: The Township (unless otherwise indicated).

## **Population and Economy**

The Township's estimated population is 44,604 in 2016 based upon the US Bureau of the Census. The Township is primarily a residential community, and its central location and access to major commuter routes allow its residents easy access to employment centers from New York City to Philadelphia. The Township is well known for its many planned retirement communities, numerous medical offices and the Forsgate Country Club.

## **Utilities**

Water and sewer services are provided by the Water and Sewer Utilities Department for the Township. Water system facilities include nine (9) wells, four (4) available storage tanks and twenty (20) pressure reducer stations. Water distribution is provided through an extensive, interconnected network of four (4) inch to twenty (20) inch water mains. The Township supplements its groundwater diversion rights with a long-term contract with the New Jersey American Water Co., which provides for an additional supply up to one-half million gallons per day. Sewer system facilities consist of over 300 miles of collector and trunk sewer piping and fourteen (14) pumping stations. Customer charges provide the funds to pay for the day-to-day operating and maintenance costs, as well as system expansions and enhancements, and the retirement of debt. Sewerage treatment and disposal is provided by the Middlesex County Utilities Authority.

Jersey Central Power & Light supplies electric power to the Township and gas service is supplied by Public Service Electric & Gas Company and New Jersey Natural Gas Company. Garbage is collected by private haulers with billing directly to Township residents.

## **Transportation**

Train service to Newark, New York City, Philadelphia and the entire Northeast Corridor is provided by New Jersey Transit and Amtrak through nearby railroad stations in Princeton Junction, New Brunswick and South Amboy.

Local and interstate bus service is provided by New Jersey Transit, Academy Bus Line and Coach USA.

The Township is strategically situated alongside the New Jersey Turnpike at Exit 8A, the State's primary north/south artery. It is also served by State Highway Routes 9, 18 and 33 and Route 130.

Within thirty-five (35) miles of the Township are the Ports of New York, Newark and Elizabeth with the world's largest container facilities. Newark Liberty International Airport is only a forty (40) minute drive from the Township.

Township-operated shuttle bus transportation (at no cost to riders) is available to Township residents to travel to Princeton and Freehold.

## **Public Library**

The Township's residents enjoy a full range of library services through its facility at 4 Municipal Plaza and a traveling bookmobile. The Public Library (the "Library") is governed by a Board of Trustees comprised of the Mayor, the Superintendent of Schools, seven (7) members and two (2) alternates appointed by the Mayor. Meetings are held twelve (12) times each year. The existing facility underwent a major expansion which doubled its size to become a 44,166 square foot building with a drive-through window, and opened on January 31, 2009.

The primary source of funding for the Township Public Library is the annual appropriation contained in the Township's budget. The Township's 2016 budget included the amount of \$3,513,100 to fund Library operations. Total appropriations exceed minimum funding level established by statute. The Library's combined collections of books, audio books, compact discs, videotapes, magazines and newspapers is approaching a total number of 150,000 items. In addition, the Library is a member of the Libraries of Middlesex Automation Consortium. The Library maintains its own website, which allows residents to utilize many of the Library's resources and services from the comfort of their homes. Over 1,000 patrons visit the Library daily.

## **Parks and Recreation**

The Township is home to numerous parks and recreation facilities, including one of Middlesex County's premier parks, Thompson Park (which is over 1,500 acres and consists of open space, soccer fields, baseball fields, picnic groves, a sled-riding hill, an animal petting zoo, Manalapan Lake for fishing, playground facilities, a concrete gazebo, and a dog park).

The Township owns and operates a municipal Recreation Center which includes two (2) gymnasiums, an exercise room, a multipurpose room, eight (8) meeting rooms, park and an outdoor hockey rink. The Recreation Center is being expanded to meet the demands of a growing recreation program. The Township also operates other park facilities including:

1. Daniel Ryan Wolverine Field;
2. James Monroe Park baseball fields;
3. Thomas Allen Girls Softball Fields at Gravel Hill-Spotswood Road; and
4. Veterans Park on Avenue K in the Outcalt section of the Township.

## **Education<sup>2</sup>**

The Monroe Township Board of Education is an autonomous elected body that operates the public school district (the "District"). The District provides a full range of educational services appropriate to grades K through 12. The District had an average student enrollment of 6,492 for the 2016-2017 school year. The District has six (6) elementary schools, one (1) middle school and one (1) high school.<sup>3</sup> The District enjoys a fine reputation, with many of its graduates being accepted by and graduating from leading colleges and universities.

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<sup>2</sup> Source: Monroe Township School District

<sup>3</sup> Monroe Township High School opened in September of 2011 and the old Monroe Township High School was renovated and reopened as the Monroe Township Middle School.

The following table presents the District's average daily enrollment over the past five (5) school years.

<b>Pupil Enrollments</b>	
<b><u>School Year</u></b>	<b><u>Enrollment</u></b>
2016-2017	6,492
2015-2016	6,310
2014-2015	6,143
2013-2014	6,079
2012-2013	5,893

Situated in the center of the State, the Township has the advantage of having the following colleges and universities within a short driving distance: Princeton University, Rutgers University, Monmouth University, Middlesex County College, Brookdale Community College, Westminster Choir College, Rider University, The College of New Jersey and the Princeton Theological Seminary.

### **Retirement Systems**

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the "Division"), is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

### **Pension Information**

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township's share of pension costs in 2017, which is based upon the annual billings received from the State, amounted to \$1,874,827 for PERS<sup>4</sup> and \$1,531,217 for PFRS<sup>3</sup>.

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<sup>4</sup> Source: Annual Audit Report of the Township.



## **Labor Force**

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Township, the County, and the State of New Jersey:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Township</u></b>				
2017	17,850	17,043	807	4.5%
2016	17,813	16,975	838	4.7%
2015	17,488	16,543	945	5.4%
2014	16,909	15,805	1,104	6.5%
2013	16,431	15,128	1,303	7.9%
<b><u>County</u></b>				
2017	442,313	424,201	18,112	4.1%
2016	442,068	422,500	19,568	4.4%
2015	440,742	418,062	22,680	5.1%
2014	436,315	409,691	26,624	6.1%
2013	432,108	399,543	32,565	7.5%
<b><u>State</u></b>				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

## **Population**

The following tables summarize population increases and the decreases for the Township, the County, and the State.

	<b><u>Township</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2010	39,132	39.76	809,858	7.96	8,791,894	4.49
2000	27,999	25.81	750,162	11.67	8,414,350	8.85
1990	22,255	40.34	671,780	12.74	7,730,188	4.96
1980	15,858	73.54	595,893	2.07	7,365,001	2.75
1970	9,138	56.71	583,813	34.56	7,168,164	18.15

Source: United States Department of Commerce, Bureau of the Census

**Income (as of 2015)**

	<b><u>Township</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$70,357	\$79,593	\$72,093
Median Family Income	108,423	93,800	88,335
Per Capita Income	34,674	45,410	36,582

Source: US Bureau of the Census, 2015 American Community Survey 5-Year Estimates

**Number of Building Permits Issued**

<b><u>Year</u></b>	<b><u>Township</u></b>	<b><u>County</u></b>
2017	322	2,742
2016	273	2,446
2015	361	1,399
2014	371	1,901
2013	445	1,652

Source: New Jersey Department of Labor and Workforce Development and Middlesex County

**Largest Taxpayers**

The ten largest taxpayers in the Township and their assessed valuations are listed below:

<b><u>Taxpayers</u></b>	<b><u>2017 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
Costco Wholesale Corporation	\$114,784,900	1.54%
Centerpoint Barnes LLC	82,871,200	1.11%
Noble House of NJ	55,990,300	0.75%
Presbyterian Homes at Monroe	35,304,200	0.47%
EJC 24 Engelhard LLC	28,392,800	0.38%
Whiting Shopping Center Assoc. LLP	23,987,200	0.32%
Prologis	21,084,400	0.28%
Matrix 26 South Middlesex LLC	18,167,800	0.24%
Jamesburg Hospitality LLC	16,908,600	0.23%
Principal Life	15,417,800	0.21%
<b>Total</b>	<b><u>\$412,909,200</u></b>	<b><u>5.54%</u></b>

Source: School District Comprehensive Annual Financial Report and Municipal Tax Assessor

### **Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year % of Collection</u></b>
2017U	\$193,367,694	\$191,281,584	98.92%
2016	188,489,310	186,411,725	98.90%
2015	179,262,667	177,571,271	99.06%
2014	167,986,501	165,996,793	98.82%
2013	160,446,009	157,139,329	97.94%

U=Unaudited

Source: Annual Audit Reports of the Township

### **Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2017U	\$375,960	\$1,818,542	\$2,194,502	1.13%
2016	347,096	1,714,349	2,061,444	1.09%
2015	291,820	1,719,428	2,011,247	1.12%
2014	262,369	1,906,196	2,168,566	1.29%
2013	252,557	1,206,380	1,458,937	0.91%

U=Unaudited

Source: Annual Audit Reports of the Township

### **Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2017U	\$1,087,200
2016	1,087,200
2015	1,087,200
2014	1,087,200
2013	1,087,200

U=Unaudited

Source: Annual Audit Reports of the Township

### **Tax Rates per \$100 of Net Valuations Taxable and Allocations**

The table below lists the tax rates for the past five (5) years.

			<b>Local</b>	
<u>Year</u>	<u>Municipal</u>	<u>County</u>	<u>School</u>	<u>Total</u>
2017	\$0.509	\$0.458	\$1.433	\$2.400
2016	0.508	0.433	1.424	2.365
2015	0.506	0.410	1.389	2.305
2014R	0.505	0.371	1.344	2.220
2013	0.919	0.695	2.511	4.125

R=Revaluation

### **Valuation of Property**

<u>Year</u>	<b>Aggregate Assessed Valuation of Real Property</b>	<b>Aggregate True Value of Real Property</b>	<b>Ratio of Assessed to True Value</b>	<b>Assessed Value of Personal Property</b>	<b>Equalized Valuation</b>
2017	\$7,458,960,600	\$8,730,056,882	85.44%	\$8,160,744	\$8,738,217,626
2016	7,291,016,300	8,437,699,688	86.41	8,339,362	8,446,039,050
2015	7,129,041,600	7,902,717,659	90.21	9,095,172	7,911,812,831
2014R	6,975,867,800	7,199,037,977	96.90	9,590,058	7,208,628,035
2013	3,607,138,141	6,661,381,608	54.15	4,970,633	6,666,352,241

R=Revaluation

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

### **Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Township for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017	\$197,554,600	\$6,162,460,000	\$71,270,700	\$549,722,800	\$441,727,700	\$36,224,800	\$7,458,960,600
2016	218,725,500	5,959,240,000	70,112,400	559,241,900	447,471,700	36,224,800	7,291,016,300
2015	261,081,900	5,765,927,000	69,951,500	548,020,200	447,836,200	36,224,800	7,129,041,600
2014R	226,074,400	5,614,534,700	70,602,300	580,187,900	448,243,700	36,224,800	6,975,867,800
2013	89,714,800	3,020,005,205	37,588,600	245,767,236	192,150,800	21,911,500	3,607,138,141

R=Revaluation

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

## Township Indebtedness<sup>5</sup>

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Net Debt Amount</u>	<u>Equalized Valuation Basis</u>	<u>Net Debt Percentage of Equalized Valuations Basis</u>
2017	\$262,764,285	\$66,823,152	\$8,356,824,743	0.80%
2016	266,019,459	65,511,460	7,846,485,108	0.83%
2015	272,098,822	64,496,373	7,254,379,081	0.89%
2014	264,168,233	62,871,717	6,985,457,858	0.90%
2013	257,814,120	63,574,623	6,805,330,321	0.93%

Source: The Township's Annual Audit Reports and Annual Debt Statements

## Township Indebtedness as of December 31, 2017

### **General Purpose Debt**

Serial Bonds	\$50,341,961
Bond Anticipation Notes	19,600,000
Bonds and Notes Authorized but Not Issued	14,539,310
Other Bonds, Notes and Loans	<u>112,155</u>
Total:	\$84,593,425

### **Local School District Debt**

Serial Bonds	\$122,300,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$122,300,000

### **Self-Liquidating Debt**

Serial Bonds	\$32,810,000
Bond Anticipation Notes	6,928,000
Bonds and Notes Authorized but Not Issued	14,647,515
Other Bonds, Notes and Loans	<u>1,485,345</u>
Total:	\$55,870,860

### **TOTAL GROSS DEBT**

**\$262,764,285**

Less: Statutory Deductions	
General Purpose Debt	\$17,770,273
Local School District Debt	122,300,000
Self-Liquidating Debt	<u>55,870,860</u>
Total:	\$195,941,133

### **TOTAL NET DEBT**

**\$66,823,152**

Source: Annual Debt Statement of the Township

<sup>5</sup> Average of the equalized valuation for the prior three (3) years.

**Overlapping Debt (as of December 31, 2017)<sup>6</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Township Percentage</u></b>	<b><u>Township Share</u></b>
Local School District	\$122,300,000	100.00%	\$122,300,000
County	690,097,707	8.54%	<u>58,922,968</u>
Net Indirect Debt			\$181,222,968
Net Direct Debt			<u>66,823,152</u>
Total Net Direct and Indirect Debt			<b><u>\$248,046,120</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2015, 2016, 2017)	\$8,356,824,743
Permitted Debt Limitation (3 1/2%)	292,488,866
Less: Net Debt	<u>66,823,152</u>
Remaining Borrowing Power	<u>\$225,665,714</u>
Percentage of Net Debt to Average Equalized Valuation	0.800%
Gross Debt Per Capita based on 2010 population of 39,132	\$6,715
Net Debt Per Capita based on 2010 population of 39,132	\$1,708

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<sup>6</sup> Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

## **SUMMARY OF MUNICIPAL BUDGETS**

### **Current Fund (As Adopted)**

#### **Anticipated Revenues**

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Fund Balance Utilized	\$3,200,000	\$3,580,000	\$5,500,000	\$7,400,000	\$8,100,000
Miscellaneous Revenues	13,640,089	13,114,137	11,332,705	10,487,353	10,061,955
Receipts from Delinquent Taxes	1,000,000	1,200,000	1,300,000	1,300,000	1,550,000
Amount to be Raised by Taxation	<u>33,578,423</u>	<u>34,415,859</u>	<u>36,070,128</u>	<u>36,968,514</u>	<u>39,145,919</u>
Total Revenue:	<u>\$51,418,512</u>	<u>\$52,309,996</u>	<u>\$54,202,833</u>	<u>\$56,155,868</u>	<u>\$58,857,874</u>

#### **Appropriations**

General Appropriations	\$34,526,568	\$35,263,868	\$36,964,931	\$38,302,170	\$40,661,485
Operations (Excluded from CAPS)	6,726,842	6,878,753	7,299,173	7,297,442	7,183,968
Deferred Charges and Statutory Expenditures	1,002,960	492,906	15,700	58,705	35,000
Judgments	0	0	0	0	0
Capital Improvement Fund	100,000	350,000	200,000	300,000	100,000
Municipal Debt Service	5,862,202	5,924,470	6,123,029	6,447,550	7,027,421
Reserve for Uncollected Taxes	<u>3,200,000</u>	<u>3,400,000</u>	<u>3,600,000</u>	<u>3,750,000</u>	<u>3,850,000</u>
Total Appropriations:	<u>\$51,418,572</u>	<u>\$52,309,996</u>	<u>\$54,202,833</u>	<u>\$56,155,868</u>	<u>\$58,857,874</u>

Source: Township Budgets, as adopted

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP OF MONROE  
FOR THE YEARS ENDING DECEMBER 31, 2016 AND 2015  
AND UNAUDITED FINANCIAL STATEMENTS FOR THE  
YEAR ENDING DECEMBER 31, 2017**

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**UNAUDITED FINANCIAL DATA OF THE TOWNSHIP  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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ANNUAL FINANCIAL STATEMENT FOR THE YEAR 2017
(UNAUDITED)

Table with 2 columns: Label (POPULATION LAST CENSUS, NET VALUATION TAXABLE 2017, MUNICODE) and Value (39,132, 7,467,121,344, 1213).

FIVE DOLLARS PER DAY PENALTY IF NOT FILED BY:
COUNTIES – JANUARY 26, 2018
MUNICIPALITIES - FEBRUARY 10, 2018

ANNUAL FINANCIAL STATEMENT REQUIRED TO BE FILED UNDER NEW JERSEY STATUTES ANNOTATED 40A:5-12, AS AMENDED, COMBINED WITH INFORMATION REQUIRED PRIOR TO CERTIFICATION OF BUDGETS BY THE DIRECTOR OF THE DIVISION OF LOCAL GOVERNMENT SERVICE

Township of Monroe (Middlesex) County of Middlesex

SEE BACK COVER FOR INDEX AND INSTRUCTIONS. DO NOT USE THESE SPACES

Table with 4 columns: Index (1, 2), Date, Examined By, and Status (Preliminary Check, Examined).

I hereby certify that the debt shown on Sheets 31 to 34a, 49 to 51a and 63 to 65a are complete, were computed by me and can be supported upon demand by a register or other detailed analysis.

Signature: George Lang
Title: Chief Financial Officer

(This must be signed by Chief Financial Officer, Comptroller, Auditor or Registered Municipal Accountant.)

REQUIRED CERTIFICATION BY THE CHIEF FINANCIAL OFFICER:

I hereby certify that I am responsible for filing this verified Annual Financial Statement, and information required also included herein and that this Statement is an exact copy of the original on file with the clerk of the governing body, that all calculations, extensions and additions are correct, that no transfers have been made to or from emergency appropriations and all statements contained herein are in proof; I further certify that this statement is correct insofar as I can determine from all the books and records kept and maintained in the Local Unit.

Further, I do hereby certify that I George Lang am the Chief Financial Officer, License #N-0227, of the Township of Monroe (Middlesex), County of Middlesex and that the statements annexed hereto and made a part hereof are true statements of the financial condition of the Local Unit as at December 31, 2017, completely in compliance with N.J.S. 40A:5-12, as amended. I also give complete assurances as to the veracity of required information included herein, needed prior to certification by the Director of Local Government Services, including the verification of cash balances as of December 31, 2017.

Prepared by Chief Financial Officer: Yes

Signature: George Lang
Title: Chief Financial Officer
Address: One Municipal Plaza, Monroe Township, NJ 08831
Phone Number: 732 521-4601
Email: glang@monroetwp.com

IT IS HEREBY INCUMBENT UPON THE CHIEF FINANCIAL OFFICER, WHEN NOT PREPARED BY SAID, AT A MINIMUM MUST REVIEW THE CONTENTS OF THIS ANNUAL FINANCIAL STATEMENT WITH THE PREPARER, SO AS TO BE FAMILIAR WITH THE REPRESENTATIONS AND ASSERTIONS MADE HEREIN.

MUNICIPAL BUDGET LOCAL EXAMINATION QUALIFICATION CERTIFICATION  
BY  
CHIEF FINANCIAL OFFICER

*One of the following Certifications must be signed by the Chief Financial Officer if your municipality is eligible for local examination.*

**CERTIFICATION OF QUALIFYING MUNICIPALITY**

1. The outstanding indebtedness of the previous fiscal year is **not in excess of 3.5%**
2. All emergencies approved for the previous fiscal year **did not exceed 3%** of total appropriations;
3. The tax collection rate **exceeded 90%**
4. Total deferred charges did not equal or exceed 4% of the total tax levy;
5. There were no **"procedural deficiencies"** noted by the registered municipal accountant on Sheet 1a of the Annual Financial Statement; and
6. There was **no operating deficit** for the previous fiscal year.
7. The municipality did not conduct an accelerated tax sale for less than 3 consecutive years.
8. The municipality did not conduct a tax levy sale the previous fiscal year and does not plan to conduct one in the current year.
9. The current year budget does not contain a levy or appropriation "CAP" referendum.
10. The municipality will not apply for Transitional Aid for 2018.

The undersigned certifies that this municipality has compiled in full in meeting ALL of the above criteria in determining its qualification for local examination of its Budget in accordance with N.J.A.C. 5:30-7.5.

Municipality:	Monroe (Middlesex)
Chief Financial Officer:	
Signature:	
Certificate #:	
Date:	

**CERTIFICATION OF NON-QUALIFYING MUNICIPALITY**

The undersigned certifies that this municipality does not meet Item(s) # PER DLGS of the criteria above and therefore does not qualify for local examination of its Budget in accordance with N.J.A.C. 5:30-7.5.

Municipality:	Monroe (Middlesex)
Chief Financial Officer:	George Lang
Signature:	George Lang
Certificate #:	N-0227
Date:	3/28/2018

NOTE THAT A TRIAL BALANCE IS REQUIRED AND NOT A BALANCE SHEET

**POST CLOSING**  
**TRIAL BALANCE - CURRENT FUND**  
AS OF DECEMBER 31, 2017

Cash Liabilities Must be Subtotaled and Subtotal Must be Marked With "C" - Taxes Receivable Must Be Subtotaled

Title of Account	Debit	Credit
Receivables with Full Reserves		
Delinquent Taxes	1,818,542.03	
Tax Title Liens	375,959.72	
Property Acquired by Taxes	1,087,200.00	
Contract Sales Receivable	0.00	
Mortgage Sales Receivable	0.00	
Subtotal Receivables with Full Reserves	3,281,701.75	0.00
Cash Liabilities		
Reserve For Encumbrances		1,247,724.84
Prepaid Taxes		17,980,517.76
Tax Overpayments		15,783.54
Accounts Payable		311,362.91
Due to Grant Fund		480,149.73
Reserve for Route 33 Master Plan		27,497.19
Reserve for Codification		17,867.00
Reserve for Master Plan		94,316.25
Reserve for Proceeds from Sale of Municipal Assets		35,316.71
Reserve for Tax Appeals		333,821.25
Appropriation Reserves		2,974,577.17
Due to State of New Jersey - Senior Citizens & Veterans Deductions		32,908.40
Local District School Tax Payable		1.00
Regional School Tax Payable		0.00
Regional High School Tax Payable		0.00
County Taxes Payable		0.00
Due County for Added and Omitted Taxes		
Special District Taxes Payable		0.00
State Library Aid		0.00
Subtotal Cash Liabilities	0.00	23,551,843.75
Current Fund Total		
Cash	36,695,504.86	
Due from State of NJ - Senior Citizens & Veterans Deductions		
Deferred Charges	140,000.00	
Deferred School Taxes	0.00	
Reserve for Receivables		3,281,701.75
School Taxes Deferred		0.00
Fund Balance		13,283,661.11
Investments		
Total	40,117,206.61	40,117,206.61

**POST CLOSING**  
**TRIAL BALANCE - TRUST FUNDS**  
(Assessment Section Must be Separately Stated)  
AS OF DECEMBER 31, 2017

Title of Account	Debit	Credit
Trust Assessment Fund		
Cash	0.00	
Deferred Charges	0.00	
Assessment Bonds		0.00
Assessment Notes		
Fund Balance		0.00
Total Trust Assessment Fund	0.00	0.00
Animal Control Fund		
Reserve for Animal Control Expenses		18,707.36
Reserve for Encumbrances		13,408.00
Cash	32,115.36	
Deferred Charges	0.00	
Total Animal Control Fund	32,115.36	32,115.36
Trust Other Fund		
Cash -Utility Trust	5,054,018.37	
Due from HCD Block Grant	523,407.31	
Due From Water-Sewer Operating	81,204.89	
Trust Fund Deposits and Reserves		16,342,109.52
Reserve for Self Insurance		629,132.50
Reserve for Payroll Deposits		435,905.24
Reserve for Unemployment		183,294.06
Reserve for Developer Escrow		11,967,044.60
Reserve for HCD Block Grant		388,665.53
Reserve For Developers Escrow - Utility		4,962,324.61
Reserve for Encumbrances		427,062.19
Due to Water-Sewer Capital		1,963.47
Cash	29,678,871.15	
Deferred Charges	0.00	
Total	35,337,501.72	35,337,501.72
Municipal Open Space Trust Fund		
Reserve for Open Space		5,764,639.75
Reserve for Encumbrances		286,905.31
Cash	6,051,545.06	
Total Municipal Open Space Trust Fund	6,051,545.06	6,051,545.06



# **POST CLOSING** **TRIAL BALANCE - GENERAL CAPITAL FUND**

AS OF DECEMBER 31, 2017

Title of Account	Debit	Credit
Deferred Charges to Future Taxation - Unfunded	34,139,309.75	
Deferred Charge to Future Taxation - Funded	50,693,886.40	
Reserve for Encumbrances		3,310,273.71
Due From Developer	15,500.00	
Grants Receivable	4,600,614.06	
Miscellaneous Reserves		545,557.03
Reserve for Debt Service		709,500.00
Reserve for Receivables		325,500.00
Reserve for Affordable Housing - Capital		1,611,907.29
MCIA Lease Agreements		239,771.10
Est. Proceeds Bonds and Notes Authorized	14,539,309.75	
Bonds and Notes Authorized but Not Issued		14,539,309.75
Cash	10,610,404.49	
Deferred Charges	0.00	
General Capital Bonds		50,341,960.73
Assessment Serial Bonds		0.00
Bond Anticipation Notes		19,600,000.00
Assessment Notes		
Loans Payable		112,154.57
Loans Payable		0.00
Improvement Authorizations - Funded		4,547,049.98
Improvement Authorizations - Unfunded		18,016,491.22
Capital Improvement Fund		184,000.00
Down Payments on Improvements		0.00
Capital Surplus		515,549.07
Total	114,599,024.45	114,599,024.45

**STATEMENT OF GENERAL BUDGET REVENUES 2017**

Source	Budget -01	Realized -02	Excess or Deficit -03
Surplus Anticipated 80101-	7,400,000.00	7,400,000.00	0.00
Surplus Anticipated with Prior Written Consent of Director of Local Government 80102-			
Adopted Budget	10,487,353.42	10,647,388.47	160,035.05
Added by NJS40A:4-87	123,722.72	123,722.72	0.00
Total Miscellaneous Revenue Anticipated 80103-	10,611,076.14	10,771,111.19	160,035.05
Receipts from Delinquent Taxes 80104-	1,300,000.00	1,463,891.94	163,891.94
Amount to be Raised by Taxation:			
(a) Local Tax for Municipal Purposes 80105-	34,153,170.71		
(b) Addition to Local District School Tax 80106-			
(c) Minimum Library Tax 80107-	2,815,343.53		
County Only: Total Raised by Taxation			
Total Amount to be Raised by Taxation 80107-	36,968,514.24	40,991,699.67	4,023,185.43
Total	56,279,590.38	60,626,702.80	4,347,112.42

**ALLOCATION OF CURRENT TAX COLLECTIONS**

	Debit	Credit
Current Taxes Realized in Cash 80108-00		191,281,583.62
Amount to be Raised by Taxation		
Local District School Tax 80109-00	106,962,459.00	
Regional School Tax 80119-00		
Regional High School Tax 80110-00		
County Taxes 80111-00	34,105,610.38	
Due County for Added and Omitted Taxes 80112-00	494,053.74	
Special District Taxes 80113-00	11,339,271.00	
Municipal Open Space Tax 80120-00	1,138,489.83	
Reserve for Uncollected Taxes 80114-00		3,750,000.00
Deficit in Required Collection of Current Taxes (or) 80115-00		
Balance for Support of Municipal Budget (or) 80116-00	40,991,699.67	
*Excess Non-Budget Revenue (see footnote) 80117-00		
*Deficit Non-Budget Revenue (see footnote) 80118-00		
Total	195,031,583.62	195,031,583.62

\* These items are applicable only when there is no "Amount to be Raised by Taxation" in the "Budget" column of the statement at the top of this sheet. In such instances, any excess or deficit in the above allocation would apply to "Non-Budget Revenue" only.

**STATEMENT OF GENERAL BUDGET REVENUES 2017**  
MISCELLANEOUS REVENUES ANTICIPATED: ADDED BY N.J.S. 40A:4-87

Source	Budget	Realized	Excess of Deficit
Clean Communities Program	89,328.64	89,328.64	0.00
Community Forestry Mgt Plan-Green Communities	3,000.00	3,000.00	0.00
Municipal Court Alcohol Ed and Rehab Grant	1,608.50	1,608.50	0.00
Office on Aging Area Plan Grant	3,000.00	3,000.00	0.00
Drive Sober or Get Pulled Over - Labor Day	5,500.00	5,500.00	0.00
Drunk Driving Enforcement Fund	7,468.08	7,468.08	0.00
State Body Armor Grant	4,838.64	4,838.64	0.00
Bulletproof Vest Partnership Program	3,478.86	3,478.86	0.00
Drive Sober or Get Pulled Over - End of Year	5,500.00	5,500.00	0.00
	123,722.72	123,722.72	0.00

I hereby certify that the above list of Chapter 159 insertions of revenue have been realized in cash or I have received written notification of the award of public or private revenue. These insertions meet the statutory requirements of N.J.S.A. 40A:4-87 and matching funds have been provided if applicable.

CFO Signature

George Lang

STATEMENT OF GENERAL BUDGET APPROPRIATIONS 2017

2017 Budget as Adopted	80012-01	56,155,867.66
2017 Budget - Added by N.J.S. 40A:4-87	80012-02	123,722.72
Appropriated for 2017 (Budget Statement Item 9)	80012-03	56,279,590.38
Appropriated for 2017 Emergency Appropriation (Budget Statement Item 9)	80012-04	
Total General Appropriations (Budget Statement Item 9)	80012-05	56,279,590.38
Add: Overexpenditures (see footnote)	80012-06	
Total Appropriations and Overexpenditures	80012-07	56,279,590.38
Deduct Expenditures:		
Paid or Charged [Budget Statement Item (L)]	80012-08	49,555,009.54
Paid or Charged - Reserve for Uncollected Taxes	80012-09	3,750,000.00
Reserved	80012-10	2,974,577.17
Total Expenditures	80012-11	56,279,586.71
Unexpended Balances Cancelled (see footnote)	80012-12	3.67

FOOTNOTES - RE: OVEREXPENDITURES

Every appropriation overexpended in the budget document must be marked with an \* and must agree in the aggregate with this item.

RE: UNEXPENDED BALANCES CANCELED:

Are not to be shown as "Paid or Charged" in the budget document. In all instances "Total Appropriations" and "Overexpenditures" must equal the sum of "Total Expenditures" and "Unexpended Balances Canceled".

SCHEDULE OF EMERGENCY APPROPRIATIONS FOR LOCAL  
DISTRICT SCHOOL PURPOSES  
(EXCEPT FOR TYPE I SCHOOL DEBT SERVICE)

2017 Authorizations		
N.J.S. 40A:4-46 (After adoption of Budget)		
N.J.S. 40A:4-20 (Prior to adoption of Budget)		
Total Authorizations		
Deduct Expenditures:		
Paid or Charged		
Reserved		
Total Expenditures		

**RESULTS OF 2017 OPERATION**  
**CURRENT FUND**

	Debit	Credit
Prior Year Tax Refund Total Vet	24,280.75	
Unexpended Balances of CY Budget Appropriations		3.67
Excess of Anticipated Revenues: Miscellaneous Revenues Anticipated		160,035.05
Excess of Anticipated Revenues: Delinquent Tax Collections		163,891.94
Excess of Anticipated Revenues: Required Collection of Current Taxes		4,023,185.43
Miscellaneous Revenue Not Anticipated		602,586.41
Miscellaneous Revenue Not Anticipated: Proceeds of Sale of Foreclosed Property		0.00
Sale of Municipal Assets (Credit)		
Deferred School Tax Revenue: Balance January 1, CY		
Unexpended Balances of PY Appropriation Reserves (Credit)		2,603,421.54
Prior Years Interfunds Returned in CY (Credit)		
Deferred School Tax Revenue: Balance December 31, CY		0.00
Cancellation of Reserves for Federal and State Grants (Credit)		28,355.67
Deficit in Anticipated Revenues: Miscellaneous Revenues Anticipated		
Statutory Excess in Reserve for Dog Fund Expenditures (Credit)		
Deficit in Anticipated Revenues: Delinquent Tax Collections	0.00	
Deficit in Anticipated Revenues: Required Collection of Current Taxes	0.00	
Interfund Advances Originating in CY (Debit)		
Cancellation of Federal and State Grants Receivable (Debit)	62,611.49	
Senior Citizen Deductions Disallowed - Prior Year Taxes (Debit)	7,246.18	
Refund of Prior Year Revenue (Debit)	2,149.10	
Surplus Balance	7,485,192.19	
Deficit Balance		
	7,581,479.71	7,581,479.71

**SCHEDULE OF MISCELLANEOUS REVENUES NOT ANTICIPATED**

Source	Amount Realized
Administrative Fee- Senior Cits and Vets	14,829.00
Prior Year Reimbursements	34,867.10
NSF Fees	960.00
Cell Tower Fees	20,641.20
Facility Rental Fees	12,320.01
Vending Machine Revenue	5,457.00
Closeout Prior Year MCIA (No Debt Outstanding)	58,092.32
Refunds and Rebate	7,239.26
Homestead Rebate Reimbursement	3,538.20
Motor Vehicle Inspections	11,064.50
Tax Collector Fees	13,405.72
FEMA Reimbursement - Sandy	397,207.68
FEMA Reimbursement - Winter Storm 2016	15,961.11
Miscellaneous	7,003.31
Total Amount of Miscellaneous Revenues Not Anticipated	602,586.41

**SURPLUS – CURRENT FUND  
YEAR 2017**

	Debit	Credit
Miscellaneous Revenue Not Anticipated: Payments in Lieu of Taxes on Real Property (Credit)		
Excess Resulting from CY Operations		7,485,192.19
Amount Appropriated in the CY Budget - Cash	7,400,000.00	
Amount Appropriated in the CY Budget - with Prior Written Consent of Director of Local Government Services		
Balance January 1, CY (Credit)		13,198,468.92
Surplus Balance - To Surplus		
Balance December 31, 2017 80014-05	13,283,661.11	
	20,683,661.11	20,683,661.11

**ANALYSIS OF BALANCE DECEMBER 31, 2017  
(FROM CURRENT FUND – TRIAL BALANCE)**

Cash		36,695,504.86
Investments		
Sub-Total		36,695,504.86
Deduct Cash Liabilities Marked with “C” on Trial Balance	80014-08	23,551,843.75
Cash Surplus	80014-09	13,143,661.11
Deficit in Cash Surplus	80014-10	
Other Assets Pledged to Surplus		
Due from State of N.J. Senior Citizens and Veterans Deduction	80014-16	0.00
Deferred Charges #	80014-12	140,000.00
Cash Deficit	80014-13	0.00
Total Other Assets	80014-14	140,000.00
	80014-15	13,283,661.11

(FOR MUNICIPALITIES ONLY)  
**CURRENT TAXES – 2017 LEVY**

1.	Amount of Levy as per Duplicate (Analysis) #	82101-00	179,211,098.51
	(Abstract of Ratables)	82113-00	
2.	Amount of Levy Special District Taxes	82102-00	11,360,496.17
3.	Amount Levied for Omitted Taxes under N.J.S.A. 54:4-63.12 et. seq.	82103-00	
4.	Amount Levied for Added Taxes under N.J.S.A. 54:4-63.1 et. seq.	82104-00	2,796,099.56
5a.	Subtotal 2017 Levy	193,367,694.24	
5b.	Reductions due to tax appeals **		
5c.	Total 2017 Tax Levy	82106-00	193,367,694.24
6.	Transferred to Tax Title Liens	82107-00	29,799.51
7.	Transferred to Foreclosed Property	82108-00	
8.	Remitted, Abated or Canceled	82109-00	243,082.37
9.	Discount Allowed	82110-00	
10.	Collected in Cash: In 2016	82121-00	1,157,333.01
	In 2017 *	82122-00	186,733,334.74
	Homestead Benefit Revenue	82124-00	2,652,598.18
	State's Share of 2017 Senior Citizens and Veterans Deductions Allowed	82123-00	738,317.69
	Total to Line 14	82111-00	191,281,583.62
11.	Total Credits		191,554,465.50
12.	Amount Outstanding December 31, 2017	83120-00	1,813,228.74
13.	Percentage of Cash Collections to Total 2017 Levy, (Item 10 divided by Item 5c) is	98.9212 82112-00	

**Note: Did Municipality Conduct Accelerated Tax Sale or Tax Levy Sale?**

**No**

14.	Calculation of Current Taxes Realized in Cash:		
	Total of Line 10		191,281,583.62
	Less: Reserve for Tax Appeals Pending State Division of Tax Appeals		
	To Current Taxes Realized in Cash		191,281,583.62

Note A: In showing the above percentage the following should be noted:

Where Item 5 shows \$193,367,694.24, and Item 10 shows \$191,281,583.62, the percentage represented by the cash collections would be \$191,281,583.62 / \$193,367,694.24 or 98.9212. The correct percentage to be shown as Item 13 is 98.9212%.

# Note: On Item 1 if Duplicate (Analysis) Figure is used; be sure to include Senior Citizens and Veterans Deductions.

\* Include overpayments applied as part of 2017 collections.

\*\* Tax appeals pursuant to R.S. 54:3-21 et seq and/or R.S. 54:48-1 et seq approved by resolution of the governing body prior to introduction of municipal budget. (N.J.S.A. 40A:4-41)



SCHEDULE OF DELINQUENT TAXES AND TAX TITLE LIENS

			Debit	Credit
1. Balance January 1, 2017			2,061,444.48	XXXXXXXXXX
A. Taxes	83102-00	1,714,348.96	XXXXXXXXXX	XXXXXXXXXX
B. Tax Title Liens	83103-00	347,095.52	XXXXXXXXXX	XXXXXXXXXX
2. Canceled:			XXXXXXXXXX	XXXXXXXXXX
A. Taxes	83105-00		XXXXXXXXXX	255,167.45
B. Tax Title Liens	83106-00		XXXXXXXXXX	-
3. Transferred to Foreclosed Tax Title Liens:			XXXXXXXXXX	XXXXXXXXXX
A. Taxes	83108-00		XXXXXXXXXX	-
B. Tax Title Liens	83109-00		XXXXXXXXXX	-
4. Added Taxes	83110-00		7,246.18	XXXXXXXXXX
5. Added Tax Title Liens	83111-00		-	XXXXXXXXXX
6. Adjustment between Taxes (Other than current year) and Tax Title Liens:			XXXXXXXXXX	XXXXXXXXXX
A. Taxes - Transfers to Tax Title Liens	83104-00		XXXXXXXXXX	2,881.96
B. Tax Title Liens - Transfers from Taxes	83107-00		2,881.96	XXXXXXXXXX
7. Balance Before Cash Payments			XXXXXXXXXX	1,813,523.21
8. Totals			2,071,572.62	2,071,572.62
9. Balance Brought Down			1,813,523.21	XXXXXXXXXX
10 Collected:			XXXXXXXXXX	1,463,891.94
A. Taxes	83116-00	1,458,232.44	XXXXXXXXXX	XXXXXXXXXX
B. Tax Title Liens	83117-00	5,659.50	XXXXXXXXXX	XXXXXXXXXX
11. Interest and Costs - 2017 Tax Sale			83118-00	1,842.23
12. 2017 Taxes Transferred to Liens			83119-00	29,799.51
13. 2017 Taxes			83123-00	1,813,228.74
14. Balance December 31, 2017			XXXXXXXXXX	2,194,501.75
A. Taxes	83121-00	1,818,542.03	XXXXXXXXXX	XXXXXXXXXX
B. Tax Title Liens	83122-00	375,959.72	XXXXXXXXXX	XXXXXXXXXX
15. Totals			3,658,393.69	3,658,393.69

16. Percentage of Cash Collections to Adjusted Amount Outstanding  
(Item No. 10 divided by Item No. 9) is 80.72%

17. Item No. 14 multiplied by percentage shown above is 1,771,401.81  
and represents the maximum amount that may be anticipated in 2018. 83125-00

(See Note A on Sheet 22 - Current Taxes)  
(1) These amounts will always be the same.

**SCHEDULE OF FORECLOSED PROPERTY**  
(PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION)

	Debit	Credit
Balance January 1, CY (Debit)	1,087,200.00	
Foreclosed or Deeded in CY: Tax Title Liens (Debit)		
Foreclosed or Deeded in CY: Taxes Receivable (Debit)		
Adjustment to Assessed Valuation (Debit)		
Adjustment to Assessed Valuation (Credit)		
Sales: Cash* (Credit)		
Sales: Contract (Credit)		
Sales: Mortgage (Credit)		
Sales: Loss on Sales (Credit)		
Sales: Gain on Sales (Debit)		
Balance December 31, 2017		1,087,200.00
	1,087,200.00	1,087,200.00

**CONTRACT SALES**

	Debit	Credit
Balance January 1, CY (Debit)		
CY Sales from Foreclosed Property (Debit)		
Collected * (Credit)		
Balance December 31, 2017		0.00
	0.00	0.00

**MORTGAGE SALES**

	Debit	Credit
Balance January 1, CY (Debit)		
CY Sales from Foreclosed Property (Debit)		
Collected * (Credit)		
Balance December 31, 2017		0.00
	0.00	0.00

Analysis of Sale of Property:	\$0.00
*Total Cash Collected in 2017	(84125-00)
Realized in 2017 Budget	
To Results of Operation	0.00

**AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**HODULIK & MORRISON, P.A.**  
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MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Borough Council  
Township of Monroe  
County of Middlesex, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis, of the Township of Monroe, County of Middlesex as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township of Monroe, County of Middlesex's financial statements and have issued our report thereon dated August 4, 2017. Our report was modified to reflect the departures from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting utilized for financial statement presentations, and was unmodified based upon that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Monroe's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Monroe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Monroe's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A

*significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

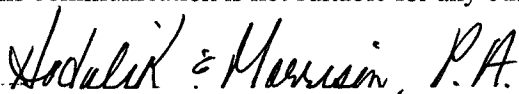
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Monroe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

We noted certain matters we have reported to management of the Township of Monroe in the General Comments and Recommendations section of the Report of Audit.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants

Highland Park, New Jersey  
August 4, 2017

**HODULIK & MORRISON, P.A.**

## **FINANCIAL STATEMENTS**

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2016 AND DECEMBER 31, 2015

<u>ASSETS</u>	<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>
Cash and Investments - Treasurer	A-4	\$ 19,993,921.92	\$ 17,924,846.09	Liabilities:			
Cash - Change Fund	A	900.00	900.00	Appropriation Reserves	A-3, A-9	\$ 4,006,382.09	\$ 2,553,007.89
		<u>19,994,821.92</u>	<u>17,925,746.09</u>	Reserve for Encumbrances	A-3, A-9	988,178.03	1,416,065.62
Receivables With Offsetting Reserves:				Prepaid Taxes	A-6	1,157,333.01	901,536.73
Taxes Receivable	A-6	1,714,348.96	1,719,427.61	Prepaid Licenses and Fees	A	100.00	-
Tax Title Liens Receivable	A-6	347,095.52	291,819.62	Various Payables	A-12	156,462.42	103,459.42
Property Acquired for Taxes (At				Various Reserves	A-12	575,537.18	2,178,164.48
Assessed Valuation)	A-6	1,087,200.00	1,087,200.00	Tax Overpayments	A-10	2,931.24	20,357.21
Revenue Accounts Receivable	A-7	35,413.20	32,174.54	Due to State of N.J. per Ch. 20,			
		<u>3,184,057.68</u>	<u>3,130,621.77</u>	P.L. 1976	A-5	23,248.60	16,822.53
				Interfunds Payable	A	76,180.43	18,201.83
Deferred Charges:						6,986,353.00	7,207,615.71
Special Emergency - (40A:4-53):				Reserve for Receivables	Reserve	3,184,057.68	3,130,621.77
Master Plan	A-8	190,000.00	30,000.00	Fund Balance	A-1	13,198,468.92	10,748,130.38
		<u>190,000.00</u>	<u>30,000.00</u>				
Total Current Fund		<u>23,368,879.60</u>	<u>21,086,367.86</u>	Total Current Fund		<u>23,368,879.60</u>	<u>21,086,367.86</u>
State and Federal Grant Fund:				State and Federal Grant Fund:			
Grants Receivable	A-13	368,996.60	364,743.92	Reserve for State and Federal Grants:			
Due from Current Fund	A-15	76,180.43	18,201.83	Appropriated	A-14	276,472.52	201,985.02
				Unappropriated	A-16	136,349.42	92,698.69
				Reserve for Encumbrances	A-14	32,355.09	88,262.04
Total State and Federal Grant Fund		<u>445,177.03</u>	<u>382,945.75</u>	Total State and Federal Grant Fund		<u>445,177.03</u>	<u>382,945.75</u>
		<u>\$ 23,814,056.63</u>	<u>\$ 21,469,313.61</u>			<u>\$ 23,814,056.63</u>	<u>\$ 21,469,313.61</u>

Note: See Notes to Financial Statements



TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>YEAR 2016</u>	<u>YEAR 2015</u>
Fund Balance Utilized	\$ 5,500,000.00	\$ 3,580,000.00
Miscellaneous Revenues Anticipated	12,213,251.65	14,541,456.66
Receipts from Delinquent Taxes	1,221,405.00	1,564,553.39
Receipts from Current Taxes	186,011,725.00	176,441,270.86
Non-Budget Revenue	269,526.52	137,142.55
Other Credits to Income:		
Unexpended Balances of Approp. Reserves	1,740,314.75	1,647,637.46
Prepaid Fire District Taxes	-	0.50
Reserve for Grants Canceled	61.32	15.39
	<hr/>	<hr/>
Total Revenues	206,956,284.24	197,912,076.81
	<hr/>	<hr/>
<u>EXPENDITURES AND OTHER CHARGES</u>		
Budget Appropriations:		
Operating		
Salaries and Wages	21,064,969.00	19,828,966.00
Other Expenses	18,963,876.45	18,087,423.00
State and Federal Programs Off-Set by Revenue	271,911.62	253,852.11
Municipal Debt Service	6,121,084.23	5,924,459.45
Capital Improvements	200,000.00	350,000.00
Deferred Charges and Statutory Expend.-Mun.	4,304,502.49	4,588,089.43
County Tax	32,345,743.79	29,938,397.75
Local District School Taxes	103,908,183.00	99,085,654.00
Special District Taxes	10,818,636.00	10,300,454.00
Municipal Open Space Taxes	1,131,641.67	1,825,284.97
Prior Year Sr. Cit. & Vet. Deductions Disallowed	6,654.65	6,941.77
Refunds State Tax Appeals	-	283,785.00
Refund Prior Year Revenues	43,681.60	11,593.48
Grants Receivable Canceled	61.20	1,319.27
	<hr/>	<hr/>
Total Expenditures	199,180,945.70	190,486,220.23
	<hr/>	<hr/>
Excess in Revenue	7,775,338.54	7,425,856.58

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
 COMPARATIVE STATEMENT OF OPERATIONS AND  
 CHANGE IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>REVENUE AND OTHER INCOME REALIZED</u>		<u>YEAR 2016</u>	<u>YEAR 2015</u>
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Years		<u>175,000.00</u>	<u>                    </u>
Statutory Excess to Fund Balance		7,950,338.54	7,425,856.58
<u>FUND BALANCE</u>	<u>Ref.</u>		
Balance - January 1	A	<u>10,748,130.38</u>	<u>6,902,273.80</u>
		18,698,468.92	14,328,130.38
Decreased by:			
Utilization as Anticipated Revenue		<u>5,500,000.00</u>	<u>3,580,000.00</u>
Balance - December 31	A	\$ <u><u>13,198,468.92</u></u>	\$ <u><u>10,748,130.38</u></u>

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	ANTICIPATED 2016 <u>BUDGET</u>	APPROP. N.J.S.A. <u>40A:4-87</u>	Total <u>Budget</u>	<u>REALIZED</u>	EXCESS OR (DEFICIT)
Fund Balance Anticipated	\$ 5,500,000.00		\$ 5,500,000.00	\$ 5,500,000.00	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	\$ 15,000.00		\$ 15,000.00	\$ 30,824.00	\$ 15,824.00
Fees and Permits	260,000.00		260,000.00	293,952.81	33,952.81
Fines and Costs:					
Municipal Court	370,000.00		370,000.00	415,707.26	45,707.26
Interest and Costs on Taxes	290,000.00		290,000.00	399,309.31	109,309.31
Interest on Investments and Deposits	49,000.00		49,000.00	240,631.76	191,631.76
Franchise Tax-Cable Companies	379,503.00		379,503.00	379,504.16	1.16
Energy Receipts Taxes	2,263,503.00		2,263,503.00	2,263,503.00	-
Dedicated Uniform Construction Code Fees Offset with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17):					
Uniform Construction Code Fees	1,900,000.00		1,900,000.00	2,021,774.00	121,774.00
Shared Service Agreements Offset with Appropriations					
Shared Service Agreement (Fire Districts and Board)	54,000.00		54,000.00	29,359.00	(24,641.00)
Public and Private Revenues Offset with Approps.:					
Body Armor Replacement Grant	-	4,830.72	4,830.72	4,830.72	-
Drunk Driving Enforcement Fund	-	5,667.11	5,667.11	5,667.11	-
Clean Communities Program		105,146.60	105,146.60	105,146.60	-
Recycling Tonnage Grant	92,698.69		92,698.69	92,698.69	-
Senior Outreach	5,000.00	1,000.00	6,000.00	6,000.00	-
Sustainable NJ Small Grant		20,000.00	20,000.00	20,000.00	-
Cultural Arts Council	4,000.00		4,000.00	4,000.00	-
Occupant Protection - Click It or Ticket		5,000.00	5,000.00	5,000.00	-
Drive Sober or Get Pulled Over End of Year Holiday Crackdown		5,000.00	5,000.00	5,000.00	-
Bulletproof Vest Partnership Program		3,811.50	3,811.50	3,811.50	-
Additional Revenues Offset with Appropriations					
Ambulance Fees	2,400,000.00		2,400,000.00	2,623,035.92	223,035.92
Clinical Training Fees	26,000.00		26,000.00	26,921.00	921.00
Other Special Items:					
Utility Operating Surplus of the Prior Year	2,300,000.00		2,300,000.00	2,300,000.00	-
Capital Fund Balance	500,000.00		500,000.00	500,000.00	-
Hotel and Motel Occupancy Tax, P.L. 2003, C. 115	80,000.00		80,000.00	92,574.81	12,574.81

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	ANTICIPATED 2016 <u>BUDGET</u>	APPROP. N.J.S.A. <u>40A:4-87</u>	Total <u>Budget</u>	<u>REALIZED</u>	EXCESS OR (DEFICIT)
Reserve for Debt Service	344,000.00		344,000.00	344,000.00	-
Total Miscellaneous Revenues	11,332,704.69	150,455.93	11,483,160.62	12,213,251.65	730,091.03
Receipts from Delinquent Taxes	1,300,000.00		1,300,000.00	1,221,405.00	(78,595.00)
Subtotal General Revenues	18,132,704.69	150,455.93	18,283,160.62	18,934,656.65	651,496.03
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes Including					
Reserve for Uncollected Taxes	33,432,859.63		33,432,859.63	38,770,252.23	5,337,392.60
Minimum Library Tax	2,637,268.31		2,637,268.31	2,637,268.31	
Total Amount to be Raised by Taxes for Support of Municipal Budget	36,070,127.94		36,070,127.94	41,407,520.54	5,337,392.60
Budget Totals	54,202,832.63	150,455.93	54,353,288.56	60,342,177.19	\$ 5,988,888.63
Non-Budget Revenues				269,526.52	
	<u>\$ 54,202,832.63</u>	<u>\$ 150,455.93</u>	<u>\$ 54,353,288.56</u>	<u>\$ 60,611,703.71</u>	

( ) Denotes Deficit

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

			EXPENDED			UNEXPENDED
	2016 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT:</u>						
Office of the Mayor						
Salaries and Wages	\$ 15,000.00	\$ 15,000.00	\$ 13,500.00	\$ -	\$ 1,500.00	\$ -
Other Expenses	10,050.00	10,050.00	8,619.83	681.67	748.50	
Township Council						
Salaries and Wages	30,500.00	30,500.00	27,290.32	-	3,209.68	
Other Expenses	17,850.00	17,850.00	16,204.00	169.00	1,477.00	
Office of the Township Clerk						
Salaries and Wages	407,620.00	397,620.00	360,760.87		36,859.13	
Other Expenses	70,200.00	70,200.00	45,007.71	18,240.60	6,951.69	
Elections						
Salaries and Wages	14,817.00	14,817.00	12,058.92	-	2,758.08	
Other Expenses	25,000.00	25,000.00	11.52	-	24,988.48	
Office of the Business Administrator						
Salaries and Wages	405,881.00	405,881.00	383,986.93		21,894.07	
Other Expenses	35,550.00	35,550.00	28,021.65	3,787.24	3,741.11	
Transportation						
Salaries and Wages	485,586.00	485,586.00	461,960.72		23,625.28	
Other Expenses	70,400.00	70,400.00	61,363.82	6,771.93	2,264.25	
Citizens Review Board						
Salaries and Wages	1,349.00	1,349.00	1,349.00		-	
Insurance						
General Liability	376,930.00	376,930.00	370,948.00		5,982.00	
Workers Compensation	352,000.00	352,000.00	267,000.00		85,000.00	
Employee Group Health	5,311,251.45	5,311,251.45	4,706,644.62	509.68	604,097.15	
Health Benefit Waiver	479,965.00	459,965.00	399,396.00	-	60,569.00	
Public Information and Public Advocacy						
Salaries and Wages	94,433.00	89,433.00	76,441.26		12,991.74	
Other Expenses	53,555.00	53,555.00	27,721.36	13,857.62	11,976.02	
Division of Recreation						
Salaries and Wages	1,069,097.00	1,072,097.00	1,054,303.53		17,793.47	
Other Expenses	276,063.00	276,063.00	206,133.41	29,790.06	40,139.53	
Division of Parks						
Salaries and Wages	265,944.00	278,944.00	266,198.29		12,745.71	
Other Expenses	85,100.00	85,100.00	80,208.67	2,874.24	2,017.09	

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Division of Treasury						
Salaries and Wages	392,755.00	392,755.00	365,159.40		27,595.60	
Other Expenses:						
Annual Audit	36,000.00	36,000.00	-	36,000.00	-	
Special Accounting	25,000.00	25,000.00	-	-	25,000.00	
Data Processing	55,000.00	55,000.00	19,496.60	12,631.51	22,871.89	
Miscellaneous Other Expense	25,500.00	20,500.00	7,433.80	897.48	12,168.72	
Division of Revenue Collection						
Salaries and Wages	315,395.00	315,395.00	305,082.95		10,312.05	
Other Expenses:				-	-	
Tax Sale Costs	5,500.00	5,500.00	4,895.00	540.00	65.00	
Tax Lien Foreclosure	500.00	500.00	99.00	-	401.00	
Miscellaneous Other Expense	18,200.00	18,200.00	11,486.59	1,431.30	5,282.11	
Division of Assessment						
Salaries and Wages	424,495.00	424,495.00	415,809.39		8,685.61	
Other Expenses	92,150.00	92,150.00	40,918.16	11,055.57	40,176.27	
Revaluation		-	-	-	-	
Division of Ambulance Services						
Salaries and Wages	1,411,035.00	1,411,035.00	1,144,533.60		266,501.40	
Other Expenses	48,350.00	48,350.00	23,959.73	13,125.88	11,264.39	
Police						
Salaries and Wages	8,309,428.00	8,298,428.00	7,841,668.75		456,759.25	
Other Expenses	500,750.00	500,750.00	290,859.41	53,748.29	156,142.30	
Emergency Management Services						
Salaries and Wages	84,810.00	84,810.00	84,810.00		-	
Other Expenses	8,950.00	8,950.00	6,630.90		2,319.10	
Office of the Township Engineer						
Salaries and Wages	55,728.00	55,728.00	55,728.00		-	
Other Expenses:						
Maintenance of Tax Map	60,000.00	60,000.00	48,906.37	11,093.63	-	
Miscellaneous Other Expense	222,000.00	222,000.00	195,277.75	26,722.25	-	
Division of Streets and Roads						
Salaries and Wages	1,740,061.00	1,740,061.00	1,497,686.11		242,374.89	
Other Expenses	278,500.00	278,500.00	162,981.01	34,864.95	80,654.04	

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Vehicle Maintenance						
Salaries and Wages	222,538.00	222,538.00	180,472.45		42,065.55	
Other Expenses	419,400.00	419,400.00	346,304.22	18,491.13	54,604.65	
Solid Waste and Recycling						
Other Expenses	38,000.00	38,000.00	24,542.00	232.00	13,226.00	
Landfill						
Other Expenses	125,000.00	135,000.00	122,652.43	584.33	11,763.24	
Buildings and Grounds						
Salaries and Wages	491,871.00	471,871.00	431,788.89		40,082.11	
Other Expenses	576,750.00	596,750.00	555,557.95	24,117.28	17,074.77	
Community Services Act						
Other Expenses	837,556.00	837,556.00	418,547.66	135,125.90	283,882.44	
Office of the Township Attorney						
Salaries and Wages	26,157.00	26,157.00	26,157.00		-	
Other Expenses	695,006.00	695,006.00	488,793.00	78,557.57	127,655.43	
Municipal Prosecutor						
Salaries and Wages	50,002.00	50,002.00	48,181.52		1,820.48	
Other Expenses	200.00	200.00	-	-	200.00	
Municipal Court						
Salaries and Wages	351,914.00	351,914.00	345,681.25		6,232.75	
Other Expenses	15,600.00	15,600.00	11,971.78	893.35	2,734.87	
Public Defender						
Salaries and Wages	23,151.00	23,151.00	23,151.00		-	
Animal Control						
Salaries and Wages	153,436.00	153,436.00	144,510.38		8,925.62	
Other Expenses	19,225.00	19,225.00	3,036.07	2,478.45	13,710.48	
Environmental Protection		-				
Salaries and Wages	86,438.00	86,438.00	84,303.17		2,134.83	
Other Expenses	3,850.00	3,850.00	2,622.08	-	1,227.92	
Contributions to:						
South County Day Care Center-Contractual	1,500.00	1,500.00	1,500.00	-	-	
Building Demolition						
Other Expenses	300.00	300.00	-		300.00	

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Municipal Land Use Law (NJSA 40:55D-1)						
Zoning Board of Adjustment						
Salaries and Wages	112,980.00	112,980.00	109,129.12		3,850.88	
Other Expenses	16,700.00	16,700.00	6,510.12	6,717.88	3,472.00	
Planning Board		-			-	
Salaries and Wages	7,798.00	7,798.00	7,798.00		-	
Other Expenses	128,300.00	128,300.00	110,862.90	11,326.63	6,110.47	
Update of Master Plan						
Other Expenses (Emergency Appropriation)	-	175,000.00	650.00	170,000.00	4,350.00	
Division of Planning						
Salaries and Wages	289,873.00	289,873.00	260,490.97		29,382.03	
Other Expenses	30,750.00	30,750.00	11,152.33	12,219.41	7,378.26	
Shade Tree Commission						
Salaries and Wages	20,948.00	20,948.00	20,938.00		10.00	
Other Expenses	73,260.00	73,260.00	47,052.93	20,761.58	5,445.49	
Cultural Arts Commission						
Salaries and Wages	25,542.00	25,542.00	25,542.00		-	
Other Expenses	65,170.00	65,170.00	43,211.06	21,359.02	599.92	
Environmental & Con. Comm Commission						
Salaries and Wages	3,416.00	3,416.00	3,416.00		-	
Other Expenses	5,725.00	5,725.00	1,688.44	545.00	3,491.56	
Historic Preservation Commission						
Salaries and Wages	3,416.00	3,416.00	3,416.00		-	
Other Expenses	8,300.00	8,300.00	1,870.00	3,500.00	2,930.00	
Senior Services						
Salaries and Wages	592,743.00	592,743.00	577,214.22		15,528.78	
Other Expenses	49,900.00	49,900.00	35,877.45	2,540.52	11,482.03	
Recreation and Youth Advisory Board						
Salaries and Wages	3,416.00	3,416.00	3,416.00		-	
Other Expenses	4,850.00	4,850.00	2,200.81	370.00	2,279.19	
Human Relations Commission						
Salaries and Wages	3,416.00	3,416.00	3,416.00		-	
Other Expenses	1,750.00	1,750.00	1,723.73	-	26.27	
Open Space and Farmland Preservation Commission						
Salaries and Wages	3,416.00	3,416.00	3,416.00		-	
Other Expenses	750.00	750.00	-	-	750.00	
Celebration of Public Events						
Other Expenses	43,400.00	43,400.00	35,952.38	-	7,447.62	



TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>EXPENDED ENCUMBERED</u>	<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
<u>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17):</u>						
Uniform Construction Code						
Salaries & Wages	1,078,167.00	1,053,167.00	988,288.35		64,878.65	
Other Expenses	35,000.00	35,000.00	27,458.69	2,749.34	4,791.97	
Accumulated Absences	2,000.00	52,000.00	-		52,000.00	
Central Mailing	58,000.00	58,000.00	56,226.64	-	1,773.36	
Utilities	1,805,000.00	1,805,000.00	1,109,937.81	69,473.14	625,589.05	
		-	-		-	
Total Operations Within "CAPS"	32,676,128.45	32,851,128.45	28,157,181.75	860,835.43	3,833,111.27	-
Contingent	-	-			-	
Total Operations Including Contingent Within "CAPS"	32,676,128.45	32,851,128.45	28,157,181.75	860,835.43	3,833,111.27	-
DETAIL:						
Salaries and Wages	19,076,572.00	19,071,572.00	17,659,054.36	-	1,412,517.64	-
Other Expenses (Including Contingent)	13,599,556.45	13,779,556.45	10,498,127.39	860,835.43	2,420,593.63	-
<u>DEFERRED CHARGES - MUNICIPAL WITHIN "CAPS"</u>						
DEFERRED CHARGES						
Prior Years Bills:						
Alliance Bus Group - Transportation OE -2013	70.08	70.08	70.08		-	
Verizon - Utilities-2013	1,079.57	1,079.57	1,079.57		-	
Conrail-Streets and Roads OE - 2011	203.84	203.84	203.84		-	

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELLED</u>
				<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>STATUTORY EXPENDITURES:</u>						
Contribution to:						
Public Employees' Retirement System	1,500,000.00	1,500,000.00	1,477,583.00		22,417.00	
Social Security System (O.A.S.I.)	1,384,564.00	1,384,564.00	1,340,503.52		44,060.48	
Police & Firemen's Retirement System	1,345,885.00	1,345,885.00	1,345,885.00		-	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	40,000.00	40,000.00	-		40,000.00	
Deferred Compensation Retirement Plan	17,000.00	17,000.00	16,428.12		571.88	
Total Def. Charges and Statutory Expend. Municipal Within "CAPS"	<u>4,288,802.49</u>	<u>4,288,802.49</u>	<u>4,181,753.13</u>	<u>-</u>	<u>107,049.36</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>36,964,930.94</u>	<u>37,139,930.94</u>	<u>32,338,934.88</u>	<u>860,835.43</u>	<u>3,940,160.63</u>	<u>-</u>
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
Employee Group Health Insurance(P.L. 2007, C.62)	91,695.00	91,695.00	91,695.00		-	
911 System						
Salaries and Wages	172,556.00	172,556.00	172,556.00		-	
Other Expenses	21,900.00	21,900.00	20,343.40		1,556.60	
Maintenance of Free Public Library	3,513,100.00	3,513,100.00	3,513,100.00		-	
NJPDES Stormwater Permit [N.J.S.A. 40A:4-45.3(cc)]:						
Division of Streets and Roads - Salaries and Wages	201,567.00	201,567.00	201,567.00		-	
Division of Streets and Roads - Other Expenses	211,290.00	211,290.00	185,823.68	9,702.99	15,763.33	
Vehicle Maintenance - Salaries and Wages	4,009.00	4,009.00	4,009.00		-	
Vehicle Maintenance - Other Expenses	5,600.00	5,600.00	5,600.00		-	
Solid Waste and Recycling - Other Expenses	60,000.00	60,000.00	50,025.60	9,974.40	-	
Recycling Tax	6,000.00	6,000.00	4,574.63	3.37	1,422.00	
<u>SHARED SERVICE AGREEMENTS</u>						
Shared Service (Fire Districts and Board)						
Other Expenses	54,000.00	54,000.00	51,852.43		2,147.57	
Shared Service (Recycling)						
Other Expenses	320,000.00	320,000.00	299,122.53	769.20	20,108.27	
Shared Service (County Health)						
Other Expenses	90,000.00	90,000.00	89,668.68		331.32	

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

			EXPENDED			UNEXPENDED
	<u>2016 BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>			<u>CANCELLED</u>
ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES						
Ambulance Services						
Salaries and Wages	1,605,265.00	1,605,265.00	1,605,265.00		-	
Other Expenses	794,735.00	794,735.00	664,371.74	105,576.66	24,786.60	
Clinical Coordinator Training Fees						
Salaries and Wages	10,000.00	10,000.00	10,000.00		-	
Other Expenses	16,000.00	16,000.00	14,578.25	1,315.98	105.77	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
		-				
		-				
SFSP Fire District Payment	8,757.00	8,757.00	8,757.00		-	
Drunk Driving Enforcement Fund	-	5,667.11	5,667.11		-	
Recycling Tonnage Grant	92,698.69	92,698.69	92,698.69		-	
Clean Communities Program	-	105,146.60	105,146.60		-	
Senior Outreach	16,000.00	17,000.00	17,000.00		-	
Cultural Arts Council	4,000.00	4,000.00	4,000.00		-	
Bulletproof Vest Partnership Program		3,811.50	3,811.50		-	
Body Armor Replacement Grant	-	4,830.72	4,830.72		-	
Occupant Protection - Click It or Ticket	-	5,000.00	5,000.00		-	
Sustainable NJ Small Grant	-	20,000.00	20,000.00		-	
Drive Sober or Get Pulled Over End of Year Holiday Crackdown		5,000.00	5,000.00		-	
Total Operations Excluded from "CAPS"	<u>7,299,172.69</u>	<u>7,449,628.62</u>	<u>7,256,064.56</u>	<u>127,342.60</u>	<u>66,221.46</u>	<u>-</u>
DETAIL:						
Salaries and Wages	2,009,397.00	2,010,397.00	2,010,397.00	-	-	-
Other Expenses	<u>5,289,775.69</u>	<u>5,439,231.62</u>	<u>5,245,667.56</u>	<u>127,342.60</u>	<u>66,221.46</u>	<u>-</u>
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	<u>200,000.00</u>	<u>200,000.00</u>	<u>200,000.00</u>		-	
Total Capital Improvements Excl. from "CAPS"	<u>200,000.00</u>	<u>200,000.00</u>	<u>200,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	3,931,198.00	3,931,198.00	3,931,198.00		-	
Interest on Bonds	1,304,742.00	1,304,742.00	1,304,741.11		-	0.89
Interest on Notes	119,668.00	119,668.00	119,666.33		-	1.67
Green Trust Loan Program Principal and Interest	16,179.00	16,179.00	16,178.02		-	0.98
MCIA Revenue Bonds - Loans						
Principal	609,150.00	609,150.00	609,149.62		-	0.38
Interest	65,769.00	65,769.00	63,829.09		-	1,939.91
Capital Lease Obligations						
Principal	68,592.00	68,592.00	68,591.56		-	0.44
Interest	7,731.00	7,731.00	7,730.50		-	0.50
Total Municipal Debt Service - Excl. from "CAPS"	<u>6,123,029.00</u>	<u>6,123,029.00</u>	<u>6,121,084.23</u>	<u>-</u>	<u>-</u>	<u>1,944.77</u>
<u>DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"</u>						
Deferred Charges						
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	15,000.00	15,000.00	15,000.00		-	
Deferred Charges to Future Taxation-General Capital:						
2001-09 Prospect Plains/Whittingham/ Concordia Circle	500.00	500.00	500.00		-	
2004-24 Demolition of Police Station	200.00	200.00	200.00		-	
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>15,700.00</u>	<u>15,700.00</u>	<u>15,700.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>13,637,901.69</u>	<u>13,788,357.62</u>	<u>13,592,848.79</u>	<u>127,342.60</u>	<u>66,221.46</u>	<u>1,944.77</u>
Subtotal General Appropriations	50,602,832.63	50,928,288.56	45,931,783.67	988,178.03	4,006,382.09	1,944.77
Reserve for Uncollected Taxes	<u>3,600,000.00</u>	<u>3,600,000.00</u>	<u>3,600,000.00</u>		-	
Total General Appropriations	<u>\$ 54,202,832.63</u>	<u>\$ 54,528,288.56</u>	<u>\$ 49,531,783.67</u>	<u>\$ 988,178.03</u>	<u>\$ 4,006,382.09</u>	<u>\$ 1,944.77</u>
<u>Ref</u>				A	A	

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND  
 STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

		EXPENDED			UNEXPENDED	
	<u>2016 BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>PAID OR</u> <u>CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	<u>BALANCE</u> <u>CANCELLED</u>
Adopted Budget		\$ 54,202,832.63				
Approp. by N.J.S.A. 40A:4-87		150,455.93				
Emergency Appropriation		<u>175,000.00</u>				
		<u>\$ 54,528,288.56</u>				
Disbursed			\$ 45,653,629.05			
Reserve for Uncollected Taxes			3,600,000.00			
Due to Grant Fund			263,154.62			
Deferred Charges - Emergency Authorizations			<u>15,000.00</u>			
			<u>\$ 49,531,783.67</u>			

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2016</u>	<u>BALANCE DEC. 31, 2015</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2016</u>	<u>BALANCE DEC. 31, 2015</u>
Animal Control Fund:				Animal Control Fund:			
Cash and Investments		\$ 41,810.89	\$ 42,501.97	Reserve for Encumbrances		\$ 8,598.00	\$ 8,036.80
				Reserve for Animal Control Expenditures		33,212.89	34,465.17
Total		41,810.89	42,501.97	Total		41,810.89	42,501.97
Trust-Other Fund:				Trust-Other Fund:			
Cash and Investments		4,929,541.55	4,452,673.05	Reserve for Community Development		386,716.80	297,170.93
Due From Water Sewer Operating		161,488.15	161,488.15	Reserve for Encumbrances		171,956.31	216,656.99
Development Grant		417,687.54	504,384.75	Due to Payroll Trust		14,842.00	14,842.00
				Reserve for Various Deposits		4,935,202.13	4,589,876.03
Total		5,508,717.24	5,118,545.95	Total		5,508,717.24	5,118,545.95
Affordable Housing Trust Fund:				Affordable Housing Trust Fund:			
Cash and Investments		11,007,495.11	11,171,139.31	Reserve for Encumbrances		219,796.83	219,555.31
				Reserve for Affordable Housing Trust		10,787,698.28	10,951,584.00
Total		11,007,495.11	11,171,139.31	Total		11,007,495.11	11,171,139.31
Unemployment Trust Fund:				Unemployment Trust Fund:			
Cash and Investments		202,793.39	239,634.07	Reserve for Unemployment Trust		222,793.39	259,634.07
Due from Water Sewer Operating		20,000.00	20,000.00				
Total		222,793.39	259,634.07	Total		222,793.39	259,634.07
Payroll Trust:				Payroll Trust:			
Cash and Investments		265,376.66	257,906.16	Payroll Deductions Payable		282,862.51	275,399.37
Due from Water Sewer operating		2,643.85	2,651.21				
Due From Other Trust		14,842.00	14,842.00				
Total		282,862.51	275,399.37	Total		282,862.51	275,399.37

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31.2016</u>	<u>BALANCE DEC. 31.2015</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31.2016</u>	<u>BALANCE DEC. 31.2015</u>
Developers' Escrow:				Developers' Escrow:			
Cash and Investments		12,033,513.06	9,065,456.36	Reserve for Encumbrances		27,187.02	27,185.63
Cash and Investments		4,246,226.67	4,134,899.33	Due to Water and Sewer Operating Fund		100,167.73	98,139.58
				Due to Water and Sewer Capital Fund		1,963.47	1,963.47
				Developers' Escrow Funds-Utility		4,144,095.47	4,034,796.28
				Developers' Escrow Funds		12,006,326.04	9,038,270.73
Total		<u>16,279,739.73</u>	<u>13,200,355.69</u>	Total		<u>16,279,739.73</u>	<u>13,200,355.69</u>
Self Insurance:				Self Insurance:			
Cash and Investments		623,174.43	782,501.80	Reserve for Encumbrances		23,960.44	18,751.32
Due from Water Sewer operating		<u>193.23</u>	<u>196.84</u>	Reserve for Self Insurance		<u>599,407.22</u>	<u>763,947.32</u>
Total		<u>623,367.66</u>	<u>782,698.64</u>	Total		<u>623,367.66</u>	<u>782,698.64</u>
Open Space Trust Fund:				Open Space Trust Fund:			
Cash and Investments		5,791,889.02	5,803,281.32	Reserve for Encumbrances		159,094.66	47,210.83
				Reserve for Open Space		<u>5,632,794.36</u>	<u>5,756,070.49</u>
Total		<u>5,791,889.02</u>	<u>5,803,281.32</u>	Total		<u>5,791,889.02</u>	<u>5,803,281.32</u>
		<u>\$ 39,758,675.55</u>	<u>\$ 36,653,556.32</u>			<u>\$ 39,758,675.55</u>	<u>\$ 36,653,556.32</u>
						610,593.26	537,396.88

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2016 AND 2015

		December 31	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b>Assets</b>			
Cash	C-2	\$ 14,632,752.12	\$ 11,842,834.76
Cash - affordable housing capital fund	C-2	1,606,617.81	1,603,486.91
Due from developer	C-4	92,000.00	755,000.00
Grants receivable	C-7	4,290,614.06	4,428,114.06
Deferred charges to future taxation:			
Funded	C-5	54,810,885.50	58,481,690.34
Unfunded	C-6	29,151,714.75	22,244,570.94
		<u>\$ 104,584,584.24</u>	<u>\$ 99,355,697.01</u>
<b>Liabilities, reserves and fund balance</b>			
Green trust loan program	C-15	\$ 125,883.23	\$ 139,341.38
General serial bonds	C-14	51,815,000.00	56,135,000.00
Bond anticipation notes	C-13	16,600,000.00	7,500,000.00
MCIA loan program	C-15	2,632,031.33	1,968,405.09
MCIA lease purchase agreements	C-15	237,970.94	238,943.87
Reserve for encumbrances	C-9	4,727,386.34	7,363,601.66
Improvement authorizations:			
Funded	C-9	5,865,901.04	7,266,956.59
Unfunded	C-9	18,351,427.30	14,237,028.38
Reserve for receivables	Reserve	92,000.00	755,000.00
Reserve for affordable housing	C-8	1,606,617.81	1,603,486.91
Capital improvement fund	C-10	141,700.00	147,150.00
Miscellaneous reserves	C-11	538,118.03	508,716.51
Reserve for debt service	C-12	965,000.00	646,000.00
Fund balance	C-1	885,548.22	846,066.62
		<u>\$ 104,584,584.24</u>	<u>\$ 99,355,697.01</u>
Bonds and notes authorized but not issued (Exhibit C-16)		<u>\$ 12,551,714.75</u>	<u>\$ 14,744,570.94</u>

Note: See Notes to the Financial Statements



TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND  
 STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR YEARS ENDED DECEMBER 31, 2016 AND 2015

		December 31	
	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Balance, January 1	C	\$ 846,066.62	\$ 1,265,291.11
Increased by:			
Premium on Bond Anticipation Notes		202,520.00	121,425.00
Premium on Bonds		-	59,350.51
Canceled Funded Improvement Authorizations		<u>336,961.60</u>	<u>-</u>
		539,481.60	180,775.51
		1,385,548.22	1,446,066.62
Decreased by:			
Appropriated to Budget Revenue		<u>500,000.00</u>	<u>600,000.00</u>
Balance, December 31	C	<u>\$ 885,548.22</u>	<u>\$ 846,066.62</u>

Note: See Notes to the Financial Statements

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2016 and 2015

ASSETS	REF	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015	LIABILITIES, RESERVES AND FUND BALANCES	REF	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D- 5	\$ 11,707,484.98	\$ 9,004,350.11	Liabilities:			
Due from Developer Escrow	D, D-5	100,167.73	98,139.58	Appropriation Reserves	D- 4, D-10	\$ 906,116.33	\$ 1,109,784.62
Due From Water-Sewer Capital Fund	D, D-5	68,978.02	3,965,970.89	Reserve for Encumbrances	D- 4, D-10	640,820.92	613,464.44
		<u>11,876,630.73</u>	<u>13,068,460.58</u>	Accounts Payable	D, D-5, D-10	197,438.50	267,418.38
				Various Reserves	D-9	159,387.76	153,579.67
				Due to Payroll	D, D-5	2,643.85	2,651.21
				Due to Trust Fund	D, D-5	161,488.15	161,488.15
				Due to Unemployment Trust	D, D-5	20,000.00	20,000.00
				Due to Self Insurance Trust	D, D-5	193.23	196.84
				Accrued Interest Payable	D-8	495,135.42	522,710.31
				Bond Indenture Reserve	D-9	<u>2,291,000.00</u>	<u>2,291,000.00</u>
Receivables and Inventory With Full Reserves:							
Consumer Accounts Receivable	D-7	1,273,949.98	1,206,333.53				
		<u>1,273,949.98</u>	<u>1,206,333.53</u>	Reserve for Receivables	Reserve	4,874,224.16	5,142,293.62
				Fund Balance	D- 1	<u>1,273,949.98</u>	<u>1,206,333.53</u>
						<u>7,002,406.57</u>	<u>7,926,166.96</u>
Total Operating Fund		<u>13,150,580.71</u>	<u>14,274,794.11</u>	Total Operating Fund		<u>13,150,580.71</u>	<u>14,274,794.11</u>

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2016 and 2015

ASSETS	REF	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015	LIABILITIES, RESERVES AND FUND BALANCES	REF	BALANCE DEC. 31, 2016	BALANCE DEC. 31, 2015
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D- 5	\$ 12,511,913.79	\$ 15,347,232.34	Serial Bonds Payable	D-17	\$ 34,220,000.00	\$ 37,820,000.00
Due from Developer Escrow	D	1,963.47	1,963.47	Bond Anticipation Note Payable	D-16	5,928,000.00	-
Fixed Capital	D-11	147,338,667.37	147,338,667.37	Loans Payable - NJEIT	D-18	1,614,315.04	1,738,285.03
Fixed Capital Authorized and Uncompleted	D-12	<u>50,518,525.11</u>	<u>53,229,500.00</u>	Reserve for Encumbrances	D-13	2,754,725.30	1,874,550.63
				Retainage Payable	D	42,058.50	42,058.50
				Improvement Authorizations:			
				Funded	D-13	4,690,746.72	6,995,153.59
				Unfunded	D-13	12,742,065.20	17,776,388.51
				Interfunds Payable	D, D-5	68,978.02	3,965,970.89
				Reserve for:			
				Capital Outlay	D-14	595,438.85	620,433.90
				Various Reserves	D, D-5	531,897.69	531,897.69
				Amortization	D	143,902,811.80	139,885,577.34
				Deferred Amortization	D	1,181,000.00	1,181,000.00
				Reserve for Debt Service	D	267,757.23	348,008.81
				Reserve for Bond Resolution	D-15	1,017,971.74	2,397,056.24
				Fund Balance	D- 2	<u>813,303.65</u>	<u>740,982.05</u>
Total Capital Fund		<u>210,371,069.74</u>	<u>215,917,363.18</u>	Total Capital Fund		<u>210,371,069.74</u>	<u>215,917,363.18</u>
		<u>\$ 223,521,650.45</u>	<u>\$ 230,192,157.29</u>			<u>\$ 223,521,650.45</u>	<u>\$ 230,192,157.29</u>

There were Bonds and Notes Authorized but not Issued at December 31, 2016 in the amount of \$10,796,540.11 and December 31, 2015 in the amount of \$19,435,515.00 (See Exhibit D-19).

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY OPERATING FUND  
STATEMENT OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>REVENUE AND OTHER INCOME</u>	REF.	<u>YEAR 2016</u>	<u>YEAR 2015</u>
Fund Balance Utilized		\$ 600,000.00	\$ -
Utility Service Charges		15,568,557.77	15,281,033.08
Miscellaneous Revenues		1,396,189.55	835,701.24
Miscellaneous			13.28
Other Credits to Income:			
Accounts Payable Canceled			194,030.41
Unexpend. Balance of Appropriation Reserves		<u>1,008,176.08</u>	<u>481,315.92</u>
Total Revenues		<u>18,572,923.40</u>	<u>16,792,093.93</u>
<u>EXPENDITURES</u>			
Budget and Emergency Appropriations:			
Operating		12,755,817.00	12,325,468.00
Capital Improvements		175,000.00	350,000.00
Debt Service		3,075,866.79	2,177,804.81
Deferred Charges and Statutory Expend.		<u>590,000.00</u>	<u>599,000.00</u>
Total Expenditures		<u>16,596,683.79</u>	<u>15,452,272.81</u>
Excess/(Deficit) in Revenues		1,976,239.61	1,339,821.12
<u>FUND BALANCE</u>			
Balance - January 1,	D	<u>7,926,166.96</u>	<u>10,886,345.84</u>
		9,902,406.57	12,226,166.96
Decreased by:			
Utilized as Anticipated Revenue		600,000.00	
Appropriated in Current Fund Budget		<u>2,300,000.00</u>	<u>4,300,000.00</u>
Balance - December 31,	D	<u>\$ 7,002,406.57</u>	<u>\$ 7,926,166.96</u>

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY CAPITAL FUND  
 STATEMENT OF FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	REF.	
Balance - January 1, 2016	D	\$ 740,982.05
Increased by:		
Premium on Sale of Bond Anticipation Notes		<u>72,321.60</u>
Balance - December 31, 2016	D	<u>\$ 813,303.65</u>

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY OPERATING FUND  
 STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Operating Surplus Anticipated	\$ 600,000.00	\$ 600,000.00	\$
Water-Sewer Utility Service Charges	15,250,000.00	15,568,557.77	318,557.77
Miscellaneous Revenues	<u>746,721.00</u>	<u>1,396,189.55</u>	<u>649,468.55</u>
	\$ <u>16,596,721.00</u>	\$ <u>17,564,747.32</u>	\$ <u>968,026.32</u>

Analysis of Realized Revenues:

Analysis of Water-Sewer Utility Charges:

Service Charges- Residential and Commercial	\$ 9,867,560.36
Service Charges- Schools,Municipal,Institution	373,019.03
Service Charges- Fire Protection	709,430.69
Service Charges-Interlocals	658,303.01
Service Charges Connection Fees	2,191,194.71
Service Charges-Review and Inspection	412,980.63
Service Charges-Cell Tower Lease	377,234.90
Service Charges-Miscellaneous	<u>978,834.44</u>
Water-Sewer Utility Service Charges	\$ <u>15,568,557.77</u>

Analysis of Miscellaneous Revenues:

Developer Fees	\$ 1,272,769.45
Interest on Investments	66,894.25
Meter Purchase	3,577.93
Miscellaneous	<u>52,947.92</u>
Miscellaneous Revenues	\$ <u>1,396,189.55</u>

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED		
Operating:						
Salaries and Wages	\$ 3,294,827.00	\$ 3,294,827.00	\$ 3,074,625.75	\$ -	\$ 220,201.25	\$ -
Other Expenses	9,460,990.00	9,460,990.00	8,341,986.25	510,815.87	608,187.88	
Capital Improvements:						
Capital Outlay	175,000.00	175,000.00	44,994.95	130,005.05	-	
Debt Service:						
Payment of Bond Principal	1,720,000.00	1,720,000.00	1,720,000.00			-
Interest on Bonds	1,190,825.00	1,190,825.00	1,190,823.46			1.54
NJEIT 2012 Loan	165,079.00	165,079.00	165,043.33			35.67
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	300,000.00	300,000.00	293,682.00		6,318.00	
Social Security System (O.A.S.I.)	280,000.00	280,000.00	218,590.80		61,409.20	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et seq.)	10,000.00	10,000.00	-	-	10,000.00	
	<u>\$ 16,596,721.00</u>	<u>\$ 16,596,721.00</u>	<u>\$ 15,049,746.54</u>	<u>\$ 640,820.92</u>	<u>\$ 906,116.33</u>	<u>\$ 37.21</u>

Ref.

D

D

Disbursed	\$ 13,817,849.74
Interest on NJEIT Loan	41,073.34
Accrued interest on bonds	1,190,823.46
	<u>\$ 15,049,746.54</u>

Note: See Notes to Financial Statements.

TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS  
 REGULATORY BASIS  
DECEMBER 31, 2016 AND DECEMBER 31, 2015

	<u>BALANCE</u> <u>DEC. 31, 2016</u>	<u>BALANCE</u> <u>DEC. 31, 2015</u>
General Fixed Assets:		
Land	\$ 3,769,000.00	\$ 3,769,000.00
Land Improvements	1,660,872.85	1,660,872.85
Buildings	22,703,740.16	22,703,740.16
Equipment	<u>14,015,449.32</u>	<u>12,438,159.17</u>
Total General Fixed Assets	<u><u>\$ 42,149,062.33</u></u>	<u><u>\$ 40,571,772.18</u></u>
Investment in General Fixed Assets	<u><u>\$ 42,149,062.33</u></u>	<u><u>\$ 40,571,772.18</u></u>

See Notes to Financial Statements



TOWNSHIP OF MONROE  
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
FOR YEARS ENDED DECEMBER 31, 2016 AND 2015

Note 1: FORM OF GOVERNMENT

The Township is managed under the Faulkner Act form of government authorized under NJSA: 40:69A-31 et. seq. Voters elect the Township Council of five (5) members to staggered, four-year terms. The Mayor is the chief executive and is directly elected to a four-year term. The Township Council is the legislative body of the municipality. The Mayor appoints department heads with Council approval. By ordinance, the business administrator supervises administration of departments, subject to the Mayor's direction.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Township of Monroe include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Monroe, as required by N.J.S.A. 40A: 5-5. Accordingly, the financial statements-regulatory basis of the Township of Monroe, do not include the operations of the local school board, municipal library and the local fire companies and the first aid squads.

B. Description of Funds

The accounting policies of the Township of Monroe conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices 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. Under this method of accounting, the Township of Monroe accounts for its financial transactions through the following separate funds:

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and State grant funds, except as otherwise noted.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purposes for which each reserve was created.

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Water and Sewer Utility Fund - resources and expenditures for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

Governmental Fixed Assets - the Governmental Fixed Asset System is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

C. Basis of Accounting and Measurement Focus

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the Township. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

As indicated above, the basis of accounting utilized by New Jersey municipalities is as prescribed by the Division of Local Government Services. The basis of accounting for operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues – Revenues are recorded as received in cash except for statutory reimbursements and grant funds that are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the Township budget. Receivables for property taxes and utility consumer charges are recorded with offsetting reserves within the Current Fund and Water and Sewer Utility Fund, respectively. Other amounts that are due to the Township, which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of utility consumer charges, which should be recognized in the period they are earned and become measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Township "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Township requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of over-expenditures and emergency appropriations. Over-expenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Over-expenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund balance sheet. GAAP does not permit the deferral of over-expenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

Compensated Absences - The Township records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Utility) fund on a full accrual basis.

Property Acquired for Taxes - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the governmental fixed asset account group at the lower of cost or fair market value.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the accounting period the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. Although the expenditure method of accounting for purchases of supplies is in accordance with GAAP, the cost of inventory on hand at the close of the year should be reported on the balance sheet with an offsetting reserve for conformity with GAAP.

Sale of Municipal Assets - Cash proceeds from the sale of Township owned property may be realized as revenue or reserved until utilized as an item of revenue in a subsequent year budget. Year-end balances of reserved proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of the sales contracts become legally enforceable.

Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Property and equipment purchased by the Utility Fund are recorded in their capital accounts at cost and are adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Disclosures About Pension Liabilities – The Township has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in the Notes to the Financial Statements and the accompanying required supplementary information. As the Township does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Governmental Fixed Assets – New Jersey Administrative Code 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985. Fixed assets used in governmental operations are accounted for in the Governmental Fixed Assets. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets, sidewalks and drainage systems are not capitalized. All fixed assets have been valued at cost or estimated historical cost if the actual cost is not available, except for land and buildings at January 1, 1996, which have been valued at the assessed value.

Disclosures About Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents and short-term investments - The carrying amount approximates fair value because of the short maturity of those instruments.

Long-term debt - The Township’s long-term debt is stated at face value. The debt is not traded and it is not practicable to determine its fair value without incurring excessive cost. Additional information pertinent to the Township’s long-term debt is disclosed in Note 3 to the financial statements.

Recent Accounting Standards

GASB issued Statement No. 72, “Fair Value Measurement and Application” in February 2015. The Statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement for financial reporting purposes. Statement 72 is effective for periods beginning after June 15, 2015, with earlier application encouraged.

GASB issued Statement No. 73 “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68” in June, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

GASB issued Statement No. 74 “Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans” in June 2015. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

GASB issued Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” in June 2015. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

GASB issued Statement No. 76 “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” in June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

GASB issued Statement No. 77 “Tax Abatement Disclosures” in August 2015. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users.

GASB issued Statement No. 78 “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans” in December 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

GASB issued Statement No. 79 “Certain External Investment Pools and Pool Participants” in December 2015. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement.

GASB issued Statement No. 80, “Blending Requirements for Certain Component Units – an amendment of GASB Statement No.14” in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements” in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82, “Pension Issues-an amendment of GASB Statements No. 67, No. 68 and No. 73” in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

GASB issued Statement No. 83, “Certain Asset Retirement Obligations” in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

## Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

The Township does not prepare its financial statements in accordance with generally accepted accounting principles in the United States of America. The adoption of these new standards will not adversely effect the reporting on the Township's financial condition.

Use of Estimates – The preparation of the financial statements requires management of the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Township's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Water and Sewer Utility Fund – Effective February 1, 2009, pursuant to N.J.S.A. 40A:5A-20, the adoption of local ordinances and resolutions and the approval of the Local Finance Board, Department of Community Affairs, State of New Jersey, the Monroe Township Municipal Utilities Authority (MUA) was dissolved and its operations were absorbed by the Township of Monroe. The activity of the utility operations are recorded and reported within the Water and Sewer Utility Fund section of the Township's financial statements. The MUA, the previous entity, operated as a separate authority and reported its financial statements in accordance with accounting principles generally accepted in the United States. Upon this transition, the Township Water and Sewer Utility Fund reports its financial statements for the period February 1, 2009 through December 31, 2009, under the OCBOA form of accounting as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The primary differences between these accounting principles are as described above. In accordance with the establishment of the Water and Sewer Utility Fund, the Township converted the balance sheet reported by the MUA under the GAAP basis of accounting at January 31, 2009, to a balance sheet prepared by the Township as the Water and Sewer Utility Fund under the Township's OCBOA form of accounting as of February 1, 2009.

# NOTES TO FINANCIAL STATEMENTS

## Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Township's debt is summarized as follows:

### A. Summary of Municipal Debt for Capital Projects

	<u>2016</u>	<u>2015</u>
<u>Issued:</u>		
General:		
Serial Bonds	\$ 51,815,000.00	\$ 56,135,000.00
Bond Anticipation Notes	16,600,000.00	7,500,000.00
Green Acres Trust Loans	125,883.23	139,341.38
MCIA Loan and Lease Programs	2,870,002.27	2,207,348.96
Water - Sewer Utility:		
Serial Bonds	34,220,000.00	37,820,000.00
NJEIT Loans	1,614,315.04	1,738,285.03
Bond Anticipation Notes	<u>5,928,000.00</u>	<u>-</u>
Total Issued	<u>113,173,200.54</u>	<u>105,539,975.37</u>
Net Issued	<u>113,173,200.54</u>	<u>105,539,975.37</u>
<u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	12,551,714.75	14,744,570.94
Water - Sewer Utility:		
Bonds and Notes	<u>12,792,515.00</u>	<u>19,435,515.00</u>
Total Authorized But Not Issued	<u>25,344,229.75</u>	<u>34,180,085.94</u>
Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 138,517,430.29</u>	<u>\$ 139,720,061.31</u>

## NOTES TO FINANCIAL STATEMENTS

## Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Township's individual bond and loan issues which were outstanding at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>General Debt:</u>		
<u>Serial Bonds and Bond Anticipation Notes:</u>		
remaining interest rates at 2.00% to 3.00%	\$ 21,975,000.00	\$ 23,925,000.00
\$5,055,000, General Obligation Refunding Bonds - 2012		
serial bond issued 2012 with final maturity 2019,		
remaining interest rates at 2.94% to 4.00%	2,475,000.00	3,315,000.00
\$28,235,000, General Obligation Bonds - 2013		
serial bond issued 2013 with final maturity 2033,	25,310,000.00	26,460,000.00
remaining interest rates at 2.25% to 3.00%		
\$2,435,000, General Obligation Refunding Bonds - 2015		
serial bond issued 2015 with final maturity 2021,		
remaining interest rates at 3.00% to 4.00%	2,055,000.00	2,435,000.00
\$7,500,000, General Capital Bond Anticipation Notes - 2015		
issued 8/6/15, due on 8/5/16, interest 2.00%	<u>16,600,000.00</u>	<u>7,500,000.00</u>
Subtotal - Bonds and Bond Anticipation Notes	68,415,000.00	63,635,000.00
<u>Loans:</u>		
\$459,737.03, MCIA Loan Program		
issued 9/30/11 with final maturity 2016		
interest 1.20% to 3.00%	-	97,046.16
\$551,296.67, MCIA Loan Program		
issued 9/28/12 with final maturity 2017		
interest 1.25% to 3.00%	116,382.04	229,374.32
\$658,110.06, MCIA Loan Program		
issued 10/28/13 with final maturity 2018		
interest 2.00% to 4.00%	274,715.83	405,458.18
\$796,721.23, MCIA Loan Program		
issued 9/30/14 with final maturity 2019		
interest 1.50% to 3.00%	488,375.20	643,281.29
\$593,245.14, MCIA Loan Program		
issued 9/17/15 with final maturity 2020		
interest 1.50% to 4.00%	479,782.40	593,245.14
\$1,272,775.86, MCIA Loan Program		
issued 9/26/16 with final maturity 2021		
interest 2.00% to 4.00%	1,272,775.86	-
MCIA Lease Program - Various - Item E	237,970.94	238,943.87
\$265,600.16, N.J. Green Trust Loan		
issued 1/11/05 with final maturity 2025		
interest 2.000%	<u>125,883.23</u>	<u>139,341.38</u>
Subtotal - Loans	2,995,885.50	2,346,690.34
Subtotal - General Debt	<u>71,410,885.50</u>	<u>65,981,690.34</u>



NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

A. Summary of Municipal Debt for Capital Projects (Cont'd.)

Summarized below are the Township's individual bond and loan issues which were outstanding at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>Water and Sewer Utility Debt:</u>		
<u>Serial Bonds:</u>		
\$6,370,000 Refunding Revenue Bonds - 2003 serial bond issued 2003 with final maturity 2017, remaining interest rates at 5.000% to 5.125%	\$ -	\$ 400,000.00
\$8,910,000 Refunding Revenue Bonds - 2005 serial bond issued 2005 with final maturity 2025, remaining interest rates at 3.250% to 4.100%	-	7,030,000.00
\$1,285,000 Refunding Revenue Bonds - 2012 serial bond issued 2012 with final maturity 2017, remaining interest rates at 2.000% to 3.000%	220,000.00	390,000.00
\$30,000,000, Water-Sewer Capital Revenue Bonds serial bond issued 2015 with final maturity 2039, remaining interest rates at 3.000% to 4.000%	29,250,000.00	30,000,000.00
\$4,750,000, Water-Sewer Revenue Refunding Bonds serial bond issued 2016 with final maturity 2026, interest rates at 2.000% to 4.000% & NIC of 1.926%	4,750,000.00	-
\$5,928,000, Water - Sewer Bond Anticipation Notes issued 2/6/14, due on 8/03/17, interest 2.000%	5,928,000.00	-
\$1,060,000, NJ Environmental Infrastructure Trust Loan issued 2012 with final maturity 8/1/28 remaining interest rates at 3.000% to 5.000%	865,000.00	915,000.00
\$1,060,000, NJ Environmental Infrastructure Trust Loan issued 2012 with final maturity 8/1/28 remaining interest rates at 0.000%	<u>749,315.04</u>	<u>823,285.03</u>
Subtotal - Water and Sewer Utility Debt	<u>41,762,315.04</u>	<u>39,558,285.03</u>
Total Outstanding Debt	<u>\$ 113,173,200.54</u>	<u>\$ 105,539,975.37</u>

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 127,740,000.00	\$ 127,740,000.00	\$ -
Water - Sewer Utility Debt	54,554,830.04	54,554,830.04	-
General Debt	<u>83,962,600.25</u>	<u>18,213,169.00</u>	<u>65,749,431.25</u>
	<u>\$ 266,257,430.29</u>	<u>\$ 200,507,999.04</u>	<u>\$ 65,749,431.25</u>

Net Debt \$ 65,749,431.25 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 7,846,485,108.00 = 0.84%

<u>2015</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 132,840,000.00	\$ 132,840,000.00	\$ -
Water - Sewer Utility Debt	58,993,800.03	58,993,800.03	-
General Debt	<u>80,487,317.41</u>	<u>15,990,944.19</u>	<u>64,496,373.22</u>
	<u>\$ 272,321,117.44</u>	<u>\$ 207,824,744.22</u>	<u>\$ 64,496,373.22</u>

Net Debt \$ 64,496,373.22 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 7,254,379,081.33 = 0.89%

The Township's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

	<u>2016</u>	<u>2015</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	\$ 274,626,978.78 <u>65,749,431.25</u>	\$ 253,903,267.85 <u>64,496,373.22</u>
Remaining Borrowing Power	<u>\$ 208,877,547.53</u>	<u>\$ 189,406,894.63</u>

## NOTES TO FINANCIAL STATEMENTS

## Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

B. Summary of Statutory Debt Condition - Annual Debt Statement

## Calculation of "Self-Liquidating Purpose"

Water and Sewer Utility Per N.J.S.A. 40A: 2-45

The calculation of "Self-Liquidating Purpose" for the Water and Sewer Utility Fund per N.J.S.A. 40A: 2-45 is as follows:

	2016	2015
Cash Receipts From Fees, Rents or Other Charges for the year	\$ 17,564,747.32	\$ 16,116,734.32
Deductions:		
Operating and Maintenance Costs	13,345,817.00	12,924,468.00
Debt Service	3,075,866.79	2,177,804.81
Total Deductions	16,421,683.79	15,102,272.81
Excess in Revenue	\$ 1,143,063.53	\$ 1,014,461.51

The differences between the excess revenues for debt statement purposes and the statutory cash basis for the Water and Sewer Utility Fund is as follows:

	2016	2015
Excess in Revenues - Cash Basis (D-1)	\$ 1,976,239.61	\$ 1,339,821.12
Add: Capital Improvements	175,000.00	350,000.00
	2,151,239.61	1,689,821.12
Less: Non-Budget Revenue		13.28
Unexpended Balance of Appropriation Reserves	1,008,176.08	481,315.92
Accounts Payable Cancelled		194,030.41
	1,008,176.08	675,359.61
Excess in Revenue	\$ 1,143,063.53	\$ 1,014,461.51

C. Schedule of Annual Debt Service for Principal and Interest for the Bonded Debt Issued and Outstanding at December 31, 2016:

Calendar Year	General		Water - Sewer Utility*		Total
	Principal	Interest	Principal	Interest	
2017	\$ 4,510,000.00	\$ 1,429,825.00	\$ 1,410,000.00	\$ 1,141,575.00	\$ 8,491,400.00
2018	4,730,000.00	1,307,525.00	1,320,000.00	1,104,175.00	8,461,700.00
2019	4,735,000.00	1,179,225.00	1,365,000.00	1,062,075.00	8,341,300.00
2020	3,915,000.00	1,042,975.00	1,390,000.00	1,006,875.00	7,354,850.00
2021	3,925,000.00	941,375.00	1,435,000.00	950,975.00	7,252,350.00
2022	3,500,000.00	819,375.00	1,455,000.00	893,875.00	6,668,250.00
2023	3,500,000.00	740,000.00	1,505,000.00	835,275.00	6,580,275.00
2024	3,500,000.00	662,812.50	1,555,000.00	774,775.00	6,492,587.50
2025	3,500,000.00	562,500.00	1,615,000.00	712,075.00	6,389,575.00
2026	3,500,000.00	457,500.00	1,670,000.00	663,350.00	6,290,850.00
2027	3,500,000.00	352,500.00	1,500,000.00	618,750.00	5,971,250.00
2028	1,500,000.00	247,500.00	1,500,000.00	573,750.00	3,821,250.00
2029	1,500,000.00	112,500.00	1,500,000.00	528,750.00	3,641,250.00
2030	1,500,000.00	180,000.00	1,500,000.00	483,750.00	3,663,750.00
2031	1,500,000.00	135,000.00	1,500,000.00	438,750.00	3,573,750.00
2032	1,500,000.00	90,000.00	1,500,000.00	393,750.00	3,483,750.00
2033	1,500,000.00	45,000.00	1,500,000.00	346,875.00	3,391,875.00
2034	-	-	1,500,000.00	300,000.00	1,800,000.00
2035	-	-	1,500,000.00	251,250.00	1,751,250.00
2036	-	-	1,500,000.00	202,500.00	1,702,500.00
2037	-	-	1,500,000.00	153,750.00	1,653,750.00
2038	-	-	1,500,000.00	103,125.00	1,603,125.00
2039	-	-	1,500,000.00	52,500.00	1,552,500.00
Total	\$ 51,815,000.00	\$ 10,305,612.50	\$ 34,220,000.00	\$ 13,592,525.00	\$ 109,933,137.50

The detail of the Township financings are contained within the supplementary schedules section included within this report.

\* Includes Water-Sewer Refunding bonds issued 2/10/16

As described previously within the Notes to the Financial Statements, effective February 1, 2009, the Township dissolved the Monroe Township Utilities Authority and created a Municipal Water and Sewer Utility. In connection with this transition, the Water and Sewer Utility assumed the responsibility for the MUA's previously issued debt. Pursuant to the 1977 General Bond Resolution, certain reserves are required to be maintained until the bonds are retired.

## Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

D. Loan Agreements:Loan Agreements - Middlesex County Improvement Authority

The Township has entered into various loan financings with the Middlesex County Improvement Authority for improvement programs. The improvement programs are financed through debt issued by the Middlesex County improvements Authority. During the year ended December 31, 2016, the Township made payments to the Middlesex County Improvement Authority with respect to the loan improvement programs in the amount of \$609,149.62.

New Jersey Green Trust Loan

The Township has contracted for the funding of Ballfield Improvements through the N.J. Green Trust Loan Program in the amount of \$265,600.16. Pursuant to the provisions of N.J.S.A. 40A: 2-1 et seq. the loan principal in the amount of \$125,883.23 and \$139,341.38 at December 31, 2016 and 2015 has been included in the calculation of the Township's statutory debt condition.

Schedule of Annual Debt Service for Principal and Interest for the  
Loan Agreements Issued and Outstanding at December 31, 2016

Calendar Year	MCIA Loans		NJ Green Trust		Total
	Principal	Interest	Principal	Interest	
2017	\$ 764,958.10	\$ 93,279.89	\$ 13,728.66	\$ 2,449.36	\$ 874,416.01
2018	665,267.95	72,088.69	14,004.60	2,173.42	753,534.66
2019	540,973.24	49,710.65	14,286.09	1,891.92	606,861.90
2020	388,280.44	29,094.82	14,573.24	1,604.77	433,553.27
2021	272,551.60	10,902.06	14,866.16	1,311.85	299,631.67
2022	-	-	15,164.97	1,013.04	16,178.01
2023	-	-	15,469.79	708.22	16,178.01
2024	-	-	15,780.73	397.29	16,178.02
2025	-	-	8,009.06	80.09	8,089.15
Total	<u>\$ 2,632,031.33</u>	<u>\$ 255,076.11</u>	<u>\$ 125,883.30</u>	<u>\$ 11,629.96</u>	<u>\$ 3,024,620.70</u>

The payment schedules for the respective loan agreements are set forth in the General Capital section of this report.

E. Lease Agreements - Middlesex County Improvement Authority

The Township has entered into various lease/purchase agreements with the Middlesex County Improvement Authority for capital equipment. During the year ended December 31, 2016, the Township made principal lease payments in the amount of \$68,591.56. The lease payment schedules for the respective lease agreements are set forth in the General Capital section of this report. The following is a combined schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at December 31, 2016:

Year Ended December 31:	
2017	\$ 77,967.56
2018	71,156.79
2019	55,884.60
2020	39,986.79
2021	15,059.02
Total minimum lease payments	260,054.76
Less amount representing interest	22,083.82
Present value of future minimum lease payments	<u>\$ 237,970.94</u>

As a result of legislation that impacted and provided for limitations on increases in tax levy amounts (P.L. 2007, c.62), the characterization of certain lease payment obligations have been modified as of July 1, 2007. As of and subsequent to that date, any lease obligations that involve asset acquisitions or projects with estimated lives of five (5) years or greater, those obligations due to the conduit issuer are to be classified as debt, in accordance with debt authorized under N.J.S.A. 40A:2-3 et seq. Lease obligations issued with respect to assets with estimated useful lives of less than five years and all lease obligations issued prior to July 1, 2007, are not considered debt of the local unit.

NOTES TO FINANCIAL STATEMENTS

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

F. Loan Agreements

Department of Environmental Protection  
Environmental Infrastructure Loans

The Township has contracted with the State of New Jersey, Department of Environmental Protection to fund a portion of the costs incurred for improvements to wells 17 and 19. Total final loan amount was \$2,612,985 which included \$522,595 of Principal Forgiveness. Information relating to these loans is as follows:

	<u>Loan #1</u>	<u>Loan #2</u>
Drawn down Date	11/21/16	11/21/16
Final Loan Amount	\$1,060,000.00	1,183,520.00
Interest Rates	Various	0.00%
Due Dates	Aug. 1 & Feb. 1	Feb. 1 & Aug. 1
Number of Payments	19	19
Final Payment Date	8/1/28	8/1/27

Pursuant to the provisions of N.J.S.A. 40A: 2-1 et seq. the combined outstanding principle of these loans has been included in the calculation of the Township's statutory debt condition within the Water and Sewer Utility.

Schedule of Annual Debt Service for Principal and Interest for the  
NJEIT Debt Issued and Outstanding at December 31, 2016:

<u>Calendar Year</u>	<u>Fund Loan</u>		<u>Trust Loan</u>		<u>Total</u>
	<u>Principal</u>		<u>Principal</u>	<u>Interest</u>	
2017	\$ 73,969.99	\$	55,000.00	\$ 39,650.00	\$ 168,619.99
2018	73,969.99		55,000.00	36,900.00	165,869.99
2019	73,969.99		60,000.00	34,150.00	168,119.99
2020	73,969.99		65,000.00	31,150.00	170,119.99
2021	73,969.99		65,000.00	27,900.00	166,869.99
2022	73,969.99		70,000.00	24,650.00	168,619.99
2023	73,969.99		75,000.00	21,150.00	170,119.99
2024	73,969.99		75,000.00	17,400.00	166,369.99
2025	73,969.99		80,000.00	13,650.00	167,619.99
2026	73,969.99		85,000.00	9,650.00	168,619.99
2027	9,615.14		90,000.00	5,400.00	105,015.14
2028	-		90,000.00	2,700.00	92,700.00
Total	<u>\$ 749,315.04</u>	<u>\$</u>	<u>865,000.00</u>	<u>\$ 264,350.00</u>	<u>\$ 1,878,665.04</u>

The detail of the Township financings are contained within the supplementary schedules section included within this report.

## Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

## G. Refinancing

On January 20, 2016 the Township issued general obligation Water-Sewer Utility refunding bonds. The Bonds were issued to provide for, together with other available funds on hand in the debt service reserve funds for the hereinafter defined 2003 Bonds and the hereinafter defined 2005 Bonds: (i) the refunding, on a current basis, through the payment on the Redemption Date (as hereinafter defined) of the redemption price of the Refunded Bonds (as hereinafter defined) equal to one hundred percent (100%) of the principal amount to be redeemed, of (a) all of the Township's outstanding Revenue Bonds (2003 Refunding Series), dated February 1, 2003 (the "2003 Bonds"), maturing on February 1, 2017, in the aggregate principal amount of \$200,000 (the "2003 Refunded Bonds"), such 2003 Bonds being originally issued in the aggregate principal amount of \$6,370,000 by The Monroe Township Municipal Utilities Authority and assumed by the Township in accordance with the provisions of N.J.S.A. 40A:5A-20 and the Local Bond Law, and (b) all of the Township's outstanding Revenue Bonds (2005 Refunding Series), dated September 29, 2005 (the "2005 Bonds"), maturing on February 1 in the years 2017 through 2024, inclusive, and on February 1, 2026 in the aggregate principal amount of \$6,430,000 (the "2005 Refunded Bonds" and together with the 2003 Refunded Bonds, the "Refunded Bonds"), such 2005 Bonds being originally issued in the aggregate principal amount of \$8,910,000 by The Monroe Township Municipal Utilities Authority and assumed by the Township in accordance with the provisions of N.J.S.A. 40A:5A-20 and the Local Bond Law; (ii) the payment of accrued interest on the Refunded Bonds to March 16, 2016 (the "Redemption Date"); and (iii) the payment of the costs of issuance with respect to the Bonds.

The 2016 Refunding Bonds bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of February and August, commencing August 1, 2016, in each of the years and at the interest rates of 2.00% to 4.00%, while yields, which reflect premiums or discounts, ranged from 0.68% to 2.08%. Net Present value savings amounted to \$693,951 or 10.467% of the Refunded Bonds. The Net Interest Cost (NIC) on the Refunding Bonds was 1.78%. The proceeds of the sale of \$6,661,667.72 includes a net premium of \$465,976.76 after deductions for underwriting fees and other costs associated with the issuance of the Refunding Bonds, for a net proceed amount, excluding additional proceeds of \$465,976.76, of \$6,661,677.72, which was used to payoff outstanding bonds.

The outstanding debt service with respect to the Township's Refunding Callable 2016 Bonds Issued and Outstanding at December 31, 2016 is as follows:

Calendar Year	General	
	Principal	Interest
2017	\$ 390,000.00	\$ 174,100.00
2018	420,000.00	163,900.00
2019	440,000.00	148,800.00
2020	470,000.00	130,600.00
2021	485,000.00	111,500.00
2022	470,000.00	92,400.00
2023	490,000.00	73,200.00
2024	505,000.00	53,300.00
2025	530,000.00	32,600.00
2026	550,000.00	11,000.00
Total	\$ 4,750,000.00	\$ 991,400.00

## Note 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective funds for the succeeding years were as follows:

	<u>Fund Balance Dec. 31, 2016</u>	<u>Utilized in Succeeding Budget</u>	<u>Utilized in Current Fund Budget</u>
Current Fund	\$13,198,468.92	\$7,400,000.00	N/A
Water -Sewer Utility Fund	7,002,406.57	1,385,575.00	\$1,300,000.00
	<u>Fund Balance Dec. 31, 2015</u>	<u>Utilized in Succeeding Budget</u>	<u>Utilized in Current Fund Budget</u>
Current Fund	\$10,748,130.38	\$5,500,000.00	N/A
Water - Sewer Utility Fund	7,926,166.96	600,000.00	\$2,300,000.00

## Note 5: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016 and 2015, the Township of Monroe had the following deferred charges to be raised in succeeding budgets:

	<u>2016</u>	<u>2015</u>
Special Emergency – (40A:4-53):		
Master Plan	\$ 190,000.00	\$ 30,000.00

## Note 6: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Township deposits and invests its funds pursuant to its policies and an adopted cash management plan.

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits to protect deposits from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

## Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At December 31, 2016 and 2015, the cash and cash equivalents and investments of the Township on deposit and on-hand consisted of the following:

	<u>2016</u>	<u>2015</u>
Cash and Cash Equivalents	\$101,082,230.31	\$93,647,533.63
Change Funds (On-Hand)	<u>900.00</u>	<u>900.00</u>
Total	<u>\$101,083,130.31</u>	<u>\$93,648,433.63</u>

Based upon GASB criteria, the Township considers change funds, cash in banks and investments in certificates of deposit as cash and cash equivalents. At December 31, 2016, the carrying amount of the Township's deposits and investments was \$99,595,411.40 and the amount on deposit was \$101,082,230.31. As of December 31, 2016, with respect to Custodial Credit Risk for Township, the amounts reported were as follows; \$1,500,000.00 was covered by the Federal Depository Insurance Corporation and \$99,582,230.31 was considered covered under the provisions of NJGUDPA.

The Township has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Township has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

- (a) Custodial Credit Risk – The Township's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. The deposit risk is that, in the event of the failure of a depository financial institution, the Township will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Township's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Township and are held by either: the counterparty or the counterparty's trust department or agent but not in the Township's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Township will not be able to recover the value of the investment or collateral securities that in possession of an outside party.



Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Township has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

In general, the Township does not have an investment policy regarding Credit Risk except to the extent outlined under the Township's investment policy. The New Jersey Cash Management Fund is not rated.

- (d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The Township does not have a deposit policy for custodial risk. Based upon the existing deposit and investment practices, the Township is generally not exposed to credit risks, custodial credit risks (FDIC and NJGUDPA coverage's) for its deposits and investments; concentration of credit risks and interest rate risks for its investments; nor is it exposed to foreign currency risks for its deposits and investments.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Township funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Township or bonds or other obligations of school districts of which the Township is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is more than 30 days; and
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants.

In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

Note 7: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Township, Local School District and County the tax rate is struck by the board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1<sup>st</sup> and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The New Jersey Statutes allow a grace period of 10 days for each payment period and the Township granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amount delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% may be charged against the delinquency. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

## Note 8: FIXED ASSETS

The Township's fixed assets are reported as follows:

	Balance December 31, 2015	Increase	Decrease	Balance December 31, 2016
Land	\$3,769,000.00	\$ -	\$ -	\$3,769,000.00
Land Improvements	1,660,872.85	-	-	1,660,872.85
Buildings	22,703,740.16	-	-	22,703,740.16
Machinery & equipment	<u>12,438,159.17</u>	<u>1,606,097.30</u>	<u>28,807.15</u>	<u>14,015,449.32</u>
	<u>\$40,571,772.18</u>	<u>\$1,606,097.30</u>	<u>\$ 28,807.15</u>	<u>\$42,149,062.33</u>

## Note 9. PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. Public Employees' Retirement System (PERS) - The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

## Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

*Plan Membership and Contributing Employers-* Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	171,422
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>261,171</u>
Total	<u>433,296</u>

Contributing Employers – 1,713.

*Significant Legislation* – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2016 the Township's total payroll for all employees was \$23,933,666. Total PERS covered payroll was \$14,488,849. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% for State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$1,678,134 and \$1,767,210, respectively. Township Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Township payments to PERS for the years ending December 31, 2015 and 2016 consisted of the following:

## Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

	<u>2015</u>	<u>2016</u>
Normal Cost	\$268,846	\$288,477
Amortization of Accrued Liability	<u>1,243,621</u>	<u>1,328,909</u>
Total Pension	1,512,467	1,617,386
NCGI Premiums	<u>102,439</u>	<u>86,596</u>
Total Regular Billing	1,614,906	1,703,982
Additional Billings:		
ERI	<u>63,228</u>	<u>63,228</u>
Total PERS Payment	<u>\$1,678,134</u>	<u>\$1,767,210</u>

When applicable, Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances. The Township did not participate in the Ch. 19 program.

ERI billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from an entities participation in a sponsored early retirement program.

The Township recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
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 on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 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 or more years 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 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2016, the PERS reported a liability of \$29,617,131,759 for its Non-State Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Township was \$60,395,350 or 0.203920%. At June 30, 2015, the PERS reported a net pension liability of \$22,447,996,119 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Township was \$44,491,760 or 0.198199%.

*Actuarial Assumptions*- The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary Increases: Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.65%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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.

## Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

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's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

*Discount Rate* – The discount rate used to measure the pension liabilities of PERS was 3.98% as of June 30, 2016.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of PERS participating employers as of June 30, 2016, calculated using the discount rates as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease (2.98%)</u>	<u>At current discount rate (3.98%)</u>	<u>At 1% increase (4.98%)</u>
State	\$34,422,851,197	\$29,390,685,705	\$25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
PERS Plan Total	<u>\$70,715,189,252</u>	<u>\$59,007,817,464</u>	<u>\$49,352,744,647</u>

## Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

*Components of Net Pension Liability* – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2016 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$36,295,189,928	\$49,474,698,146	\$85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$29,390,685,705</u>	<u>\$29,617,131,759</u>	<u>\$59,007,817,464</u>

*Collective Deferred Outflows of Resources and Deferred Inflows of Resources* – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2017	\$3,768,538
2018	3,768,538
2019	4,314,966
2020	3,710,159
2021	<u>1,244,331</u>
Total	<u>\$16,806,532</u>

*Changes in Proportion* - The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

B. Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

*Plan Membership and Contributing Employers*- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	45,423
Inactive plan members entitled to but not yet receiving benefits	51
Active plan members	<u>42,036</u>
Total	<u>87,510</u>

Contributing Employers – 586.



## Note 9. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

In addition to the State, who is the sole payer of regular employer contributions to the fund, TPAF's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program and continue to pay towards their incurred liability.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended December 31, 2016 the Township's total payroll for all employees was \$23,933,666. Total PFRS covered payroll was \$6,416,852. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended December 31, 2015 and 2016 were \$1,273,833 and \$1,345,885, respectively. Township Contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Township payments to PFRS for the years ending December 31, 2015 and 2016 consisted of the following:

	<u>2015</u>	<u>2016</u>
Normal Cost	\$405,989	\$418,844
Amortization of Accrued Liability	<u>791,101</u>	<u>846,835</u>
Total Pension	1,197,090	1,265,679
NCGI Premiums	<u>57,972</u>	<u>60,872</u>
Total Regular Billing	1,255,062	1,326,551
Additional Billings: ERI	<u>18,771</u>	<u>19,334</u>
Total PFRS Payment	<u>\$1,273,833</u>	<u>\$1,345,885</u>

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits, which vest after four years of service.

## Note 9. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
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, as defined, 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.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – The regulatory basis of accounting which is basis for the preparation of the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until fiscal period in which such payments will become due and payable.

At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State, Non-Special Funding Situation Employer Member Group was \$35,408,213 or 0.185358%. At June 30, 2015, the PFRS reported a net pension liability of \$16,656,514,197 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$27,182,989 or 0.163197%.

*Actuarial Assumptions*- The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation	3.08%
Salary Increases: Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales.

## Note 9. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

The long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

*Discount Rate* – The discount rate used to measure the pension liabilities of PFRS was 5.55% as of June 30, 2016.

## Note 9. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

*Sensitivity of Net Pension Liability* – The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (4.55%)	At current discount rate (5.55%)*	At 1% increase (6.55%)
State	\$ 5,612,325,178	\$ 4,710,744,193	\$ 3,977,817,225
Local	<u>26,699,770,118</u>	<u>20,706,699,056</u>	<u>15,819,710,095</u>
PFRS Plan Total	<u>\$32,312,095,296</u>	<u>\$25,417,443,249</u>	<u>\$19,797,527,320</u>

\*- Local Share includes \$1,604,141,087 of Special Funding Situation allocated to the State of NJ as a non-employer.

*Components of Net Pension Liability* – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2016 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 6,255,619,682	\$43,146,550,231	\$49,402,169,913
Plan Fiduciary Net Position	<u>1,544,875,489</u>	<u>22,439,851,175</u>	<u>23,984,726,664</u>
Net Pension Liability	<u>\$ 4,710,744,193</u>	<u>\$20,706,699,056</u>	<u>\$25,417,443,249</u>

*Collective Deferred Outflows of Resources and Deferred Inflows of Resources* – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2017	\$2,253,121
2018	2,253,121
2019	2,777,509
2020	1,950,809
2021	<u>443,897</u>
Total	<u>\$9,678,457</u>

*Changes in Proportion* - The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.58, 5.53, and 6.17 years for the 2016, 2015 and 2014 amounts, respectively.

## Note 9. PENSION PLANS (CONT'D.)

C. Defined Contribution Retirement System (DCRP)

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

*Plan Membership and Contributing Employers-* Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or 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 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

*Contribution Requirement and Benefit Provisions -* State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

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.

For the year ended December 31, 2016 the Township's total payroll for all employees was \$23,933,666. Total DCRP covered payroll was \$557,904. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan. Township and employee contributions to the DCRP for the year ended December 31, 2016 were \$16,682 and \$30,685, respectively.

D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 60,395,350	\$17,157,971	\$351,437	\$1,767,210
PFRS	<u>35,408,213</u>	<u>9,934,560</u>	<u>256,103</u>	<u>1,345,885</u>
Total	<u>\$ 95,803,563</u>	<u>\$27,092,531</u>	<u>\$607,540</u>	<u>\$3,113,095</u>

## Note 10: POST-RETIREMENT HEALTH CARE BENEFITS

The Township provides medical, prescription drug and Medicare Part B reimbursement to retirees and their covered dependents, in accordance with applicable resolutions and collective bargaining agreements. The Township maintains a single-employer, defined benefit health plan with benefits provided through insurance carriers and by third party claims administrators. All active employees who retire from the Township and meet the eligibility criteria receive these benefits.

## Note 10: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

The Township currently funds the costs to provide postemployment benefits on a pay-as-you-go basis. The Township establishes and has the power to amend benefits and contribution obligations, subject to collective bargaining agreements.

In 2008, the Township adopted the disclosure provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes guidelines for reporting costs associated with “other the postemployment benefits” (OPEB). OPEB costs are actuarially calculated based on benefits (other than pensions), which current and retired employees have accrued as a result of their respective employment contracts.

The Division of Local Government Services, Department of Community Affairs, State of New Jersey, issued Local Finance Notice 2007-15, *Implementing GASB 45: Disclosure of Liabilities for Other Post-Employment Benefits for Municipalities and Counties*, to address the implementation of GASB Statement No. 45. The Notice states that local units are not required to accrue and report the long-term liability on their balance sheet, however, they are required to calculate and disclose their obligation in accordance with GASB Statement No. 45.

As required by Local Finance Notice 2007-15, the Township must disclose its OPEB costs as determined by GASB Statement No. 45. In accordance with this standard, the Township’s annual OPEB cost for the plan is based on the Annual Required Contribution (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45, to include both the value of benefits earned during the year (Normal Cost) and an amortizing of the unfunded actuarially accrued liability over a period not to exceed thirty years. The amortization costs for the initial unfunded actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year, a level of percentage of payroll, for a period of 30 years, with an assumption that payroll increases by 3% per year.

The Township’s ARC for the year ended December 31, 2016 was \$8,643,000, of which \$1,799,000 was calculated as funded by the amount expended for these benefits.

The Township’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (NOO), which represents the difference between the amount contributed to the Plan by the Township, and the annual OPEB cost for fiscal year ended December 31, 2016 and the preceding two years, was as follows:

Net OPEB obligation-beginning of year	\$25,677,000	\$30,133,000	\$36,285,000
Annual required contribution (ARC)	6,342,000	8,177,000	8,643,000
Interest on net OPEB obligation	1,155,000	1,356,000	1,633,000
ARC adjustments	(1,576,000)	(1,850,000)	(2,228,000)
Contributions	<u>(1,465,000)</u>	<u>(1,531,000)</u>	<u>(1,799,000)</u>
Net OPEB obligation – end of year	<u>\$30,133,000</u>	<u>\$36,285,000</u>	<u>\$42,534,000</u>
Contribution Percentage	18.10%	19.90%	22.40%

## Note 10: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D)

The funded status of the plan for the Township as of December 31, 2016 (the most recent actuarial valuation date), is as follows:

	<u>Total</u>
Actuarial accrued liability (AAL)	\$118,260,000
Actuarial value of plan assets	<u>- 0 -</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$118,260,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$19,763,847
UAAL as a percentage of covered payroll	598.37%

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2016 actuarial valuation, the projected unit credit method was used. A rate of 4.50% was utilized as the discount rate and an annual healthcare cost trend rate of 5.9% medical, grading down to a rate of 5% effective 2026 and thereafter. The unfunded accrued liability is being amortized as a level dollar amount using an open period of thirty (30) years. The Township's next actuarial evaluation of its OPEB costs is schedule for the year ended December 31, 2018.

## Note 11: ACCRUED SICK AND VACATION BENEFITS

The Township has permitted employees to accrue unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost of such unpaid sick and vacation pay would approximate \$2,848,015.00 and \$2,198,509.00 for 2016 and 2015. This amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

## Note 12: RISK MANAGEMENT

The Township is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; natural disasters; workers. The Township has obtained insurance coverage to guard against these events which will provide minimum exposure to the Township should they occur.

## Note 12: RISK MANAGEMENT (CONT'D)

Effective August 1, 2010, the Township joined the Middlesex County Joint Insurance Funds covering risk of loss. The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. Payments to the Fund are calculated by the Fund's governing board based upon actuarial and budgetary requirements. Each participant in the Fund is jointly and severably obligated for any deficiency in the amount available to pay all claims. At December 31, 2014, the most recent report made available, the Fund reported for all years combined, total assets of \$23,433,522; liabilities and reserves of \$35,411,258; which includes case reserves of \$13,404,367 and IBNR of \$21,635,334 and a deficit fund balance for all years of \$11,977,736.

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

## Note 13: DEFERRED COMPENSATION

The Township has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey. The Plan is an arrangement whereby a public employer may establish a plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations. The Township has engaged a private contractor to administer the plan.

## Note 14: TAX APPEALS

There are 130 direct tax appeals pending, requesting a reduction of assessed valuation for 2016 and prior years, of which 17 are considered to be small claim appeals and 113 non-small claim appeals. The aggregate assessed valuation of the properties under appeal totals \$547,812,100. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement. The Township has established a reserve for tax appeals that is funded by either budget appropriations or charges to the current year Current Fund operations. To the extent tax appeals exceed the amount of reserves established, appeals may be funded from the Township's tax levy, direct charges to the Township's operations or through the issuance of refunding bonds per N.J.S.A. 40A:2-51.

## Note 15: LONG TERM TAX EXEMPTIONS

The Township provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Township are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Township is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Township did not have any PILOT programs during 2016.



## Note 16: COMMITMENTS AND CONTINGENCIES

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. The Township does not believe that any material liabilities would result from such audits, should they occur.

As of the date of this report, the Township has litigation pending that traditionally would be covered through the procurement of liability insurance coverage's.

## Note 17: SUBSEQUENT EVENTS

The following bond ordinances were adopted subsequent to December 31, 2016:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>	<u>Debt Authorized</u>
	General Capital:		
07/05/17	Various 2017 Capital Improvements	\$2,767,000	\$2,634,300
	Water and Sewer Utility:		
07/05/17	Various 2017 Water and Sewer Utility Improvements	6,105,000	6,105,000

Subsequent to December 31, 2016, the Township issued Bond Anticipation Notes dated August 2, 2017 with a maturity date of June 13, 2018. The BAN's were issued for \$26,528,000 with a coupon rate of 2.00% with a net interest cost of 1.087%. \$19,600,000 were for the General Capital Fund and \$6,928,000 were for the Water and Sewer Utility Fund.

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## **APPENDIX C**

### **FORM OF APPROVING LEGAL OPINION FOR THE NOTES**

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90 Woodbridge Center Drive  
Suite 900 Box 10  
Woodbridge, NJ 07095-0958  
732.636.8000

\_\_\_\_\_, 2018

Mayor and Township Council of the  
Township of Monroe  
Monroe Township, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Township Council of the Township of Monroe, in the County of Middlesex, State of New Jersey (the "Township") and other proofs submitted to us relative to the issuance and sale of the

**\$28,000,000**  
**BOND ANTICIPATION NOTES**  
**TOWNSHIP OF MONROE**  
**IN THE COUNTY OF MIDDLESEX**  
**STATE OF NEW JERSEY**  
**Dated: June 12, 2018**

The \$28,000,000 aggregate principal amount of Bond Anticipation Notes, consisting of \$20,072,000 aggregate principal amount of General Improvement Bond Anticipation Notes (the "General Improvement Notes") and \$7,928,000 aggregate principal amount of Water-Sewer Utility Bond Anticipation Notes (the "Water-Sewer Notes" and together with the General Improvement Notes, the "Notes") of the Township are dated June 12, 2018, mature on June 11, 2019 and bear interest at the coupon rate of three and zero hundredths percentum (3.00%) per annum. The Notes are issued in fully registered form, without coupons, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Purchases of the Notes will be made in book-entry only form in principal denominations of \$5,000 each or any integral multiple thereof, except that those Notes in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Notes,

payments of the principal of and interest on the Notes will be made by the Township or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The Notes are not subject to redemption prior to maturity.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented, and various bond ordinances duly adopted by the Township Council and published and approved as required by law.

The General Improvement Notes are being issued to: (i) refund, on a current basis, a \$16,810,000 principal portion of prior bond anticipation notes of the Township issued in the aggregate principal amount of \$19,600,000 on August 2, 2017 and maturing June 13, 2018 (the "Prior General Improvement Notes"), which Prior General Improvement Notes were originally issued to temporarily finance the cost of various capital improvements in and for the Township; (ii) temporarily finance the cost of various capital improvements in and for the Township in the amount of \$3,262,000; and (iii) pay for the costs of issuance of the General Improvement Notes.

The Water-Sewer Notes are being issued to: (i) refund, on a current basis, prior bond anticipation notes of the Township issued in the aggregate principal amount of \$6,928,000 on August 2, 2017 and maturing June 13, 2018 (the "Prior Water-Sewer Notes"), which Prior Water-Sewer Notes were originally issued to temporarily finance the cost of various water and sewer capital improvements in and for the Township; (ii) temporarily finance the cost of various water and sewer capital improvements in and for the Township in the amount of \$1,000,000; and (iii) pay for the costs of issuance of the Water-Sewer Notes.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the issuance, sale and delivery of the Notes pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented, (ii) the Notes are valid and legally binding general obligations of the Township, and (iii) the Township has pledged its full faith and credit for the payment of the principal of and interest on the Notes, and, unless paid from other sources, all the taxable property within the Township is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Notes to be included in gross income of the owners thereof for Federal income tax purposes retroactive to the date of the issuance of the Notes. The Township will covenant in its tax certificate relating to the Notes that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, assuming continuing compliance by the Township with the aforementioned covenant in its tax certificate, under existing statutes, regulations, rulings and court decisions, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. The Notes are not “specified private activity bonds” within the meaning of Section 57 of the Code and, therefore, the interest on the Notes will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

The Notes are not designated as a qualified tax-exempt obligation for purposes of Section 265(b)(3)(B)(ii) of the Code.

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

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

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

We have examined the form of the unexecuted General Improvement Notes and the unexecuted Water-Sewer Notes and, in our opinion, the form of each is regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

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**APPENDIX D**

**FORM OF CERTIFICATE OF COMPLIANCE WITH SECONDARY MARKET DISCLOSURE  
REQUIREMENTS FOR THE NOTES**

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**CERTIFICATE OF COMPLIANCE WITH  
SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

I, GEORGE J. LANG, Chief Financial Officer of the Township of Monroe, in the County of Middlesex, State of New Jersey (the "Township"), DO HEREBY CERTIFY to TD Securities (USA) LLC, New York, New York, the purchaser (the "Purchaser") of \$28,000,000 aggregate principal amount of Bond Anticipation Notes of the Township, dated June 12, 2018 and maturing June 11, 2019, consisting of \$20,072,000 aggregate principal amount of General Improvement Bond Anticipation Notes (the "General Improvement Notes") and \$7,928,000 aggregate principal amount of Water-Sewer Utility Bond Anticipation Notes (the "Water-Sewer Notes" and together with the General Improvement Notes, the "Notes"), in connection with the issuance of the Notes, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Township will provide notice of certain events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to [www.emma.msrb.org](http://www.emma.msrb.org), of any of the following events with respect to the Notes herein described, as applicable: (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 Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of Note holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances of the Notes; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes relating to the Notes; (12) bankruptcy, insolvency, receivership or similar event of the Township; (13) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or (14) appointment of a successor or additional trustee for the Notes or the change of name of a trustee for the Notes, if material.

Whenever the Township (i) has or obtains knowledge of the occurrence of any of the aforementioned listed events not requiring a materiality determination, or (ii) determines that the occurrence of an aforementioned listed event requiring a materiality determination would be material to the holders of the Notes, the Township shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis not in excess of ten (10) business days after the occurrence of any of the aforementioned events.

The Township's obligations under this Certificate shall terminate upon the defeasance, prior redemption or payment in full of the Notes.

In the event the Township fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Township to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the Township's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

This Certificate shall inure solely to the benefit of the Township, the Purchaser and the holders from time to time of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the Township this 12th day of June, 2018.

**TOWNSHIP OF MONROE**

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**GEORGE J. LANG,**  
**Chief Financial Officer**