

OFFICIAL STATEMENT DATED JUNE 13, 2019

NEW ISSUE (BOOK-ENTRY ONLY)

RATINGS: (See "RATINGS" herein)

*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 Bonds (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.*

**TOWNSHIP OF HILLSIDE  
IN THE COUNTY OF UNION, STATE OF NEW JERSEY**

**\$7,530,000 GENERAL IMPROVEMENT BONDS, SERIES 2019**

**CALLABLE**

**Dated: Date of Delivery**

**Due: May 15, as shown on the inside front cover**

The \$7,530,000 aggregate principal amount of General Improvement Bonds, Series 2019 (the "Bonds"), are general obligations of the Township of Hillside, in the County of Union, State of New Jersey (the "Township") for which the full faith and credit of the Township are pledged and, unless paid from other sources, the Township is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Township without limitation as to rate or amount for the payment of the principal of the Bonds and the interest thereon.

The Bonds 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 Bonds. Individual purchases may be made in the principal amount of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof.

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on the fifteenth day of May and November of each year, commencing November 15, 2019, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Township or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Township to the registered owner thereof as of the Record Dates (as defined herein).

While DTC is acting as securities depository for the Bonds, the principal of and interest on the Bonds will be payable by wire transfer to DTC or its nominee, Cede & Co., which is obligated to remit such principal and interest payments to DTC Participants (as defined herein). DTC Participants and Indirect Participants (as defined herein) will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds 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"), various bond ordinances duly adopted by the Township Council of the Township on the dates set forth herein and approved and published as required by law and by a resolution duly adopted by the Township Council of the Township on May 14, 2019.

Proceeds of the Bonds are being used to: (i) currently refund, on a current basis, a \$6,075,000 portion (along with a \$371,444 budgeted paydown of the Township) of prior bond anticipation notes of the Township issued in the aggregate amount of \$6,446,444 on July 19, 2018 and maturing on July 18, 2019 (the "Prior Notes"); (ii) permanently finance the cost of various capital improvements by and in the Township in the amount of \$1,925,000; and (iii) pay the costs associated with the issuance of the Bonds.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS" under the subheading entitled "Optional Redemption".

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. See "BOND INSURANCE" herein.



The Bonds 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 Bonds 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 to the Township, 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 Bonds. Certain legal matters will be passed upon for the Township by the Township Attorney, Ellen M. Harris, Esq., Norris McLaughlin, P.A., Bridgewater, New Jersey. It is anticipated that the Bonds will be available for delivery through DTC on or about June 28, 2019.***

**ROOSEVELT & CROSS, INC. AND ASSOCIATES**

**\$7,530,000 GENERAL IMPROVEMENT BONDS, SERIES 2019**

**MATURITIES, PRINCIPAL AMOUNT, INTEREST RATE, YIELD AND CUSIP NUMBERS**

<u>Year (May 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2020	\$305,000	5.000%	1.300%	432673FZ9
2021	305,000	5.000	1.350	432663GA3
2022	610,000	5.000	1.380	432673GB1
2023	610,000	5.000	1.390	432673GC9
2024	610,000	5.000	1.410	432673GD7
2025	570,000	5.000	1.500	432673GE5
2026	565,000	5.000	1.550	432673GF2
2027	565,000	2.000	2.000	432673GG0
2028	565,000	2.125	2.125	432673GH8
2029	565,000	2.250	2.250	432673GJ4
2030	565,000	3.000	2.100*	432673GK1
2031	565,000	3.000	2.150*	432673GL9
2032	565,000	3.000	2.200*	432673GM7
2033	<u>565,000</u>	3.000	2.250*	432673GN5
Total:	<u>\$7,530,000</u>			

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\*Priced to first optional call date of May 15, 2026.

\*\* A registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Township does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of Bonds.

**TOWNSHIP OF HILLSIDE  
IN THE COUNTY OF UNION  
STATE OF NEW JERSEY**

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**MAYOR**

Dahlia O. Vertreese

**TOWNSHIP COUNCIL**

Gerald Pateesh Freedman, President  
George Cook, Vice President  
Andrea Hyatt  
Nancy Mondella  
Craig M. Epps  
Christopher D. Mobley  
Donald DeAugustine

**TOWNSHIP ADMINISTRATOR**

Hope Smith

**CHIEF FINANCIAL OFFICER**

Glynn Jones

**TOWNSHIP CLERK**

Lorraine Messiah

**TOWNSHIP ATTORNEY**

Norris McLaughlin, P.A.  
Bridgewater, New Jersey

**INDEPENDENT AUDITORS**

Suplee, Clooney & Company  
Westfield, 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 Hillside, in the County of Union, State of New Jersey (the "Township") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and if given or made, such information or 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 Bonds 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 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale 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. 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 or other affairs of the Township. No representation is made that past experience, as is shown by the financial and other information included herein, 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 thereof, and this Official Statement, including the appendices, must be considered in its entirety.

In order to facilitate the distribution of the Bonds, the Underwriter (as defined herein) may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Bonds are offered to the public by the Underwriter and the yields resulting therefrom may vary from the yields on the inside front 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, their 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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX E - Specimen Municipal Bond Insurance Policy".

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**OFFICIAL STATEMENT  
OF THE  
TOWNSHIP OF HILLSIDE  
IN THE COUNTY OF UNION, STATE OF NEW JERSEY  
RELATING TO**

**\$7,530,000 GENERAL IMPROVEMENT BONDS, SERIES 2019**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Township of Hillside (the "Township"), in the County of Union (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$7,530,000 aggregate principal amount of General Improvement Bonds, Series 2019 (the "Bonds") 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 of the Township, and executed by and on behalf of the Township by its Chief Financial Officer, to be distributed in connection with the sale of the Bonds.

This Official Statement contains specific information relating to, as applicable, the Bonds and the Township, 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 BONDS**

**General Description**

The Bonds are dated the date of delivery thereof and shall bear interest at the rates shown on the inside front cover page hereof from such date, payable semi-annually on the fifteenth day of May and November of each year (each an "Interest Payment Date"), commencing November 15, 2019, until maturity or prior redemption. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective May 1 and November 1 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the Township's Chief Financial Officer, as registrar and paying agent for the Township, or such other duly designated paying agent.

The Bonds will mature on May 15 in each of the years and in the respective principal amounts as set forth on the inside front cover page.

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity, tenor, and denomination.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly by the Township as Paying Agent, or some other paying agent as may be designated by the Township, to Cede & Co. Disbursement of such payments to the

DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants and Indirect Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

### **Optional Redemption**

The Bonds maturing prior to May 15, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after May 15, 2027 are redeemable at the option of the Township, in whole or in part, on any date on or after May 15, 2026, upon notice as required herein, at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Township or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Township determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Township. The Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption.

### **Authorization for the Issuance of the Bonds**

The Bonds 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"), various bond ordinances duly adopted by the Township Council of the Township on the dates set forth in the charts on the following pages and approved and published as required by law, and by a resolution duly adopted by the Township Council of the Township on May 14, 2019.

The bond ordinances authorizing the Bonds 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. 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. Such estoppel period has concluded as of the date of this Official Statement.

### **Purpose of the Bonds**

The proceeds of the Bonds are being used to: (i) currently refund, on a current basis, a \$6,075,000 portion (along with a \$371,444 budgeted paydown of the Township) of prior bond anticipation notes of the Township issued in the aggregate amount of \$6,446,444 on July 19, 2018 and maturing on July 18, 2019 (the "Prior Notes"); (ii) permanently finance the cost of various capital improvements by and in the Township in the amount of \$1,925,000; and (iii) pay the costs associated with the issuance of the Bonds.

The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Township, which bond ordinances are described on the following table by ordinance number, description and date of final adoption and the amount of Bonds to be issued for such purposes. The bond ordinances are as follows:



<b><u>Ordinance Number</u></b>	<b><u>Description and Date of Final Adoption</u></b>	<b><u>Amount of Proceeds</u></b>
08-020	Providing for Various Public Improvements and Acquisitions of New Information Technology Equipment, New Communication and Signal Systems Equipment, finally adopted 8/19/08	\$ 633,600
09-019	Providing for Various Public Improvements and Acquisitions of New Additional or Replacement Equipment and Machinery, finally adopted 6/23/09	\$1,122,748
16-09	Providing for the 2016 Road Program, finally adopted 7/19/16	\$4,318,652
18-09	Providing for 2018 Capital Acquisitions and Improvements and Equipment, finally adopted 11/27/18	<u>\$1,925,000</u>
TOTALS		<u>\$8,000,000</u>

### **Payment of Bonds**

As hereinafter stated, the Bonds are general obligations of the Township for which the full faith and credit of the Township will be pledged and, unless paid from other sources, the Township is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Township for the payment of principal of and interest on Bonds without limitation as to rate or amount.

### **SECURITY FOR THE BONDS**

The Bonds 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 Bonds. Unless otherwise 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 Bonds 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, including the Bonds, 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 Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF BONDS" and "MUNICIPAL BANKRUPTCY" herein.

The Bonds 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.

### **BOND INSURANCE**

#### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”K), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On December 21, 2018, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

#### *Capitalization of AGM*

At March 31, 2019:

- The policyholders’ surplus of AGM was approximately \$2,523 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,054 million. Such amount includes 100% of AGM’s contingency reserve and 60.7% of MAC’s contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,848 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

## **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.

## **MARKET PROTECTION**

The Township may issue bond anticipation notes in the summer of 2019 to fund various capital improvements.

## **BOOK-ENTRY ONLY SYSTEM**

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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.

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or 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 Bonds 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 Bonds 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, Bond 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, Bond certificates will be printed and delivered.

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

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

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Township or Paying Agent; (ii) the transfer of any Bonds 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 Bonds, the Township or Paying Agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds 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 Bonds 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 pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of 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.

#### **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.

As shown in APPENDIX A, the Township has not exceeded its statutory debt limit.

#### **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. The Township has not exceeded its debt limit.

#### **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 in the United States.

#### **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 financial statement 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.

### **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. Under the regulations prescribed by the Local Finance Board, the Township was not eligible for local examination of its budget in 2018. The Township has yet to adopt its 2019 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. The Township has not utilized a portion of its "Cap Bank" in its 2017 budget. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, new legislation constituting P.L. 2010, c.44, effective July 13, 2010, imposes a 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 2%, certain increases in health care costs in excess of 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 2% not otherwise permitted under the law by an affirmative vote of 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 Bonds.

### **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.

## **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.

## **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 six (6) 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 Bonds in order for the interest on the Bonds to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds. The Township will represent in a 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 to the Township, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Township with the requirements of the Code and the tax certificate described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax.

The Bonds are "qualified tax-exempt obligations" as defined in and for the purpose of Section 265(b)(3) of the Code.

### **Premium Bonds**

The Bonds maturing on May 15 in the years 2020 through 2026, inclusive, and in the years 2030 through 2033, inclusive (collectively, the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

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

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

## **State Taxation**

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

## **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 Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds 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 Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

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

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

## **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 Bonds, and such Bonds are authorized security for any and all public deposits.

## **RISK TO HOLDERS OF BONDS**

It is understood that the rights of the holders of the Bonds, 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 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 BONDS, 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 (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 Local Finance Board, 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 Bonds, the original purchaser shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Township, stating that to the best knowledge of said officials, 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 herein, 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 Bonds shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, 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 Bonds or the levy or collection of taxes to pay the principal of the Bonds, as applicable, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds 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 Bonds are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as APPENDIX C hereto. Certain legal matters with respect to the Bonds will be passed on for the Township by its Township Attorney, Ellen M. Harris, Esq., Norris McLaughlin, P.A., Bridgewater, 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 Hillside, Attn: Glynn Jones, Chief Financial Officer, 1409 Liberty Avenue, Hillside, New Jersey 07205, (973) 926-3002; Everett M. Johnson, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6149; or David Thompson, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (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 Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.



## **LITIGATION**

Other than as stated in this Official Statement, including as provided in the Audit (as hereinafter defined) included in Appendix B hereto, 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 Bonds offered for sale or the levy and collection of any taxes to pay the principal of or the interest on said Bonds, or in any manner questioning the authority of the proceedings for the issuance of the Bonds or for the levy or collection of taxes to pay the principal of and interest on the Bonds, 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 respective original purchasers of the Bonds will receive a certificate or opinion of the Township Attorney to such effect upon the closing of the Bonds.

## **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS**

The Township has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the Township each year and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the Township by its Chief Financial Officer, in the form appearing in APPENDIX D attached hereto. Such Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB").

Within the five years immediately preceding the date of this Official Statement, the Township previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2017, 2016, 2015, 2014 and 2013; (ii) operating data for the fiscal years ending December 31, 2017, 2016, 2015, 2014 and 2013; and (iii) adopted budgets for fiscal years ending December 31, 2016, 2015, 2014 and 2013. Additionally, the Township previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; (iii) adopted budgets, all as described above. Such notices of events and late filings have since been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The Township appointed Phoenix Advisors, LLC in January of 2019 to serve as continuing disclosure agent.

## **PREPARATION OF OFFICIAL STATEMENT**

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

The Municipal Advisor has participated in the preparation of APPENDIX A to this Official Statement and in the collection of financial, statistical or demographic 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.

Suplee, Clooney & Company, Westfield, 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 audited 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 she 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 (including the unaudited financial information set forth in APPENDIX B) considers to be reliable but it makes no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

## **RATINGS**

Moody's has assigned an underlying rating of "A1" to the Bonds. Moody's, S&P and KRBA (collectively, the "Rating Agencies") are expected to assign ratings of "A2", "AA" and "AA+", respectively, to the Bonds based upon the issuance of a municipal bond insurance policy to be issued by AGM at the time of delivery of the Bonds.

The ratings reflect only the views of the Rating Agencies and an explanation of the significance of such ratings may only be obtained from the Rating Agencies. There can be no assurance that the ratings will be maintained for any given period of time or that the ratings may not be raised, lowered or withdrawn entirely, if in the Rating Agencies' judgment, circumstances so warrant. Any downward change in, or withdrawal of such ratings, may have an adverse effect on the marketability or market price of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased from the Township at a public sale by Roosevelt & Cross, Inc. & Associates, New York, New York (the "Underwriter") at a price of \$8,051,003.03. The purchase price of the Bonds reflects the par amount of Bonds, plus a net premium of \$521,003.03.

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

## **FINANCIAL STATEMENTS**

The financial statements of the Township for the years ended December 31, 2017 and 2016 (the "Audit"), are presented in APPENDIX B to this Official Statement. The financial statements referred to above have been audited by Suplee, Clooney & Company, Westfield, New Jersey, independent auditors, as stated in their report appearing in APPENDIX B. Also included in APPENDIX B is certain unaudited financial data of the Township extracted from the Annual Financial Statement prepared by the Township for the Township's fiscal year ended December 31, 2018.

## **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 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made

hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs 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 HILLSIDE**

**/s/ Glynn Jones**

**GLYNN JONES,  
Chief Financial Officer**

DATED: June 13, 2019

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**APPENDIX A**

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

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

The following material presents certain economic and demographic information of the Township of Hillside (the “Township”), in the County of Union (the “County”), State of New Jersey (the “State”).

### **General Information**

The Township is a municipal corporation established in 1913. It is located in the County in the northern part of the State within close proximity to the New York metropolitan area. Interstate highways 22, 78, and the Garden State Parkway intersect the Township, with Routes 1 and 9 and the New Jersey Turnpike within close proximity.

### **Form of Government**

The Township is governed by the Faulkner Act (formally known as the Optional Municipal Charter Law), under Mayor-Council form of New Jersey municipal government (plan 4), as implemented as of July 1, 1997. The Township is governed by a mayor and a seven-member Township Council. Four council members come from wards and three are elected at large, all elected to four-year terms in office on a staggered basis in non-partisan elections. The ward seats all come up for election together and the mayoral and at-large seats come up for vote together two years later.

### **Education**

The Township’s public schools serve students in kindergarten through twelfth grade. Schools in the district are A.P. Morris Early Childhood Center (grades PreK-1), Calvin Coolidge Elementary School (grade 2), Hurden Looker School (grades 3-4), George Washington School (grade 5), Walter O. Krumbiegel Middle School (grades 6-8) and Hillside High School (grades 9-12).

A portion of Kean University is located in the Westminster section of the Township, on the grounds of the former Pingry School.

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

## **Employment and Unemployment Comparisons**

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:

	<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>				
2018	9,379	8,818	561	6.0%
2017	9,450	8,846	604	6.4%
2016	9,482	8,818	664	7.0%
2015	9,616	8,815	801	8.3%
2014	9,695	8,759	936	9.7%
<b><u>County</u></b>				
2018	272,683	260,935	11,748	4.3%
2017	274,800	261,743	13,057	4.8%
2016	275,097	260,860	14,237	5.2%
2015	277,226	260,453	16,773	6.1%
2014	277,500	258,188	19,312	7.0%
<b><u>State</u></b>				
2018	4,422,900	4,239,600	183,400	4.1%
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%

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

## **Income (as of 2017)**

	<b><u>Township</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$65,717	\$73,376	\$76,475
Median Family Income	71,262	86,824	94,337
Per Capita Income	27,707	38,163	39,069

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates



## **Population**

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

<b><u>Year</u></b>	<b><u>Township</u></b>		<b><u>County</u></b>		<b><u>State</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>
2017 Estimate	22,069	3.1%	557,320	3.9%	9,005,644	2.4%
2010	21,404	-1.6	536,499	2.7	8,791,894	4.5
2000	21,747	3.3	522,541	5.8	8,414,350	8.9
1990	21,044	-1.8	493,819	-2.0	7,730,188	5.0
1980	21,440	-0.9	504,094	-7.2	7,365,001	2.7

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

## **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2019 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
Hillside Realty	\$14,415,000	1.61%
HIC Realty Company	4,979,700	0.56%
Vitamin Realty Associates, LLC	4,874,000	0.55%
1441 Chestnut Associates, LLC	3,743,700	0.42%
635 Partners, LLC	3,715,300	0.42%
Hillside Office Park, LLC	3,128,000	0.35%
AH Realty Assoc., LLC	3,025,500	0.34%
225 Long Avenue, LLC	2,918,200	0.33%
Wessex LTD	2,765,500	0.31%
HIC Realty Company	<u>2,518,100</u>	<u>0.28%</u>
<b>Total</b>	<b><u>\$46,083,000</u></b>	<b><u>5.16%</u></b>

Source: Comprehensive Annual Financial Report of the School District 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>
2018U	\$68,059,953	\$65,402,985	96.10%
2017	67,672,395	64,725,021	95.64%
2016	67,313,912	64,191,744	95.36%
2015	66,852,318	63,406,278	94.85%
2014	65,732,043	63,111,108	96.01%

U: Unaudited

Source: Annual Audit Reports of the Township and 2018 Annual Financial Statement

### **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>
2018U	\$1,348,331	\$3,681,962	\$5,030,293	7.39%
2017	708,690	3,779,902	4,488,592	6.63%
2016	686,491	3,665,487	4,351,978	6.47%
2015	674,023	3,273,499	3,947,522	5.90%
2014	592,023	2,488,384	3,080,407	4.69%

U: Unaudited

Source: Annual Audit Reports of the Township and 2018 Annual Financial Statement

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

<b><u>Year</u></b>	<b><u>Amount</u></b>
2018U	\$2,280,100
2017	2,280,100
2016	2,280,100
2015	2,280,100
2014	2,280,100

U: Unaudited

Source: Annual Audit Reports of the Township and 2018 Annual Financial Information

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

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

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Municipal Library</u></b>	<b><u>Local School</u></b>	<b><u>County</u></b>	<b><u>County Open Space</u></b>	<b><u>Total</u></b>
2018	\$3.114	\$0.065	\$3.384	\$1.020	\$0.029	\$7.612
2017	3.114	0.063	3.361	1.000	0.028	7.566
2016	3.191	0.062	3.302	0.975	0.027	7.557
2015	3.246	0.061	3.201	0.955	0.027	7.490
2014	3.245	0.063	3.076	0.960	0.028	7.372

Source: Abstract of Ratables and State of New Jersey – Property Taxes

### **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2018	\$892,471,482	\$1,846,238,068	48.34%	\$863,119	\$1,847,101,187
2017	889,472,682	1,733,526,958	51.31	1,004,390	1,734,531,348
2016	888,247,452	1,670,580,124	53.17	919,144	1,671,499,268
2015	889,160,360	1,633,585,082	54.43	944,150	1,634,529,232
2014	889,854,050	1,614,687,080	55.11	533,242	1,615,220,322

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.

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2018	\$6,158,860	\$688,501,292	\$0	\$73,100,830	\$113,921,100	\$10,789,400	\$892,471,482
2017	6,407,760	687,988,242	0	71,533,980	112,222,800	11,319,900	889,472,682
2016	6,264,660	686,893,492	0	71,359,100	112,410,300	11,319,900	888,247,452
2015	6,466,860	686,905,400	0	71,131,700	113,336,500	11,319,900	889,160,360
2014	6,177,500	687,260,850	0	71,089,800	114,006,000	11,319,900	889,854,050

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

## **Financial Operations**

The following table summarizes the Township's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<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	\$2,475,069	\$2,630,000	\$2,648,000	\$3,858,553	\$3,738,800
Miscellaneous Revenues	8,117,121	8,119,594	8,262,181	8,524,750	10,125,683
Receipts from Delinquent Taxes	2,319,790	2,549,793	2,747,327	2,794,947	2,400,000
Amount to be Raised by Taxation	<u>29,442,267</u>	<u>29,423,943</u>	<u>28,916,566</u>	<u>28,283,522</u>	<u>28,396,897</u>
Total Revenue:	<u>\$42,354,247</u>	<u>\$42,723,331</u>	<u>\$42,574,074</u>	<u>\$43,461,772</u>	<u>\$44,661,380</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$30,008,847	\$30,806,118	\$34,718,182	\$36,343,597	\$32,622,137
Operations (Excluded from CAPS)	2,869,028	2,587,912	2,714,311	2,710,410	2,835,006
Deferred Charges and Statutory Expenditures	4,674,200	5,110,600	449,680	283,015	4,990,329
Judgments	105,875	500	15,000	50,000	60,000
Capital Improvement Fund	100,000	100,000	100,000	100,000	90,000
Municipal Debt Service	1,196,297	1,106,410	1,109,875	618,104	707,263
Reserve for Uncollected Taxes	<u>3,400,000</u>	<u>3,011,790</u>	<u>3,467,025</u>	<u>3,356,645</u>	<u>3,356,645</u>
Total Appropriations:	<u>\$42,354,247</u>	<u>\$42,723,331</u>	<u>\$42,574,074</u>	<u>\$43,461,772</u>	<u>\$44,661,380</u>

Source: Annual Adopted Budgets of the Township

## **Fund Balance**

### **Current Fund**

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

### **Fund Balance - Current Fund**

<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2018U	\$6,182,384	\$3,400,000
2017	7,596,697	3,738,800
2016	9,294,500	3,858,553
2015	8,124,682	2,648,000
2014	8,035,350	2,630,000

U: Unaudited

Source: Annual Audit Reports of the Township and 2018 Annual Financial Information

Swim Pool Utility Operating Fund

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Swim Pool Utility Operating Fund for the past five (5) fiscal years ending December 31.

<b>Fund Balance</b>		
<b><u>Swim Pool Utility Operating Fund</u></b>		
	<b>Balance</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2018U	\$18,445	\$0
2017	18,445	0
2016	18,445	0
2015	18,445	0
2014	41,886	23,441

U: Unaudited

Source: Annual Audit Reports of the Township and 2018 Annual Financial Information

## **Township Indebtedness as of December 31, 2018**

### **General Purpose Debt**

Serial Bonds	\$0
Bond Anticipation Notes	6,463,343
Bonds and Notes Authorized but Not Issued	8,060,068
Other Bonds, Notes and Loans	480,407
Total:	<u>\$15,003,819</u>

### **Local School District Debt**

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

### **Self-Liquidating Debt**

Serial Bonds	\$0
Bond Anticipation Notes	87,320
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$87,320</u>

### **TOTAL GROSS DEBT**

**\$15,091,139**

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	0
Self-Liquidating Debt	0
Total:	<u>\$0</u>

### **TOTAL NET DEBT**

**\$15,091,139**

Source: Annual Debt Statement of the Township

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**Overlapping Debt (as of December 31, 2018)<sup>2</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	\$0	100.00%	\$0
County	713,793,709	2.56%	<u>18,301,619</u>
Net Indirect Debt			\$18,301,619
Net Direct Debt			<u>15,091,139</u>
Total Net Direct and Indirect Debt			<b><u>\$33,392,758</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2016, 2017, 2018)	\$1,750,115,050
Permitted Debt Limitation (3 1/2%)	61,254,027
Less: Net Debt	<u>15,091,139</u>
Remaining Borrowing Power	<u>\$46,162,888</u>
Percentage of Net Debt to Average Equalized Valuation	0.862%
Gross Debt Per Capita based on 2010 population of 21,404	\$705
Net Debt Per Capita based on 2010 population of 21,404	\$705

Source: Annual Debt Statement of the Township

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<sup>2</sup> Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP OF HILLSIDE  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016  
AND UNAUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED  
DECEMBER 31, 2018**

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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Telephone 908-789-9300

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Township Council  
Township of Hillside  
County of Union  
Hillside, New Jersey 07205

### ***Report on the Financial Statements***

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Township of Hillside, as of December 31, 2017 and 2016, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Township's regulatory financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Our responsibility is to express an opinion on these regulatory financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

## SUPLEE, CLOONEY & COMPANY

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

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

### ***Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.***

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Township of Hillside on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Township of Hillside as of December 31, 2017 and 2016, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2017.

### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2017 and 2016, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

# SUPLEE, CLOONEY & COMPANY

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2018 on our consideration of the Township of Hillside's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Hillside's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Warren M. Korecky  
Warren M. Korecky, C.P.A., R.M.A.

October 17, 2018



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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E-mail info@scnco.com

## **ACCOUNTANT'S COMPILATION REPORT**

The Honorable Mayor and Members  
of the Township Council  
Township of Hillside  
County of Union  
Hillside, New Jersey 07205

We have compiled the accompanying balance sheets - regulatory basis of the individual funds from the 2018 Annual Financial Statement (AFS) of the Township of Hillside, County of Union, New Jersey as of December 31, 2018 and the related statements of operations and changes in fund balances - regulatory basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements - regulatory basis have been prepared on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements and schedules information that is the representation of management of the Township of Hillside. We have not audited or reviewed the accompanying financial statements - regulatory basis and, accordingly, do not express an opinion or any other form of assurance on them.

Management of the Township of Hillside has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Township of Hillside's financial position - regulatory basis and the results of its operations and changes in its fund balance - regulatory basis. Accordingly, these financial statements are not designed for those who are not informed about such matters.

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Warren M. Korecky  
Warren M. Korecky, C.P.A., R.M.A.

March 11, 2019

TOWNSHIP OF HILLSIDE

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u> <u>Unaudited</u>	BALANCE DECEMBER <u>31, 2017</u>	BALANCE DECEMBER <u>31, 2016</u>
<u>ASSETS</u>			
Cash - Treasurer	\$ 13,107,614.54	\$ 13,490,957.29	\$ 12,713,385.10
Cash - Change Fund	690.00	690.00	690.00
Due From State of New Jersey:			
Senior Citizens and Veterans Deductions	100,637.69	84,888.85	68,053.05
	<u>\$ 13,208,942.23</u>	<u>\$ 13,576,536.14</u>	<u>\$ 12,782,128.15</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	\$ 3,681,962.48	\$ 3,779,902.47	\$ 3,665,468.71
Tax Title Liens Receivable	1,348,330.51	708,689.75	686,491.15
Foreclosed Property	2,280,100.00	2,280,100.00	2,280,100.00
Revenue Accounts Receivable	103,861.54	103,861.54	82,064.18
Interfunds Receivable	907,074.43	1,459,314.08	1,164,810.23
Sewer Charges Receivable	225,250.94	222,664.30	405,420.37
Prepaid School Taxes	6.00	2.00	2.00
	<u>\$ 8,546,585.90</u>	<u>\$ 8,554,534.14</u>	<u>\$ 8,284,356.64</u>
Deferred Charges:			
Overexpenditure of Appropriations	\$ 87,838.83	\$	\$ 10,020.58
Expenditure Without an Appropriation	6,509.96	167,209.95	624,813.90
Overexpenditure of 2016 Appropriation Reserves	30,245.00	30,245.00	
Special Emergency Appropriation 40A: 4-53	705,246.26	971,557.82	523,014.50
	<u>\$ 829,840.05</u>	<u>\$ 1,169,012.77</u>	<u>\$ 1,157,848.98</u>
	<u>\$ 22,585,368.18</u>	<u>\$ 23,300,083.05</u>	<u>\$ 22,224,333.77</u>
Grant Fund:			
Grant Aid Receivable	\$ 1,710,901.19	\$ 2,168,969.73	\$ 1,957,644.43
Due Trust Other Fund	256,355.00	256,355.00	256,355.00
Due Swim Pool Capital Fund	22,952.50	22,952.50	22,952.50
	<u>\$ 1,990,208.69</u>	<u>\$ 2,448,277.23</u>	<u>\$ 2,236,951.93</u>

See Accountant's Report

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

TOWNSHIP OF HILLSIDE

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u> <u>Unaudited</u>	BALANCE DECEMBER <u>31, 2017</u>	BALANCE DECEMBER <u>31, 2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
Liabilities:			
Appropriation Reserves	\$ 2,828,498.92	\$ 1,537,825.92	\$ 910,406.98
Sewer Overpayments		8,929.47	12,006.37
Tax Overpayments	112,385.56	171,010.20	158,525.91
Prepaid Taxes	273,624.52	793,641.49	230,250.84
Encumbrances Payable	630,042.17	591,500.92	505,857.23
Accounts Payable	152,764.09	62,939.61	20,720.39
County Taxes Payable	1,612.43	33,920.27	15,843.49
Interfunds Payable	2,995,229.00	3,536,638.39	1,858,363.87
Emergency Note		240,000.00	790,455.00
Reserve For:			
Fire Penalties and Assessments	30,256.65	30,256.65	30,256.65
Miscellaneous Other	77,000.24	189.38	189.38
Sale of Municipal Assets	570,500.00	10,500.00	10,500.00
Retirement	53,001.99	53,001.99	52,249.76
Hurricane Sandy	72,136.30	72,136.30	8,426.16
Unallocated Receipts - Net	37,325.44	37,325.44	41,425.44
	<u>\$ 7,834,377.31</u>	<u>\$ 7,179,816.03</u>	<u>\$ 4,645,477.47</u>
Reserve for Receivables and Other Assets	8,546,585.90	8,554,534.14	8,284,356.64
Fund Balance	<u>6,182,383.91</u>	<u>7,565,732.88</u>	<u>9,294,499.66</u>
	<u><u>\$ 22,563,347.12</u></u>	<u><u>\$ 23,300,083.05</u></u>	<u><u>\$ 22,224,333.77</u></u>
Grant Fund:			
Due Current Fund	\$ 450,669.05	\$ 671,004.50	\$ 613,695.72
Encumbrances Payable	8,809.81	474.37	474.37
Due State of New Jersey	25.04	25.04	25.04
Reserve for:			
Grants - Appropriated	1,520,729.29	1,767,163.98	1,570,903.38
Grants - Unappropriated	<u>9,975.50</u>	<u>9,609.34</u>	<u>51,853.42</u>
	<u><u>\$ 1,990,208.69</u></u>	<u><u>\$ 2,448,277.23</u></u>	<u><u>\$ 2,236,951.93</u></u>

See Accountant's Report

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



TOWNSHIP OF HILLSIDE

CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u> <u>Unaudited</u>	YEAR ENDED DECEMBER <u>31, 2017</u>	YEAR ENDED DECEMBER <u>31, 2016</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance	\$ 3,738,800.00	\$ 3,858,553.00	\$ 2,648,000.00
Miscellaneous Revenues Anticipated	10,221,870.76	9,714,717.54	8,871,216.36
Receipts From Delinquent Taxes	2,091,853.31	2,789,535.49	2,718,398.30
Receipts From Current Taxes	65,402,981.17	64,725,020.62	64,191,743.94
Non-Budget Revenue	164,234.37	328,394.88	475,998.79
Other Credits to Income:	552,239.65		
Unexpended Balance of Appropriation Reserves	1,074,369.98	431,568.89	2,577,106.04
<u>TOTAL REVENUE AND OTHER INCOME REALIZED</u>	<u>\$ 83,246,349.24</u>	<u>\$ 81,847,790.42</u>	<u>\$ 81,482,463.43</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Municipal Purposes	\$ 41,370,963.48	\$ 41,003,531.25	\$ 39,099,501.50
County Taxes	9,380,557.56	9,188,237.99	8,937,288.34
Local District School Tax	30,227,216.00	29,927,936.00	29,352,399.00
Refund Prior Years Revenues		7,600.54	
Refund of Prior Year Overpayments		27,752.39	
Interfunds Advanced		294,503.85	285,476.31
Prepaid School Tax			1.00
<u>TOTAL EXPENDITURES</u>	<u>\$ 80,978,737.04</u>	<u>\$ 80,449,562.02</u>	<u>\$ 77,674,666.15</u>
Excess in Revenue	\$ 2,267,612.20	\$ 1,398,228.40	\$ 3,807,797.28
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	<u>87,838.83</u>	<u>731,557.82</u>	<u>10,020.58</u>
Statutory Excess to Fund Balance	\$ 2,355,451.03	\$ 2,129,786.22	\$ 3,817,817.86
Fund Balance, January 1	<u>7,565,732.88</u>	<u>9,294,499.66</u>	<u>8,124,681.80</u>
	\$ 9,921,183.91	\$ 11,424,285.88	\$ 11,942,499.66
Decreased by:			
Utilization as Anticipated Revenue	<u>3,738,800.00</u>	<u>3,858,553.00</u>	<u>2,648,000.00</u>
Fund Balance, December 31	<u><u>\$ 6,182,383.91</u></u>	<u><u>\$ 7,565,732.88</u></u>	<u><u>\$ 9,294,499.66</u></u>

See Accountant's Report

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

TOWNSHIP OF HILLSIDE

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018 <u>Unaudited</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>ASSETS</u>			
Animal Control Fund:			
Cash	\$ 120,158.23	\$ 113,178.28	\$ 106,923.18
	<u>\$ 120,158.23</u>	<u>\$ 113,178.28</u>	<u>\$ 106,923.18</u>
Other Trust Funds:			
Cash	\$ 4,071,216.12	\$ 4,439,474.66	\$ 5,607,331.08
Community Development Block Grants Receivable	119,180.00	119,180.00	135,470.00
Police Off-Duty Escrow (Receivable)	97,823.04	97,823.04	97,823.04
Interfunds Receivable	2,782,917.83	3,525,514.55	1,886,955.16
	<u>\$ 6,973,313.95</u>	<u>\$ 8,181,992.25</u>	<u>\$ 7,629,756.24</u>
	<u>\$ 7,093,472.18</u>	<u>\$ 8,295,170.53</u>	<u>\$ 7,736,679.42</u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
Animal Control Fund:			
Reserve for Animal Control Fund Expenditures	\$ 16,801.15	\$ 9,801.00	\$ 12,959.45
Due State of New Jersey	20.20	20.20	198.00
Interfunds Payable	103,357.08	103,357.08	93,765.73
	<u>\$ 120,158.23</u>	<u>\$ 113,178.28</u>	<u>\$ 106,923.18</u>
Other Trust Funds:			
Reserve for:			
Community Development Block Grants	\$ 187,289.63	\$ 116,259.23	\$ 134,275.90
Facade Loan Repayment	35,134.28	35,134.28	35,134.28
Tax Sale Redemption	398,457.17	611,450.07	427,125.32
Recreation Trust	25,070.26	25,070.26	25,070.26
State Unemployment Insurance	120,084.13	120,084.13	120,084.13
Flexible Spending Account	1,225.00	1,225.00	1,225.00
UEZ Second Generation Fund	647,755.21	639,726.13	634,483.35
UEZ Revolving Loan Escrow	7,269.19	7,257.44	7,245.46
Police Off-Duty Escrow	10,143.34	10,143.34	95,926.41
Local Law Enforcement Block Grant	628.02	628.02	628.02
Special Law Enforcement	103,288.61	51,042.89	50,674.50
Miscellaneous Trust Deposits	4,298,093.00	5,305,322.67	4,612,129.70
Federal Law Enforcement Trust	303,710.11	409,729.50	602,323.09
Building Department Escrow	477,500.32	485,508.48	489,308.34
Retiree Prescription Account	36,056.67	35,857.31	32,777.77
Encumbrances Payable	5,038.12	5,038.12	3,615.73
Interfunds Payable	346,062.09	357,111.80	357,111.80
Due County of Union	617.18	617.18	617.18
	<u>\$ 6,973,313.95</u>	<u>\$ 8,181,992.25</u>	<u>\$ 7,629,756.24</u>
	<u>\$ 7,093,472.18</u>	<u>\$ 8,295,170.53</u>	<u>\$ 7,736,679.42</u>

See Accountant's Report

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

TOWNSHIP OF HILLSIDE

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u> <u>Unaudited</u>	BALANCE DECEMBER <u>31, 2017</u>	BALANCE DECEMBER <u>31, 2016</u>
<u>A S S E T S</u>			
Cash	\$ 773,536.73	\$ 1,275,317.11	\$ 110,991.38
Deferred Charges to Future Taxation:			
Funded	7,807,859.42	966,956.47	1,048,739.27
Unfunded	884,884.28	7,789,661.42	7,871,214.42
Grants Receivable	475,798.08	475,798.08	475,798.08
U.C.I.A. Lease Receivable	2,626,928.68	2,626,928.68	2,626,928.68
Interfunds Receivable	<u>266,807.35</u>	<u>75,123.29</u>	<u>75,123.29</u>
	<u>\$ 12,835,814.54</u>	<u>\$ 13,209,785.05</u>	<u>\$ 12,208,795.12</u>

LIABILITIES, RESERVES AND FUND BALANCES

Interfunds Payable	\$ 32,679.40	\$ 362,604.28	\$ 285,924.44
Economic Development Authority Loan Payable			7,245.80
Capital Improvement Fund	589,387.46	504,637.46	404,637.46
Contracts Payable	983,731.53	2,072,011.14	1,140,235.19
Bond Anticipation Notes	6,381,791.00	6,463,343.00	2,002,896.00
Infrastructure Loan Payable	884,884.28	966,956.47	1,041,493.47
Reserve for U.C.I.A.	1,000,263.89	30,731.39	141,074.89
Due U.C.I.A.	249,428.76	249,428.76	249,428.76
Reserve for Construction of Salt Shed	89,321.76	89,321.76	89,321.76
Improvement Authorizations:			
Funded	567,751.81	567,751.81	1,265,712.81
Unfunded	1,817,299.69	1,799,715.78	5,531,952.84
Fund Balance	<u>239,274.96</u>	<u>103,283.20</u>	<u>48,871.70</u>
	<u>\$ 12,835,814.54</u>	<u>\$ 13,209,785.05</u>	<u>\$ 12,208,795.12</u>

See Accountant's Report

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

TOWNSHIP OF HILLSIDE

SWIM POOL UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u> <u>Unaudited</u>	BALANCE DECEMBER <u>31, 2017</u>	BALANCE DECEMBER <u>31, 2016</u>
<u>A S S E T S</u>			
Operating Fund:			
Cash	\$ 422.52	\$ 13,501.99	\$ 49,834.52
Interfunds Receivable	38,245.22	39,791.63	76.50
Deferred Charge:			
Overexpenditure	465.77		
Operating Deficit	21,090.31	22,327.28	
	<u>\$ 60,223.82</u>	<u>\$ 75,620.90</u>	<u>\$ 49,911.02</u>
Capital Fund:			
Interfunds Receivable	\$ 10,584.06	\$ 10,584.06	\$ 10,584.06
Grants Receivable	149,400.00	149,400.00	149,400.00
Fixed Capital	710,689.24	710,689.24	710,689.24
Fixed Capital Authorized and Uncompleted	326,310.76	326,310.76	326,310.76
	<u>\$ 1,196,984.06</u>	<u>\$ 1,196,984.06</u>	<u>\$ 1,196,984.06</u>
	<u>\$ 1,257,207.88</u>	<u>\$ 1,272,604.96</u>	<u>\$ 1,246,895.08</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	\$ 25,039.76	\$ 39,707.14	\$ 13,443.37
Encumbrances Payable	5,473.97	6,458.34	1,727.36
Interfunds Payable	10,584.06	10,584.06	15,868.93
Accrued Interest on Notes	680.73	426.06	426.06
	<u>\$ 41,778.52</u>	<u>\$ 57,175.60</u>	<u>\$ 31,465.72</u>
Fund Balance	18,445.30	18,445.30	18,445.30
	<u>\$ 60,223.82</u>	<u>\$ 75,620.90</u>	<u>\$ 49,911.02</u>
Capital Fund:			
Improvement Authorizations - Funded	\$ 45,695.13	\$ 45,695.13	\$ 45,695.13
Improvement Authorizations - Unfunded	101,563.14	101,563.14	101,563.14
Capital Improvement Fund	10,250.00	10,250.00	10,250.00
Reserve for:			
Amortization	726,035.24	723,449.24	720,863.24
Deferred Amortization	150,710.76	150,710.76	150,710.76
Bond Anticipation Note Payable	64,654.00	67,240.00	69,826.00
Interfunds Payable	98,075.79	98,075.79	98,075.79
	<u>\$ 1,196,984.06</u>	<u>\$ 1,196,984.06</u>	<u>\$ 1,196,984.06</u>
	<u>\$ 1,257,207.88</u>	<u>\$ 1,272,604.96</u>	<u>\$ 1,246,895.08</u>

See Accountant's Report

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

TOWNSHIP OF HILLSIDE

SWIM POOL UTILITY FUND

STATEMENTS OF OPERATIONS  
AND CHANGES IN OPERATING FUND BALANCE - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u> <u>Unaudited</u>	YEAR ENDED DECEMBER <u>31, 2017</u>	YEAR ENDED DECEMBER <u>31, 2016</u>
<u>REVENUE AND OTHER INCOME</u>			
Membership Fees	\$ 10,025.00	\$ 7,870.00	\$ 11,920.00
Non-Resident Membership Fees	70,504.90	2,525.00	3,025.00
Miscellaneous Revenues	17,974.07	107,437.00	137,450.51
Food Concession		2,211.00	584.00
Deficit (General Budget)	88,317.00	45,000.00	102,429.68
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves		7,629.72	11,004.96
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL INCOME</u>	<u>\$ 186,820.97</u>	<u>\$ 172,672.72</u>	<u>\$ 266,414.15</u>
<u>EXPENDITURES</u>			
Operating	\$ 173,417.00	\$ 182,984.00	\$ 232,000.00
Debt Service	4,516.28	4,366.00	3,727.01
Deferred Charges and Statutory Expenditures	29,978.00	7,650.00	30,687.14
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 207,911.28</u>	<u>\$ 195,000.00</u>	<u>\$ 266,414.15</u>
Deficit in Revenue	\$ (21,090.31)	\$ (22,327.28)	\$
Operating Deficit to be Raised in Budget of Succeeding Year	<u>\$ 21,090.31</u>	<u>\$ 22,327.28</u>	<u>\$</u>
Fund Balance, January 1	18,445.30	18,445.30	18,445.30
	<u>\$ 18,445.30</u>	<u>\$ 18,445.30</u>	<u>\$ 18,445.30</u>
Decreased by:			
Utilized by Operating Budget	<u>\$</u>	<u>\$</u>	<u>\$</u>
Fund Balance, December 31	<u>\$ 18,445.30</u>	<u>\$ 18,445.30</u>	<u>\$ 18,445.30</u>

See Accountant's Report

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

TOWNSHIP OF HILLSIDE

PUBLIC ASSISTANCE TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u> <u>Unaudited</u>	BALANCE DECEMBER <u>31, 2017</u>	BALANCE DECEMBER <u>31, 2016</u>
<u>A S S E T S</u>			
Due Current Fund	\$ <u>17,137.82</u>	\$ <u>17,137.82</u>	\$ <u>17,137.82</u>
	\$ <u><u>17,137.82</u></u>	\$ <u><u>17,137.82</u></u>	\$ <u><u>17,137.82</u></u>
<u>LIABILITIES AND RESERVES</u>			
Due State of New Jersey	\$ <u>17,137.82</u>	\$ <u>17,137.82</u>	\$ <u>17,137.82</u>
	\$ <u><u>17,137.82</u></u>	\$ <u><u>17,137.82</u></u>	\$ <u><u>17,137.82</u></u>

See Accountant's Report

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

## TOWNSHIP OF HILLSIDE

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017 AND 2016

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

The Township of Hillside is an instrumentality of the State of New Jersey, established to function as a municipality. The Township Council consists of elected officials and is responsible for the fiscal control of the Township.

Except as noted below, the financial statements of the Township of Hillside include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Hillside, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Township of Hillside do not include the operations of the municipal library or the Board of Education, inasmuch as their activities are administered by separate boards.

##### B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with Generally Accepted Accounting Principles (GAAP).

The Accounting policies of the Township of Hillside conform to the accounting principles applicable to municipalities which 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 financial transactions and accounts of the Township of Hillside are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Township accounts for its financial transactions through the following individual funds and account group:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund - resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

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

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Swim Pool Utility Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally-owned Swim Pool Utility.

Public Assistance Trust Fund - receipt and disbursement of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey statutes.

General Fixed Asset Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and State grants are realized as revenue when anticipated in the Township's budget. 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 the Township, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances, at December 31, are reported as a cash liability in the financial statements and constitute part of the Township's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders, at December 31, are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

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 General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - New Jersey Administrative Code (N.J.A.C. 5:30-5.6), Accounting for Governmental Fixed Assets, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Township as part of its basic financial statements. General fixed assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on general fixed assets or reported in the financial statements. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Buildings and land are stated at the assessed value contained in the Township's most recent property revaluation.

The Township developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

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. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Fixed Capital - Swim Pool Utility - Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Swim Pool Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital - Swim Pool Utility (Continued) - The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. 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 cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

Accounting and Financial Reporting for Pensions - The Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Assets area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Township considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. Under (GUDPA), 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 the deposits to the governmental unit.

The Township of Hillside had the following cash and cash equivalents at December 31, 2017:

<u>Fund</u>	<u>Cash in Bank</u>	<u>Reconciling Items</u>	<u>Change Funds</u>	<u>Total</u>
Checking Accounts	\$22,492,176.66	(\$3,159,747.33)		\$19,332,429.33
Change Funds			\$690.00	690.00
Total Cash and Cash Equivalents	<u>\$22,492,176.66</u>	<u>(\$3,159,747.33)</u>	<u>\$690.00</u>	<u>\$19,333,119.33</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The District does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2017, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank of \$22,492,176.66, \$250,000.00 was covered by Federal Depository Insurance, \$22,242,176.66 was covered under the provisions of NJGUDPA.

B. Investments

The purchase of investments by the Township is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following types of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
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 that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is not more than 30 days;
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2017, the Township has \$0.00 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the Township is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risk for its deposits and investments.

The Township of Hillside's investment activities during the year were in accordance with the above New Jersey Statute.

NOTE 3: GOVERNMENTAL DEBT

Long-Term Debt

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the regulatory period of usefulness. All bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds.

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long-Term Debt (Continued)

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT  
AND OPERATING DEBT AND TYPE II SCHOOL DEBT)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Issued:			
General:			
Bonds, Notes and Loans	\$7,430,299.47	\$3,051,635.27	\$3,533,769.59
Swim Pool Utility:			
Notes	<u>67,240.00</u>	<u>69,826.00</u>	<u>72,412.00</u>
Total Issued	<u>\$7,497,539.47</u>	<u>\$3,121,461.27</u>	<u>\$3,606,181.59</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	1,326,318.42	5,868,317.42	1,326,317.42
Swim Pool Utility:			
Bonds and Notes	<u>100,600.00</u>	<u>100,600.00</u>	<u>100,600.00</u>
Total Authorized But Not Issued	<u>1,426,918.42</u>	<u>5,968,917.42</u>	<u>1,426,917.42</u>
Net Bonds and Notes Issued and and Authorized But Not Issued	<u><u>\$8,924,457.89</u></u>	<u><u>\$9,090,378.69</u></u>	<u><u>\$5,033,099.01</u></u>

SUMMARY OF REGULATORY DEBT CONDITION  
(ANNUAL DEBT STATEMENT AS OF DECEMBER 31, 2017)

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 regulatory net debt of .498%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Swim Pool Debt	\$167,840.00	\$80,520.00	\$87,320.00
General Debt	<u>8,270,068.89</u>	<u>-0-</u>	<u>8,270,068.89</u>
	<u><u>\$8,437,908.89</u></u>	<u><u>\$80,520.00</u></u>	<u><u>\$8,357,388.89</u></u>

NET DEBT \$8,357,388.89 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2, AS AMENDED, \$1,679,230,721.33 EQUALS .498%.

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long-Term Debt (Continued)

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED - DEBT LIMITATION

Equalized Valuation Basis* - December 31, 2017	\$1,679,230,721.33
3-1/2 of Equalized Valuation Basis	58,773,075.25
Net Debt	<u>8,357,388.89</u>
Remaining Borrowing Power	<u><u>\$50,415,686.36</u></u>

\*Equalized Valuation Basis is the average of the equalized valuations of Real Estate, including improvements, and the assessed valuation of Class II Rail Road Property of the Township for the last three (3) preceding years.

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2017, the Township has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$ 1,326,318.42</u>
Swim Pool Capital Fund	<u>\$ 100,600.00</u>

ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS

The Township has entered into four Environmental Infrastructure Trust Loan Agreements with the State of New Jersey for the Joint Meeting of Essex and Union Counties project. The loans are payable over 20 years. The first loan 2002A dated 10/15/02, consists of two parts, an interest bearing portion of \$200,000.00 (the Trust Loan) and a non-interest bearing portion of \$208,697.00 (the Fund Loan). The rate of Interest on the Trust Loan is variable ranging from 3.00% to 5.25%.

Following are the maturities and debt schedule for the outstanding principal and interest on the loan:

Year	Trust Loan 2002A		Fund Loan	
	Principal	Interest	Principal	Total
2018	\$15,000.00	\$3,712.50	\$12,120.77	\$30,833.27
2019	15,000.00	2,962.50	11,634.97	29,597.47
2020	15,000.00	2,212.50	11,149.16	28,361.66
2021	15,000.00	1,462.50	10,663.36	27,125.86
2023	15,000.00	712.50	10,177.77	25,890.27
	<u>\$75,000.00</u>	<u>\$11,062.50</u>	<u>\$55,746.03</u>	<u>\$141,808.53</u>



NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long-Term Debt (Continued)

ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS (CONTINUED)

The second Environmental Infrastructure Trust loan, 2006A dated 11/09/06, also consists of two parts, an interest bearing portion of \$105,000.00 (the Trust Loan) and a non-interest bearing portion of \$300,397.00 (the Fund Loan). The rate of Interest on the Trust Loan is variable ranging from 4.00% to 5.00%.

Following are the maturities and debt schedule for the outstanding principal and interest on the loan:

<u>Year</u>	<u>Trust Loan 2006A</u>		<u>Fund Loan</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2018	\$5,000.00	\$2,325.00	\$13,903.95	\$21,228.95
2019	5,000.00	2,125.00	13,524.32	20,649.32
2020	5,000.00	1,925.00	13,144.69	20,069.69
2021	5,000.00	1,725.00	12,765.06	19,490.06
2022	5,000.00	1,518.76	12,373.56	18,892.32
2023	5,000.00	1,312.50	11,982.08	18,294.58
2024	5,000.00	1,100.00	11,578.72	17,678.72
2025	10,000.00	850.00	20,594.94	31,444.94
2026	10,000.00	425.00	19,788.39	30,213.39
	<u>\$55,000.00</u>	<u>\$13,306.26</u>	<u>\$129,655.71</u>	<u>\$197,961.97</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long-Term Debt (Continued)

ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS (CONTINUED)

The third Environmental Infrastructure Trust loan, 2010A dated 03/10/10, also consists of two parts, an interest bearing portion of \$125,000.00 (the Trust Loan) and a non-interest bearing portion of \$122,926.00 (the Fund Loan). The rate of Interest on the Trust Loan is variable ranging from 4.00% to 5.00%.

Following are the maturities and debt schedule for the outstanding principal and interest on the loan:

<u>Year</u>	<u>Trust Loan JMECU</u>		<u>Fund Loan</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2018	\$5,000.00	\$6,700.00	\$19,797.00	\$31,497.00
2019	5,000.00	6,450.00	19,797.00	31,247.00
2020	5,000.00	6,200.00	19,797.00	30,997.00
2021	5,000.00	5,950.00	19,797.00	30,747.00
2022	10,000.00	5,700.00	19,797.00	35,497.00
2023	10,000.00	5,200.00	19,797.00	34,997.00
2024	10,000.00	4,700.00	19,797.00	34,497.00
2025	10,000.00	4,200.00	19,797.00	33,997.00
2026	10,000.00	3,700.00	19,797.00	33,497.00
2027	10,000.00	3,200.00	19,797.00	32,997.00
2028	10,000.00	2,800.00	19,797.00	32,597.00
2029	10,000.00	2,400.00	19,797.00	32,197.00
2030	10,000.00	2,000.00	19,797.00	31,797.00
2031	10,000.00	1,600.00	19,797.00	31,397.00
2032	10,000.00	1,200.00	19,797.00	30,997.00
2033	10,000.00	800.00	19,797.00	30,597.00
2034	10,000.00	400.00	19,797.00	30,197.00
	<u>\$150,000.00</u>	<u>\$63,200.00</u>	<u>\$336,549.00</u>	<u>\$549,749.00</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long-Term Debt (Continued)

ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS

The fourth Environmental Infrastructure Trust loan, 2015A-1 dated 05/28/15, also consists of two parts, an interest bearing portion of \$160,000.00 (the Trust Loan) and a non-interest bearing portion of \$389,341.00 (the Fund Loan). The rate of Interest on the Trust Loan is variable ranging from 4.00% to 5.00%.

Following are the maturities and debt schedule for the outstanding principal and interest on the loan:

<u>Year</u>	<u>Trust Loan JMECU</u>		<u>Fund Loan</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2018	\$5,000.00	\$6,700.00	\$19,797.00	\$31,497.00
2019	5,000.00	6,450.00	19,797.00	31,247.00
2020	5,000.00	6,200.00	19,797.00	30,997.00
2021	5,000.00	5,950.00	19,797.00	30,747.00
2022	10,000.00	5,700.00	19,797.00	35,497.00
2023	10,000.00	5,200.00	19,797.00	34,997.00
2024	10,000.00	4,700.00	19,797.00	34,497.00
2025	10,000.00	4,200.00	19,797.00	33,997.00
2026	10,000.00	3,700.00	19,797.00	33,497.00
2027	10,000.00	3,200.00	19,797.00	32,997.00
2028	10,000.00	2,800.00	19,797.00	32,597.00
2029	10,000.00	2,400.00	19,797.00	32,197.00
2030	10,000.00	2,000.00	19,797.00	31,797.00
2031	10,000.00	1,600.00	19,797.00	31,397.00
2032	10,000.00	1,200.00	19,797.00	30,997.00
2033	10,000.00	800.00	19,797.00	30,597.00
2034	10,000.00	400.00	19,797.00	30,197.00
	<u>\$150,000.00</u>	<u>\$63,200.00</u>	<u>\$336,549.00</u>	<u>\$549,749.00</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Short-Term Debt

BOND ANTICIPATION NOTES

Outstanding Bond Anticipation Notes are summarized as follows:

General Capital Fund:

<u>Ordinance Number</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2017</u>
09-019	08/12/09	08/04/17	08/03/18	2.500%	\$1,202,561.00
08-020	08/12/09	08/04/17	08/03/18	2.500%	718,782.00
16-005	07/26/17	07/26/17	07/25/18	2.500%	<u>4,542,000.00</u>
					<u>\$6,463,343.00</u>

Swim Pool Utility Capital Fund:

<u>Ordinance Number</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2017</u>
12-011	08/10/12	08/04/17	08/03/18	2.500%	<u>\$67,240.00</u>

NOTE 4: FUND BALANCE APPROPRIATED

Fund balances, at December 31, 2017, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018 were as follows:

Current Fund	<u>\$3,738,800.00</u>
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NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Township bills and collects its own property taxes and also the taxes for the County and local school district. The collections and remittance of county and school taxes are accounted for in the Current Fund. Township property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Township's Current Fund.

NOTE 5: PROPERTY TAXES (CONTINUED)

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, <u>2017</u>	BALANCE DECEMBER 31, <u>2016</u>
Prepaid Taxes	<u>\$793,641.49</u>	<u>\$230,250.00</u>

NOTE 6: PENSION PLANS

Plan Descriptions

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), the Police, Firemen's Retirement System (PFRS), the Consolidated Police and Firemen's Pension Fund or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund.

These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at [www.nj.gov/treasury/pensions/annrpts.shtml](http://www.nj.gov/treasury/pensions/annrpts.shtml).

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Police and Fireman's Retirement System (PFRS) - The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

NOTE 6: PENSION PLANS (CONTINUED)

Consolidated Police and Firemen's Pension Fund - The Consolidated Police and Firemen's Retirement System (CPFRS) is a closed system with no active members and was established in January 1952 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit. In which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

NOTE 6: PENSION PLANS (CONTINUED)

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2017 PERS provides for employee contributions of 7.34% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2017, members contributed at a uniform rate of 10.00% of base salary.

Certain portions of the cost are contributed by the employees. The Township's share of pension costs, which is based upon the annual billings received from the State, amounted to \$3,599,495.39 for 2017, \$3,580,680.15 for 2016 and \$3,577,528.29 for 2015.

All contributions were equal to the required contributions for each of the three years, respectively.

Certain Township employees are also covered by the Federal Insurance Contribution Act.

Information as to the comparison of the actuarially computed value of vested benefit with the system's assets is not available from the State Retirement System and, therefore, is not presented.

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) of the participating municipality as of December 31, 2017. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68 (Continued)

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at December 31, 2017.

Public Employees Retirement System (PERS)

At June 30, 2017, the State reported a net pension liability of \$11,321,291.00 for the Township of Hillside's proportionate share of the total net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Township's proportion was 0.0486343163 percent, which was a decrease of 0.0041233984 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State recognized an actuarially determined pension expense of \$291,621.00 for the Township of Hillside's proportionate share of the total pension expense. The pension expense recognized in the Township's financial statement based on the April 1, 2017 billing was \$468,692.00.

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	-	\$266,577.00
Changes of assumptions	\$2,272,488.00	2,280,850.00
Net difference between projected and actual earnings on pension plan investments		77,090.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	<u>\$1,900,811.00</u>	<u>207,129.00</u>
	<u>\$4,173,299.00</u>	<u>\$2,831,646.00</u>



NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Other local amounts reported by the State as the Township's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	(\$269,524.00)
2019	(95,498.00)
2020	(152,115.00)
2021	(486,885.00)
2022	<u>(337,631.00)</u>
	<u>(\$1,341,653.00)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. These actuarial valuations used the following assumptions:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation	2.25 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	1.65-4.15 Percent	1.65-4.15 Percent
Thereafter	2.65-5.15 Percent	2.65-5.15 Percent
Investment Rate of Return	7.00 Percent	7.65 percent

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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, 2016 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.

Long-Term Rate of Return

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

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return (Continued)

<u>Asset Class</u>	June 30, 2017	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, 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:

	June 30, 2017		
	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Township's proportionate share of the pension liability	\$14,044,830.00	\$11,321,291.00	\$9,052,246.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

Police and Firemen's Retirement System (PFRS)

At June 30, 2017, the State reported a net pension liability of \$53,610,752.00 for the Township of Hillside's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Township's proportion was 0.3472633788 percent, which was a decrease of 0.0109212897 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State recognized an actuarially determined pension expense of \$4,549,442.00. The pension expense recognized in the Township's financial statement based on the April 1, 2017 billing was \$2,920,425.00.

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$314,651.00	\$347,795.00
Changes of assumptions	8,779,874.00	6,610,803.00
Net difference between projected and actual earnings on pension plan investments		1,023,019.00
Changes in proportion and differences between the Township's contribution and proportionate share of contributions	<u>2,297,084.00</u>	<u>749,360.00</u>
	<u>\$11,391,609.00</u>	<u>\$8,730,977.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2018	\$356,427.00
2019	1,542,846.00
2020	(425,089.00)
2021	(2,850,265.00)
2022	<u>(1,284,551.00)</u>
	<u>(\$2,660,632.00)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions:

	<u>2016</u>	<u>2017</u>
Inflation	3.08 Percent	2.25 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent Based on Age	2.10-8.98 Percent Based on Age
Thereafter	3.10-9.98 Percent Based on Age	3.10-9.98 Percent Based on Age
Investment Rate of Return	7.65 Percent	7.00 Percent

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.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2017 and 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.

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Rate of Return (Continued)

Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.14% and 5.55% as of June 30, 2017 and June 30, 2016 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 and 7.65% and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and June 30, 2016 respectively based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.



NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, 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:

	June 30, 2017		
	1% Decrease <u>5.14%</u>	At Current Discount Rate <u>6.14%</u>	1% Increase <u>7.14%</u>
Township's proportionate share of the PFRS pension liability	\$70,636,581.00	\$53,610,752.00	\$39,622,098.00

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation

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

At June 30, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$6,004,855.00 and \$5,745,787.00 respectively.

At June 30, 2017, the Township's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Township's Proportionate Share of Net Pension Liability	\$53,610,752.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Township	<u>6,004,855.00</u>
	<u>\$59,615,607.00</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 7: COMPENSATED ABSENCES (UNAUDITED)

Under the existing policy of the Township, certain employees are allowed to accumulate unused vacation and sick pay over the life of their working careers, which may be taken as time off, or paid at the later date, at an agreed upon rate. At December 31, 2017, the estimated cost of such unpaid compensation is not currently known. Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented. The Township has accumulated \$53,001.99 for this purpose in the Current Fund and continues to budget funds to provide for these liabilities as they arise.

NOTE 8: LITIGATION

The Township Attorney's letter did not indicate any litigation, claims or contingent liabilities that are either not covered by the Township's insurance carrier or would have a material financial impact on the Township.

NOTE 9: TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S. 40A:2-51.

NOTE 10: CONTINGENT LIABILITIES

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2017, the Township does not believe that any material liabilities will result from such audits.

NOTE 11: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 11: RISK MANAGEMENT (CONTINUED)

The Township has also established a self-insurance program in accordance with New Jersey Statute Chapter 40:10. The statute enables the governing body of any local unit to provide insurance coverage for its exposure to a wide variety of property and liability casualty risks. The Township self-insures for workers compensation exposure. The Township has purchased a separate excess workers' compensation policy for coverage of losses in excess of a \$450,000.00 per occurrence.

At December 31, 2017, the Township's exposure for claims incurred under the above self-insurance programs is not presently determinable.

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. Below is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the Township's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Contributions</u>		<u>Amount Reimbursed</u>	<u>Ending Balance</u>
	<u>Township</u>	<u>Employee</u>		
2017	-0-	-0-	-0-	\$120,084.13
2016	-0-	-0-	-0-	120,084.13
2015	-0-	-0-	-0-	120,084.13

In 2017, the Township did not transfer the Budget Appropriation to the Trust Fund. Instead unemployment expenditures, totaling \$39,230.51, were charged directly to the 2017 Appropriations

NOTE 12: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, the following deferred charges are shown on the Balance Sheets of the Township:

	BALANCE DECEMBER 31 <u>2017</u>	2018 BUDGET APPROPRIATION	DEFERRED AMOUNT
Current Fund:			
Special Emergency Authorization 40A:4-53	\$971,557.82	\$240,000.00	\$731,557.82
Expenditure without an Appropriation	167,209.95	160,699.99	6,509.96
Overexpenditure of Appropriations	<u>30,245.00</u>	<u></u>	<u>30,245.00</u>
	<u>\$1,169,012.77</u>	<u>\$400,699.99</u>	<u>\$768,312.78</u>
Swim Pool Utility Operating Fund:			
Operating Deficit	<u>\$22,327.28</u>	<u>\$22,327.28</u>	<u>\$-0-</u>

NOTE 13: DEFERRED COMPENSATION PLAN

The Township offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 457. The plan, available to all Township employees, permits them to defer a portion of their salaries until future years. The township does not make any contribution to the plans. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardship.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Township's Plans were amended to require that all amounts of compensation deferred under the Plans are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plans are held in trust, in annuity contracts or custodial accounts. All assets of the plans are held by independent administrators.

The accompanying financial statements do not include the Township's Deferred Compensation Plans activities.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2017:

	Interfund <u>Receivable</u>	Interfund <u>Payable</u>
Current Fund	\$ 1,459,314.08	\$ 3,536,638.39
Grant Fund	279,307.50	671,004.50
Animal Control Trust Fund		103,357.08
Trust Other Fund	3,525,514.55	357,111.80
General Capital Fund	75,123.29	362,604.28
Swim Pool Operating Fund	39,791.63	10,584.06
Swim Pool Capital Fund	10,584.06	98,075.79
Public Assistance Trust Fund II	17,137.82	
Net Payroll Account	145,393.70	181,383.80
Payroll Agency Account		231,406.93
	<u>\$ 5,552,166.63</u>	<u>\$ 5,552,166.63</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

NOTE 15: LEASE PURCHASE AGREEMENT

The Township has entered into the following agreements with the Union County Improvement Authority to lease purchase various capital items as follows:

<u>DATE</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
2004	Capital Equipment	\$1,542,811.61
2006	Capital Equipment	\$7,951,779.52

In accordance with the terms of the lease agreements, the Township will be obligated to make the following rental payments:

<u>Year Ended December 31</u>	<u>Capital Equipment Lease - 2004</u>	<u>Capital Equipment Lease - 2006</u>	<u>Total</u>
2018	\$59,140.40	\$306,577.68	\$365,718.08
2019	55,817.90	296,006.04	351,823.94
2020		285,434.40	285,434.40
2021		274,862.76	274,862.76
	<u>\$114,958.30</u>	<u>\$1,162,880.88</u>	<u>\$1,277,839.18</u>

NOTE 16: SUBSEQUENT EVENTS

The Township has evaluated material subsequent events occurring after the financial statement date through October 17, 2018 which is the date the financial statements were available to be issued. Based upon this evaluation, the Township has determined that there are no material subsequent events needed to be disclosed.

NOTE 17: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

The Township provides Post-Retirement Benefits to certain employees who have retired after twenty-five years of service, in accordance with the terms of their various labor agreements or in accordance with municipal ordinance. These benefits, which include health insurance, prescription, dental and vision coverage, are provided for life.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement requires the municipality to disclose in the notes to the financial statements the present value of the estimated future cost of the other post employment benefits (OPEB). OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their balance sheets; however, OPEB obligations are required to be disclosed in the notes, commencing with the 2008 fiscal year.

The Township has not determined its OPEB obligations as of December 31, 2017; therefore, no amount is disclosed herein.

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**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION**

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

June \_\_\_, 2019

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

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$7,530,000 aggregate principal amount of General Improvement Bonds, Series 2019 (the "Bonds"), of the Township of Hillside, in the County of Union (the "Township"), a municipal corporation of the State of New Jersey (the "State").

The Bonds are authorized by and are issued pursuant to: (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) various bond ordinances duly adopted by the Township Council of the Township, approved by the Mayor and published as required by law; and (iii) a resolution duly adopted by the Township Council of the Township on May 14, 2019.

The Bonds are issued in fully registered, book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year. Individual purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount 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 Bonds, payments of the principal of and interest on the Bonds will be made by the Township as Paying Agent (or a Paying Agent duly appointed by the Township) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth day of May and November (each an "Interest Payment Date"), commencing November 15, 2019, in each year until maturity or prior redemption. The Bonds shall mature on May 15 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$305,000	5.000%
2021	305,000	5.000
2022	610,000	5.000
2023	610,000	5.000
2024	610,000	5.000
2025	570,000	5.000
2026	565,000	5.000
2027	565,000	2.000
2028	565,000	2.125
2029	565,000	2.250
2030	565,000	3.000
2031	565,000	3.000
2032	565,000	3.000
2033	565,000	3.000

The Bonds of this issue maturing prior to May 15, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after May 15, 2027 are redeemable at the option of the Township, in whole or in part, on any date on or after May 15, 2026, upon notice as required therein, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

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

We are of the opinion that (i) such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding general obligations of the Township enforceable in accordance with their terms, and (iii) the Township has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, 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 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Township has covenanted in its tax certificate relating to the Bonds to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

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

The Bonds maturing on May 15 in the years 2020 through 2026, inclusive, and in the years 2030 through 2033, inclusive (collectively, the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

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

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 Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

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

We have examined one of the Bonds, as executed by the Township, and, in our opinion, the form of the Bond and its execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated June 28, 2019 (the "Disclosure Certificate") is executed and delivered by the Township of Hillside, in the County of Union, State of New Jersey (the "Township" or the "Issuer") in connection with the issuance of its \$7,530,000 aggregate principal amount of General Improvement Bonds, Series 2019 (the "Bonds"), all such Bonds being dated their date of delivery. The Bonds are being issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., various bond ordinances duly adopted by the Township Council of the Township, approved by the Mayor and published as required by law, and a resolution entitled, "RESOLUTION PROVIDING FOR THE COMBINATION OF CERTAIN BOND ORDINANCES AND DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF \$8,000,000 GENERAL IMPROVEMENT BONDS, SERIES 2019, OF THE TOWNSHIP OF HILLSIDE, IN THE COUNTY OF UNION, STATE OF NEW JERSEY AND PROVIDING FOR THEIR SALE" (the "Resolution"), being duly adopted by the Township Council of the Township on May 14, 2019. The Township covenants and agrees as follows:

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

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

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

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

*"Business Day"* shall mean any day other than a Saturday, Sunday or a day on which the Township or the Dissemination Agent is authorized by law or contract to remain closed.

*"Continuing Disclosure Information"* shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Dissemination Agent with EMMA (as defined below) pursuant to Section 3 of this Disclosure Certificate, and (iii) any notice of a Listed Event required to be filed by the Township or the Dissemination Agent, as applicable, with EMMA pursuant to Section 5 of this Disclosure Certificate.

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

*“Dissemination Agent”* shall mean, initially, Phoenix Advisors, LLC, or any Dissemination Agent subsequently designated in writing by the Township which has filed with the Township a written acceptance of such designation.

*“EMMA”* shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined below) and approved by the SEC (as defined below) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Township or the Dissemination Agent shall submit disclosure documents to EMMA as a Portable Document File (PDF file) to [www.emma.msrb.org](http://www.emma.msrb.org).

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

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

*“MSRB”* shall mean the Municipal Securities Rulemaking Board.

*“National Repository”* shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC (as defined below) as a repository for purposes of the Rule (as defined below).

*“Rule”* shall mean Rule 15c2-12(b)(5) adopted by the SEC (as defined below) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

*“SEC”* shall mean the United States Securities and Exchange Commission.

*“State”* shall mean the State of New Jersey.

*“Underwriters”* shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

**SECTION 3. Provision of Annual Reports.** (a) The Township shall, not later than two hundred seventy (270) days after the end of its fiscal year (currently December 31) for each fiscal year until termination of the Township’s reporting obligations under

this Disclosure Certificate pursuant to the provisions of Section 6 of this Disclosure Certificate, provide to the Dissemination Agent the Annual Report prepared for the preceding fiscal year of the Township (commencing for the fiscal year ending December 31, 2018). Each Annual Report provided to the Dissemination Agent by the Township shall comply with the requirements of Section 4 of this Disclosure Certificate but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

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

(c) If the Township fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Township advising of such failure. Whether or not such notice is given or received, if the Township thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with a copy of said notice to the Township) to the National Repository in substantially the form attached as Exhibit A hereto.

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

(1) The audited financial statements of the Township as of December 31 of each year (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available);

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

(2) The most current annual debt statement of the Township (as of December 31); and

(3) The general financial information and operating data of the Township consistent with the information set forth in Appendix A to the Official Statement dated June 13, 2019 prepared in connection with the sale of the Bonds (the "Official

Statement"), consisting of (1) Township indebtedness, (2) property valuation information, and (3) tax rate, levy and collection data.

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

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

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

13. The consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a financial obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Township, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Township, any of which reflect financial difficulties.

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

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

(c) If the Township determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Township shall promptly notify the Dissemination Agent in writing (if the Township is not the Dissemination Agent) and the Township shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Township determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the Township shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the

Township) and the Dissemination Agent (if the Dissemination Agent is not the Township) shall be instructed by the Township not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Township to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Township (if the Dissemination Agent is not the Township). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Resolution.

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

**SECTION 7. Dissemination Agent; Compensation.** The Township may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Phoenix Advisors, LLC. The Township shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Township may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Township to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Township or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Resolution at the time of the amendment. The Township shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 of this Disclosure Certificate. Notwithstanding the above, the addition of or change in the

Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

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

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Township from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Township chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Township shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the Township to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Township to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Township to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Township agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Township) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful

misconduct. To the extent permitted by law, the Township further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Township under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Township, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

**SECTION 13. Notices.** All notices and submissions required hereunder shall be given to the following, or their successors, by electronic mail (with evidence of confirmation of receipt) facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Township:

Township of Hillside  
1409 Liberty Avenue  
Hillside, New Jersey 07205  
Attention: Chief Financial Officer

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

Phoenix Advisors, LLC  
625 Farnsworth Avenue  
Bordentown, New Jersey 08505

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

**SECTION 14. Counterparts.** This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Township and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

**SECTION 15. Severability.** If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Township and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.



**SECTION 16. Governing Law.** This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**TOWNSHIP OF HILLSIDE, IN THE  
COUNTY OF UNION, NEW JERSEY**

By: \_\_\_\_\_  
**GLYNN JONES**  
Chief Financial Officer

**Acknowledged and Accepted by:**

**PHOENIX ADVISORS, LLC,  
as Dissemination Agent**

\_\_\_\_\_  
**Authorized Signatory**

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE  
TO FILE ANNUAL REPORT**

Name of Issuer: Township of Hillside,  
in the County of Union, State of New Jersey

Name of Issue: \$7,530,000 General Improvement Bonds, Series 2019  
Dated: June 28, 2019  
(CUSIP Number: 432673GN5)

Date of Issuance: June 28, 2019

NOTICE IS HEREBY GIVEN that the above designated Township has not provided an Annual Report with respect to the above-named Bonds as required by the Resolution and a Continuing Disclosure Certificate for the Bonds dated June 28, 2019 executed by the Township.

DATED: \_\_\_\_\_

\_\_\_\_\_  
**DISSEMINATION AGENT**  
(on behalf of the Township)

cc: The Township

**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100