

OFFICIAL STATEMENT DATED APRIL 19, 2018

NEW ISSUE
BOOK-ENTRY ONLY

Rating (Bonds): S&P: "AA-"
Rating (Notes): S&P: "SP-1+"
(See "RATINGS" herein)

In the opinion of GluckWalrath LLP, Bond Counsel, assuming continuing compliance by the Township with certain covenants described herein and with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Bonds and the Notes, under statutes and court decisions existing on the date of original delivery of the Bonds and the Notes, interest on the Bonds and Notes is excluded from gross income of the holders of the Bonds and Notes for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Bonds and the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals or corporations. No other opinion is expressed regarding other federal tax consequences arising with respect to the Bonds and the Notes. Further, in the opinion of Bond Counsel, under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Bonds and the Notes, interest on the Bonds and the Notes and any gain from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$4,580,000
TOWNSHIP OF STAFFORD
IN THE COUNTY OF OCEAN, NEW JERSEY
GENERAL IMPROVEMENT BONDS, SERIES 2018
(Not Bank Qualified) (Callable)

\$7,440,000
TOWNSHIP OF STAFFORD
IN THE COUNTY OF OCEAN, NEW JERSEY
BOND ANTICIPATION NOTES, SERIES 2018A
consisting of:
\$3,940,000 General Improvement Notes
\$3,500,000 Water/Sewer Utility Notes
(Not Bank Qualified) (Not Callable)
Coupon: 2.75% Yield: 1.85%

Dated: Date of Delivery
Due: May 1, as shown on the inside front cover

Dated: Date of Delivery
Due: May 2, 2019

The \$4,580,000 aggregate principal amount of General Improvement Bonds, Series 2018 (the "Bonds") are general obligations of the Township of Stafford, in the County of Ocean, State of New Jersey (the "Township") for which the full faith and credit of the Township are pledged. 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 thereof and the interest thereon.

The \$7,440,000 aggregate principal amount of Bond Anticipation Notes, Series 2018A consisting of \$3,940,000 General Improvement Notes (the "General Improvement Notes") and \$3,500,000 Water/Sewer Utility Notes (the "Water/Sewer Utility Notes", and together with the General Improvement Notes, the "Notes"), dated the date of delivery, are also general obligations of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the Township for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The Bonds and the Notes will be issued in fully registered book-entry only form and, when issued, the Bonds will, and the Notes may, 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 and the Notes. Individual purchases of the Bonds will, and the Notes may, be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof, except that any amount of Bonds and Notes maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof.

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on May 1 and November 1 of each year, commencing November 1, 2018, at such rates of interest, as shown on the inside front cover page hereof, until maturity. 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).

The Notes will bear interest at the rate per annum and reoffering yield, as shown on the inside front cover page, commencing from their date of delivery. Interest on the Notes will be payable at maturity on May 2, 2019. Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent at the date of maturity.

While DTC is acting as securities depository for the Bonds and the Notes, the principal of and interest on the Bonds and the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Bonds or the Notes. 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 on the dates set forth herein and by a resolution duly adopted by the Township Council on March 27, 2018. The Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, and various bond ordinances duly adopted by the Township Council on the dates set forth herein.

The proceeds of the Bonds, along with other available funds of the Township, will be used to: (i) currently refund and permanently finance a portion of the outstanding bond anticipation notes of the Township; (ii) finance the cost of various capital improvements in and by the Township; and (iii) pay the costs associated with the issuance of the Bonds.

The Notes are being issued to: (i) temporarily finance the cost of various general improvements and water/sewer improvements in and by the Township; and (ii) pay the costs associated with the of issuance of the Notes.

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

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

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

The Bonds and Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by GluckWalrath LLP, Red Bank, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Township in connection with the issuance of the Bonds and the Notes. Certain legal matters will be passed upon for the Township by the Township Attorney, Dasti, Murphy, McGuckin, Ulaky, Koutsouris & Connors, Forked River, New Jersey. It is anticipated that the Bonds will and the Notes may be available for delivery through DTC on or about May 3, 2018.

Underwriter for the Bonds
See "Underwriting" herein

Underwriter for the Notes
Jefferies

**TOWNSHIP OF STAFFORD
IN THE COUNTY OF OCEAN, NEW JERSEY**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

**\$4,580,000 GENERAL IMPROVEMENT BONDS, SERIES 2018
(Not Bank Qualified) (Callable)**

<u>Maturity (May 1)</u>	<u>Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP**</u>
2019	\$190,000	5.00%	1.75%	852529SX5
2020	205,000	5.00	1.83	852529SY3
2021	295,000	5.00	1.99	852529SZ0
2022	310,000	5.00	2.08	852529TA4
2023	320,000	5.00	2.19	852529TB2
2024	325,000	5.00	2.26	852529TC0
2025	335,000	5.00	2.35	852529TD8
2026	345,000	5.00	2.45	852529TE6
2027	360,000	3.00	2.80	852529TF3
2028	375,000	3.00	2.90	852529TG1
2029	380,000	3.00	2.95	852529TH9
2030	380,000	3.00	3.00	852529TJ5
2031	380,000	3.00	3.05	852529TK2
2032	380,000	3.00	3.15	852529TL0

** CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. 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 the Bonds.

**TOWNSHIP OF STAFFORD
IN THE COUNTY OF OCEAN, NEW JERSEY
260 E. BAY AVENUE
MANAHAWKIN, NJ 08050-3498
(609) 597-1000**

MAYOR
John Spodofora

TOWNSHIP COUNCIL
Paul Marchal - President
Stephen Fessler
Steve Jeffries
Sharon McKenna
Alan R. Smith
David J. Taylor

CHIEF FINANCIAL OFFICER
Douglas R. Gannon

TAX COLLECTOR
Margaret B. Favorito, CTC

TOWNSHIP ATTORNEY
Dasti, Murphy, McGuckin, Ulaky, Koutsouris & Connors
Forked River, New Jersey

AUDITOR
Holman Frenia Allison, P.C.
Medford, New Jersey

BOND COUNSEL
GluckWalrath LLP
Red Bank, New Jersey

MUNICIPAL ADVISOR
Phoenix Advisors, LLC
Bordentown, New Jersey

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

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

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

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**OFFICIAL STATEMENT
OF THE
TOWNSHIP OF STAFFORD
IN THE COUNTY OF OCEAN, STATE OF NEW JERSEY**

RELATING TO

**\$4,580,000 GENERAL IMPROVEMENT BONDS, SERIES 2018
(Not Bank Qualified) (Callable)**

and

\$7,440,000 BOND ANTICIPATION NOTES, SERIES 2018A

consisting of:

\$3,940,000 General Improvement Notes

\$3,500,000 Water/Sewer Utility Notes

(Not Bank Qualified)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and the appendices attached hereto, has been prepared by the Township of Stafford (the "Township"), in the County of Ocean (the "County"), New Jersey (the "State") in connection with the sale and issuance of \$4,580,000 aggregate principal amount of General Improvement Bonds, Series 2018 (the "Bonds") and \$7,440,000 aggregate principal amount of Bond Anticipation Notes, Series 2018A consisting of \$3,940,000 General Improvement Notes (the "General Improvement Notes") and \$3,500,000 Water/Sewer Utility Notes (the "Water/Sewer Utility Notes", and together with the General Improvement Notes, the "Notes") of the Township.

THE BONDS

General Description

The Bonds will be dated the date of delivery and will mature on May 1 in each of the years and in the principal amounts as shown on the inside cover page hereof. The interest on the Bonds will be payable semi-annually beginning November 1, 2018 and on each May 1 and November 1 thereafter. The record dates for the Bonds is each preceding April 15 and October 15, respectively (the "Record Dates"). The Bonds will be issued in book-entry form only. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

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

Optional Redemption

The Bonds maturing prior to May 1, 2026 are not subject to optional redemption. The Bonds maturing on or after May 1, 2026 shall be subject to redemption at the option of the Township, in whole or in part, on any date on or after May 1, 2025 at a price of 100% of the principal amount being redeemed (the "Redemption Price"), plus unpaid accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the 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 (the "Depository Trust Company") (or any successor thereto) acts as securities depository for the Bonds ("Securities Depository"), such Notice of Redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the 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, the Bonds to be redeemed shall be selected by the Township; within a maturity the Bonds to be redeemed shall be selected by the Securities Depository in accordance with its procedures.

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 and after such redemption date.

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"), and are authorized by 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 published and approved as required by law, and by a resolution duly adopted by the Township Council on March 27, 2018.

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 will be used to provide funds, along with other available funds of the Township in the amount of \$519,000 to: (i) refund, on a current basis and permanently finance the \$4,715,000 aggregate principal amount of outstanding bond anticipation notes, dated May 10, 2017 and maturing May 9, 2018 (the "Prior Notes"); (ii) finance the cost of various capital improvements in and by the Township in the amount of \$628,000; 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 amount of the Prior Notes being refunded with the Bonds. The bond ordinances are:

General Improvement Bond Ordinances			
Ordinance Number	Description	Amount of Prior Notes Being Refunded With the Bonds	Amount of New Money
2016-17	Construction of Bulkhead, finally adopted July 19, 2016.	\$0	\$628,000
2017-10	Various Capital Improvements and Acquisition of Various Capital Equipment, finally adopted March 28, 2017.	<u>4,196,000</u>	<u>0</u>
TOTAL:		<u>\$4,196,000</u>	<u>\$628,000</u>
TOTAL GENERAL IMPROVEMENT BONDS:			<u>\$4,824,000</u>

Payment of Bonds

The Bonds are general obligations of the Township for which the full faith and credit of the Township will be pledged. 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. See “SECURITY FOR THE BONDS AND NOTES.”

Denominations and Place of Payment

The Bonds are issuable only as fully registered bonds without coupons, and when issued will be in the form of one certificate per maturity and will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company (“DTC”), New York, New York. DTC will act as Securities Depository for the Bonds. Principal of and interest on the Bonds will be payable by the Township or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchase of the Bonds will be made in book entry form, in the denomination of \$5,000 each or any integral multiple thereof, except where necessary 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 in authorized denominations. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

THE NOTES

General Description

The Notes shall be dated and shall bear interest from their date of delivery and shall mature as shown on the inside front cover of this Official Statement. The Notes shall bear interest at the rate as indicated on the inside front cover of this Official Statement, payable upon maturity. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

Optional Redemption

The Notes are not subject to optional redemption prior to maturity.

Authorization for the Issuance of the Notes

The Notes have been authorized and are being issued pursuant to the Local Bond Law. The Notes are authorized by various bond ordinances adopted by the Township Council on the dates set forth in the charts below and published and approved as required by law.

The bond ordinances authorizing the Notes were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. 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 Notes

The Notes are being issued to provide funds to: (i) temporarily finance the cost of various general capital improvements in and by the Township in the amount of \$3,940,000; (ii) temporarily finance the cost of various water/sewer utility capital improvements in and by the Township in the amount of \$3,500,000; and (iii) pay the costs associated with the issuance of the Notes. The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Township, which bond ordinances are described on the following tables by ordinance number, description and date of final adoption:

General Improvement Bond Anticipation Note Ordinances		
Ordinance Number	Description	Amount of New Money
2017-30	Pine Street Building Renovation, finally adopted September 26, 2017.	\$142,500
2018-03	Various Capital Improvements and Equipment Acquisition, finally adopted February 27, 2018.	<u>3,797,500</u>
TOTAL GENERAL IMPROVEMENT NOTES:		<u>\$3,940,000</u>

Water/Sewer Utility Bond Anticipation Note Ordinances		
Ordinance Number	Description	Amount of New Money
2017-18	Directional Drilling and Installation of Water Mains, finally adopted July 18, 2017.	\$2,000,000
2018-04	Various Water/Sewer Utility Improvements, finally adopted February 27, 2018.	<u>1,500,000</u>
TOTAL WATER/SEWER UTILITY NOTES:		<u>\$3,500,000</u>
GRAND TOTAL NOTES:		<u>\$7,440,000</u>

Payment of Notes

As hereinafter stated, the Notes are general obligations of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from ad valorem taxes levied upon all the taxable property within the Township for the payment of the Notes and the interest thereon without limitation as to rate or amount.

Denominations and Place of Payment

The Notes may be issued as fully registered notes in book-entry only form, and when issued, may be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, except that those Notes in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

SECURITY FOR THE BONDS AND NOTES

The Bonds and Notes are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal, redemption premium, if any, and the interest on the Bonds and Notes. The Township is required by law to levy *ad valorem* taxes on all taxable real property in the Township for the payment of the principal, redemption premium, if any, of and the interest on the Bonds and Notes, without limitation as to rate or amount.

The Township

The Township is located along the eastern border of Ocean County, New Jersey. See Appendix “A” for statistical information concerning the Township.

The Township was founded in 1749 and incorporated in 1798, encompasses 47 square miles in southern Ocean County (the “County”) in the State of New Jersey (the “State”). The Township is situated along Barnegat Bay and connected to the Atlantic Ocean beach areas of Long Beach Island by a two (2) mile causeway. The Garden State Parkway, which runs north and south through the center of the Township, provides access to the New York Metropolitan area and to Atlantic City. State Highway 72 runs west through the central section of the Township to State Highway 70, which provides a direct route to Philadelphia, and East across Manahawkin Bay to Long Beach Island.

Form of Government

The Governing Body of the Township consists of a Mayor and six (6) Township Council Members, all of whom are elected by the people of the community. Council Members are elected for three (3) year terms and the Mayor is also elected for a three (3) year term.

The government of the Township operates under the Mayor-Council plan of the Optional Municipal Charter Law, which provides for a small municipality form consisting of a Mayor and six (6) members of Council elected at large.

The Township Council meets the first and third Tuesday of each month for regular meetings and a caucus session of such meeting is held prior to the regular meetings. Both regular and caucus meetings are open to the public in compliance with New Jersey's Sunshine Law. The public's role during the caucus portion limited to that of an observer. At the regular session, however, citizens are given an opportunity to speak on proposed ordinances and resolutions. There is also a time set aside on the meeting agenda so that any citizen may address the Township Council on matters of concern to him or her.

BOOK-ENTRY-ONLY SYSTEM

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

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

Purchases of the Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and Notes on DTC's records. The ownership interest of each actual purchaser of the Bonds and Notes ("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 and Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds and Notes, except in the event that use of the book-entry system for the Bonds and Notes is discontinued.

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

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

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

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

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

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

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

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

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

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

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 and Notes, the following provisions apply: (i) the Bonds and Notes may be exchanged for an equal aggregate principal amount of Bonds and Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Township or its designated paying agent; (ii) the transfer of any Bonds and Notes may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Township, or its designated paying agent, together with the duly executed assignment in form satisfactory to the Township, or its designated paying agent; and (iii) for every exchange or registration of transfer of Bonds and Notes, the Township or its designated 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 and Notes. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Dates. Interest on the Notes will be payable by check or draft, mailed on the maturity date of the Notes to the registered owners thereof as of the close of business on the day before the maturity date of the Notes.

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law generally governs the issuance of bonds to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial

installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes, except for the issuance of refunding bonds. All bonds issued by the Township are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As indicated in Appendix "A", the Township has not exceeded its statutory debt limit.

Exceptions to Debt Limits - Extensions of Credit

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short Term Financing

The Township may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to

appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may 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 determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may 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 for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

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. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2)

months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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

Appropriation "CAP"

A provision of law known as the New Jersey "CAP Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The CAP formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.4% or less.

Additionally, new legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 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 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.

In accordance with the Local Budget Law, each local unit 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 years as a general improvement program. The capital budget, when adopted, does not constitute the approval or

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

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before the April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for each local unit is on file with the Clerk and is available for review during business hours.

School Debt Subject to Voter Approval

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the Township. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the Township, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds and Notes for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds and Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds and Notes. The Township has covenanted to comply with the provisions of the Code applicable to the Bonds and

Notes, and has covenanted not to take any action or permit any action that would cause the interest on the Bonds and Notes to be included in gross income under Section 103 of the Code or cause interest on the Bonds and Notes to be treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals. GluckWalrath LLP, Trenton and Red Bank, New Jersey (“Bond Counsel”) will not independently verify the accuracy of those certifications and representations.

Assuming the Township observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under existing statutes and court decisions existing on the date of original delivery of the Bonds and Notes, interest on the Bonds and Notes are excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Bonds and Notes are not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals or corporations but that for taxable years that began on or before December 31, 2017, interest on the Bonds and Notes will be included in "adjusted current earnings" in computing alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on certain corporations. The corporate alternative minimum tax has been repealed for taxable years beginning on or after January 1, 2018. See “Certain Federal Tax Considerations” below.

State Taxes

In the opinion of Bond Counsel, under the laws of the State New Jersey as enacted and construed on the date of original delivery of the Bonds and Notes, interest on the Bonds and Notes and any gains from the sale of the Bonds and Notes are not includable in income under the New Jersey Gross Income Tax Act.

Original Issue Premium

The initial public offering price of certain Bonds and the Notes may be greater than the stated redemption price thereof at maturity (the “Premium Bonds” and the “Premium Notes”). The difference between the initial public offering price for the Premium Bonds or Premium Notes and the stated redemption price at maturity is “original issue premium.” For federal income tax purposes original issue premium is amortizable periodically over the term of a Premium Bonds and the Premium Notes through reductions in the holder’s tax basis for the Premium Bonds and the Premium Notes for determining gain or loss from sale or redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Bonds and the Premium Notes rather than creating a deductible expense or loss. Purchasers of the Bonds and the Notes should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of the Premium Bonds or Notes.

Original Issue Discount

The initial public offering price of certain Bonds may be less than the stated redemption price thereof at maturity (each a “Discount Bond”). The difference between the initial public offering price for any such Discount Bond and the stated redemption price at maturity is “original issue discount.” For federal income tax purposes, original issue discount on a Discount Bond accrues to the original holder of the Discount Bond over the period of its maturity based on the constant yield method compounded annually as interest with the same tax exemption and alternative minimum tax status (if applicable) as regular interest. The accrual of original issue discount increases the holder’s tax basis in the Discount Bond for determining taxable gain or loss on the maturity, redemption, prior sale or other disposition of a Discount Bond. Purchasers of the Bonds should consult their tax advisors for an explanation of the

accrual rules for original issue discount and any other federal, state or local tax consequences of the purchase of Bonds with original issue discount.

Certain Federal Tax Considerations

Ownership of the Bonds or Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Bonds or Notes. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Bonds or Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Bonds or Notes will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Bonds or Notes should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Bonds or Notes.

Backup Withholding

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Bonds and Notes are subject to information reporting to the IRs in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds and Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Section 265 Qualification

The Code denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which must be so designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

The Township is not designating the Bonds or Notes as qualified for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations under Section 265 of the Code.

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS". Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds and Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the

Bonds and Notes for federal or state income tax purposes, and thus on the value or marketability of the Bonds and Notes. This impact could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of interest on the Bonds and Notes from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds and Notes may occur. Prospective purchasers of the Bonds or Notes should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds and Notes may affect the tax status of interest on the Bonds and Notes. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds and Notes, or the interest thereon, if any action is taken with respect to the Bonds and Notes or the proceeds thereof upon the advice or approval of other counsel.

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

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 bonds of the Township including the Bonds and Notes, and such Bonds and Notes are authorized security for any and all public deposits.

CONTINUING DISCLOSURE FOR THE BONDS

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 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 "C" (the "Continuing Disclosure Certificate for the Bonds") 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, 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 failed to file, in accordance with the Rule, in a timely manner: (i) its annual debt statement for fiscal year ending December 31, 2013; and (ii) certain underlying and bond insurer rating changes in 2013 and 2014. The Township's 2012 and 2013 operating data were included in the Official Statements dated May 22, 2012, December 12, 2013 and March 27, 2014, respectively, but were not indexed under the appropriate tab at the time of the original submission on EMMA. Such indexing has subsequently been revised and the appropriate notices have been filed. The Township appointed Phoenix Advisors, LLC as continuing disclosure agent in June of 2015.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

The Township has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the Rule (the "Notices"). The Notices will be filed by the Township with the MSRB. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the Township by its Chief Financial Officer, in the form appearing in Appendix "D" (the "Form of Certificate of Compliance with Secondary Market Disclosure Requirements for the Notes") hereto, such certificate to be delivered concurrently with the delivery of the Notes.

LITIGATION

Upon delivery of the Bonds and Notes, the Township shall furnish certificates of Dasti, Murphy, McGuckin, Ulaky, Koutsouris & Connors, Forked River, New Jersey (the "Township Attorney"), each dated the date of delivery of the Bonds and Notes, to the effect that there is no litigation of any nature pending or, to the Township Attorney's knowledge, threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or Notes, or in any way contesting or affecting the validity of the Bonds or Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds and Notes. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by, or against, the Township wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Township or adversely affect the power of the Township to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds or notes, which has not been disclosed in this Official Statement.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter 9 of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors' rights and municipalities in general. Chapter 9 permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter 9 directs such a petitioner to file with the Bankruptcy Court a list of the 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, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, 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 such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 through 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 9 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 Act. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

CERTAIN REFERENCES

The foregoing statements and descriptions of provisions of the New Jersey Constitution, the Local Bond Law and other laws of the State of New Jersey, the Federal Bankruptcy Code, the ordinances and the resolution of the Township and the Bonds and Notes and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entirety by express reference to the complete provisions thereof. Copies of the ordinances and the resolution will be furnished by the Township on request.

All estimates and assumptions herein are believed to be reasonable, but no warranty, guaranty or other representation is made that such estimates or assumptions will be realized or are correct. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

CERTIFICATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein relating to the Township are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Bonds and Notes, by certificates signed by the Township Chief Financial Officer, that to his knowledge such descriptions and statements, as of the date hereof, and as of the date of delivery of the Bonds and Notes, are true and correct in all material respects and do 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.

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

Bond Counsel has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned a rating of "AA-" to the Bonds. Additionally, the Rating Agency has assigned a rating of "SP-1+" to the Notes.

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

UNDERWRITING

The Bonds have been purchased from the Township at a public sale by Morgan Stanley & Co. LLC., New York, New York (the "Bond Underwriter") at a price of \$4,827,196.23 (the "Purchase Price"). The Purchase Price reflects the aggregate principal amount of Bonds of \$4,580,000.00, plus a net original issue premium in the amount of \$283,742.80, and less an underwriter's discount in the amount of \$36,546.57.

Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The Notes have been purchased from the Township at a public sale by Jefferies, LLC, New York, New York (the "Note Underwriter" and together with the Bond Underwriter, the "Underwriters") at a price of \$7,500,414.00 (the "Note Purchase Price").

The Bond Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Bond Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Bond 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 of this Official Statement, and such yields may be changed, from time to time, by the Bond Underwriter without prior notice.

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

MUNICIPAL ADVISOR

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds and Notes are subject to the approval of Bond Counsel, whose approving legal opinions will be delivered with the Bonds and Notes substantially in the forms set forth as Appendix “E” and Appendix “F”, respectively. Certain legal matters will be passed on for the Township by the Township Attorney.

FINANCIAL STATEMENTS

Appendix “B” contains certain unaudited financial data of the Township extracted from the Annual Financial Statement prepared by the Township for the Township’s fiscal year ending December 31, 2017 and certain audited financial data of the Township for the Township’s fiscal year ending December 31, 2016. The audited financial data were provided by Holman Frenia Allison, P.C., Medford, New Jersey, to the extent and for the period set forth in their report appearing in Appendix “B”, and are included herein in reliance upon the authority of such firm.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Township’s Chief Financial Officer, 260 E. Bay Avenue, Manahawkin, NJ 08050-3498, telephone (609) 597-1000, or to its Municipal Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or holders of any of the Bonds and Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds and Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof.

This Official Statement has been duly executed and delivered by the Township.

**TOWNSHIP OF STAFFORD,
IN THE COUNTY OF OCEAN, NEW JERSEY**

By: /s/ Douglas R. Gannon

Douglas R. Gannon,
Chief Financial Officer

Dated: April 19, 2018

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APPENDIX A
GENERAL INFORMATION REGARDING THE TOWNSHIP

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INFORMATION REGARDING THE TOWNSHIP

The following material presents certain statistical information of the Township of Stafford (the “Township”).

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 of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2016	13,075	12,387	688	5.3%
2015	12,994	12,226	768	5.9%
2014	12,892	11,946	946	7.3%
2013	12,936	11,789	1,147	8.9%
2012	13,210	11,784	1,426	10.8%
<u>County</u>				
2016	268,849	254,769	14,080	5.2%
2015	267,960	251,364	16,596	6.2%
2014	266,318	246,724	19,594	7.4%
2013	265,984	241,376	24,608	9.3%
2012	268,647	240,118	28,529	10.6%
<u>State</u>				
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%
2013	4,528,500	4,157,600	370,800	8.2%
2012	4,585,300	4,158,600	426,800	9.3%

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 2010)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$68,250	\$59,620	\$69,811
Median Family Income	80,059	73,672	84,904
Per Capita Income	31,690	29,826	34,858

Source: US Bureau of the Census 2010

Population

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

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2010	26,535	17.77	576,567	12.85	8,791,894	4.49
2000	22,532	69.10	510,916	17.94	8,414,350	8.85
1990	13,325	28.31	433,203	25.19	7,730,188	4.96
1980	10,385	181.89	346,038	65.99	7,365,001	2.75
1970	3,684	90.88	208,470	92.60	7,168,164	18.15

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

Largest Taxpayers

The (10) ten largest taxpayers in the Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2017 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
ACI Manahawkin LLC	\$42,575,400	0.97%
72 Associates - Shoprite	32,386,800	0.74%
LTD Realty Management	20,307,000	0.46%
81 Associates	15,781,900	0.36%
321 Martin Truex Jr. Blvd. LLC	14,700,000	0.34%
Davis and Associates	14,643,000	0.33%
Southern Ocean County Hospital	13,694,600	0.31%
Wal-Mart	13,302,500	0.30%
Manahawkin Plaza & Salem Management	12,569,900	0.29%
151 Route 72 LLC	12,562,200	0.29%
Total	<u>\$192,523,300</u>	<u>4.39%</u>

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

Summary of Adopted Municipal Budgets

<u>Anticipated Revenues</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Fund Balance Utilized	\$2,900,000	\$2,500,000	\$3,500,000	\$4,000,000	\$3,500,000
Miscellaneous Revenues	8,139,060	8,051,777	6,478,808	5,568,210	6,535,590
Receipts from Delinquent Taxes	700,000	500,000	500,000	500,000	500,000
Amount to be Raised by Taxation	<u>31,474,900</u>	<u>32,084,905</u>	<u>32,718,425</u>	<u>34,055,937</u>	<u>35,147,639</u>
Total Revenue:	<u>\$43,213,961</u>	<u>\$43,136,683</u>	<u>\$43,197,233</u>	<u>\$44,124,147</u>	<u>\$45,683,229</u>

Appropriations

General Appropriations	\$32,036,824	\$32,348,862	\$32,479,820	\$34,343,197	\$34,574,555
Operations (Excluded from CAPS)	807,243	562,367	503,391	386,421	365,093
Deferred Charges and Statutory Expenditur	1,173,000	1,255,000	285,000	0	0
Capital Improvement Fund	126,221	141,274	100,000	100,000	325,000
Municipal Debt Service	6,952,963	6,746,539	7,679,964	7,086,714	8,110,909
Reserve for Uncollected Taxes	<u>2,117,709</u>	<u>2,082,641</u>	<u>2,149,059</u>	<u>2,207,814</u>	<u>2,307,672</u>
Total Appropriations:	<u>\$43,213,961</u>	<u>\$43,136,683</u>	<u>\$43,197,233</u>	<u>\$44,124,147</u>	<u>\$45,683,229</u>

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2017U	\$92,715,159	\$91,976,721	99.20%
2016	90,747,342	89,902,074	99.07%
2015	86,552,131	85,762,956	99.09%
2014	84,224,610	83,415,651	99.04%
2013	81,195,429	80,583,706	99.25%

U=Unaudited

Source: Annual Audit Reports of the Township

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2017U	\$233,146	\$675,650	\$908,796	0.98%
2016	196,928	737,904	934,833	1.03%
2015	161,360	628,591	789,951	0.91%
2014	137,681	720,965	858,646	1.02%
2013	104,555	576,923	681,478	0.84%

U=Unaudited

Source: Annual Audit Reports of the Township

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017U	\$186,650
2016	186,650
2015	186,650
2014	186,650
2013	186,650

U=Unaudited

Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>County</u>	<u>Library</u>	<u>Local School</u>	<u>Regional School</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Total</u>
2017	\$0.451	\$0.000	\$0.752	\$0.239	\$0.901	\$0.010	\$2.353
2016	0.405	0.041	0.752	0.236	0.885	0.010	2.329
2015	0.387	0.039	0.728	0.223	0.860	0.010	2.247
2014	0.387	0.041	0.734	0.236	0.874	0.003	2.275
2013R	0.376	0.040	0.717	0.238	0.874	0.002	2.247

R=Revaluation

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2017	\$3,894,903,500	\$4,381,218,785	88.90%	\$4,478,413	\$4,385,697,198
2016	3,844,385,950	4,175,503,367	92.07	4,652,450	4,180,155,817
2015	3,797,755,850	4,052,236,289	93.72	5,020,393	4,057,256,682
2014	3,665,067,900	3,923,635,478	93.41	4,856,102	3,928,491,580
2013R	3,595,342,500	3,982,435,202	90.28	5,771,621	3,988,206,823

R=Revaluation

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017	\$77,666,700	\$3,316,100,000	\$634,100	\$494,529,500	\$672,200	\$5,301,000	\$3,894,903,500
2016	82,398,900	3,264,430,450	1,010,300	490,573,100	672,200	5,301,000	3,844,385,950
2015	81,794,000	3,207,651,650	1,000,100	501,336,900	672,200	5,301,000	3,797,755,850
2014	83,046,000	3,072,774,600	974,700	502,311,300	672,200	5,289,100	3,665,067,900
2013R	85,750,100	2,998,631,600	973,400	504,026,100	672,200	5,289,100	3,595,342,500

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

Township Indebtedness as of December 31, 2017

General Purpose Debt

Serial Bonds	\$50,990,000
Bond Anticipation Notes	4,715,000
Bonds and Notes Authorized but Not Issued	4,227,500
Other Bonds, Notes and Loans	<u>1,386,989</u>
Total:	\$61,319,489

Local School District Debt

Serial Bonds	\$15,518,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$15,518,000

Self-Liquidating Debt

Serial Bonds	\$33,331,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	4,283,644
Other Bonds, Notes and Loans	<u>19,364,066</u>
Total:	\$56,978,710

TOTAL GROSS DEBT

\$133,816,199

Less: Statutory Deductions	
General Purpose Debt	\$1,680,988
Local School District Debt	15,518,000
Self-Liquidating Debt	<u>56,978,710</u>
Total:	\$74,177,699

TOTAL NET DEBT

\$59,638,500

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2017)¹

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$15,518,000	100.00%	\$15,518,000
Ocean County	486,340,607	4.43%	21,548,492
Ocean County Utilities Authority	145,017,778	4.43%	<u>6,425,362</u>
Net Indirect Debt			\$43,491,854
Net Direct Debt			<u>59,638,500</u>
Total Net Direct and Indirect Debt			<u>\$103,130,355</u>

Debt Limit

Average Equalized Valuation Basis (2015, 2016, 2017)	\$4,202,986,147
Permitted Debt Limitation (3 1/2%)	147,104,515
Less: Net Debt	<u>59,638,500</u>
Remaining Borrowing Power	<u>\$87,466,015</u>
Percentage of Net Debt to Average Equalized Valuation	1.419%
Gross Debt Per Capita based on 2010 population of 26,535	\$5,043
Net Debt Per Capita based on 2010 population of 26,535	\$2,248

Source: Annual Debt Statement of the Township

¹ Township percentage based on the Township's share of total equalized valuation in the County

APPENDIX B
FINANCIAL INFORMATION OF THE TOWNSHIP

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**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

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**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN**

PART I

**INDEPENDENT ACCOUNTANT'S COMPILATION
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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HOLMAN | FRENIA
ALLISON, P.C.
Certified Public Accountants & Consultants

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Honorable Mayor and Members
of the Township Committee
Township of Stafford
County of Ocean
Stafford, New Jersey

We have compiled the accompanying statements of assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account group of the Township of Stafford, County of Ocean, State of New Jersey as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance--regulatory basis for the years then ended, the related statements of revenues--regulatory basis, statement of expenditures--regulatory basis for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles and practices 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 misstatement, whether due to fraud or error.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

As discussed in Note 1 to the financial statements, the Township prepares its financial statements using accounting practices that demonstrate compliance with regulatory basis of accounting and budget laws of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

The effects on the financial statements of the variances between these 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.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Rodney R. Haines
Certified Public Accountant
Registered Municipal Accountant
CR #498

April 4, 2018
Toms River, New Jersey

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BASIC FINANCIAL STATEMENTS

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**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY ACCOUNTING BASIS
December 31, 2017 and 2016**

<u>Assets</u>	<u>2017</u>	<u>2016</u>	<u>Liabilities, Reserves and Fund Balance</u>	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents - Treasurer	\$ 20,184,687.88	\$ 13,476,392.90	Appropriation Reserves	\$ 2,073,756.64	\$ 1,735,620.10
Cash - Change Fund	<u>300.00</u>	<u>300.00</u>	Encumbrances Payable	327,888.48	230,822.70
	<u>20,184,987.88</u>	<u>13,476,692.90</u>	Accounts Payable	6,596.30	4,375.80
Due From State of New Jersey - Senior Citizens' and Veterans' Deductions	<u>5,252.12</u>		Payroll Deductions Payable	123,489.94	171,698.30
Taxes Receivable	675,650.29	737,904.35	Prepaid Taxes	3,965,480.05	787,134.40
Tax Title Liens Receivable	233,145.62	196,928.39	County Taxes Payable	184,515.29	211,160.99
Revenue Accounts Receivable	26,355.86	29,174.42	Local District School Tax Payable	2,252,295.00	1,989,662.00
Property Acquired for Taxes - Assessed Valuation	<u>186,650.00</u>	<u>186,650.00</u>	Regional School Tax Payable	519,548.87	410,385.37
	<u>1,121,801.77</u>	<u>1,150,657.16</u>	Tax Overpayments Payable	10,030.87	36,513.60
	<u>3,333,975.62</u>	<u>3,309,675.62</u>	Due To State of New Jersey - Senior Citizens' and Veterans' Deductions	204,242.08	1,460.97
Deferred Charges:			Due To Grant Fund	144,305.55	176,122.66
Future Taxation Unfunded - CDL	<u>3,333,975.62</u>	<u>3,309,675.62</u>	Reserve for:	193,298.25	149,819.69
	<u>24,646,017.39</u>	<u>17,937,025.68</u>	Tax Appeals	3,333,975.62	3,309,675.62
			Sale of Municipal Assets	<u>13,339,422.94</u>	<u>9,407,750.45</u>
			FEMA Community Disaster Loan Payable	1,121,801.77	1,150,657.16
				<u>10,184,792.68</u>	<u>7,378,618.07</u>
			Reserve for Receivables and Other Assets	24,646,017.39	17,937,025.68
			Fund Balance		
Grant Fund:					
State and Federal Grants Receivable	24,883.61	43,133.61	Encumbrances Payable	7,354.78	3,751.61
Due From Current Fund	<u>204,242.08</u>	<u>176,122.66</u>	Reserve for Grant Expenditures - Appropriated	221,770.91	215,504.66
	<u>229,125.69</u>	<u>219,256.27</u>		<u>229,125.69</u>	<u>219,256.27</u>
Total Assets	<u>\$ 24,875,143.08</u>	<u>\$ 18,156,281.95</u>	Total Liabilities, Reserves and Fund Balance	<u>\$ 24,875,143.08</u>	<u>\$ 18,156,281.95</u>

See independent accountant's compilation report and the accompanying notes to the financial statements.

TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 3,500,000.00	\$ 4,000,000.00
Miscellaneous Revenue Anticipated	7,210,018.26	6,248,572.29
Receipts From Delinquent Taxes	735,497.23	610,745.84
Receipts From Current Taxes	91,976,720.98	89,902,073.66
Non-Budget Revenues	1,837,514.53	580,745.68
Other Credits To Income:		
Unexpended Balance of Appropriation		
Reserves	1,295,177.43	1,068,681.89
Interfunds Returned	-	6,382.89
Accounts Payable Cancelled	-	19,235.69
	<hr/>	<hr/>
Total Revenues	<u>106,554,928.43</u>	<u>102,436,437.94</u>
Expenditures:		
Budget Appropriations:		
Operations:		
Salaries and Wages	18,233,900.00	17,620,537.75
Other Expenses	12,914,250.22	12,439,792.54
Capital Improvements	325,000.00	100,000.00
Deferred Charges and Statutory		
Expenditures	3,958,456.54	4,842,003.06
Debt Service	8,018,483.93	7,005,587.26
Prior Year Senior Citizens' Disallowed	6,500.00	7,767.12
Refund of Prior Year Revenue	4,209.91	128.28
County Taxes	17,604,459.78	17,133,433.21
County Share of Added Taxes	184,515.29	211,160.99
Local District School Tax	29,289,673.00	28,943,151.00
Regional School Tax	9,315,274.00	9,096,947.00
Municipal Open Space Tax	394,031.15	389,649.81
	<hr/>	<hr/>
Total Expenditures	<u>100,248,753.82</u>	<u>97,790,158.02</u>
Statutory Excess	6,306,174.61	4,646,279.92
Fund Balance, January 1	<u>7,378,618.07</u>	<u>6,732,338.15</u>
	13,684,792.68	11,378,618.07
Decreased By:		
Utilized as Anticipated Revenue	<u>3,500,000.00</u>	<u>4,000,000.00</u>
Fund Balance, December 31	<u>\$ 10,184,792.68</u>	<u>\$ 7,378,618.07</u>

TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017

	<u>Anticipated</u>	<u>Amount Realized</u>	<u>Excess/ (Deficit)</u>
Surplus Anticipated	\$ 3,500,000.00	\$ 3,500,000.00	\$ -
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	30,000.00	30,700.00	700.00
Fees and Permits	25,000.00	38,795.00	13,795.00
Fines and Costs:			
Municipal Court	430,000.00	387,930.54	(42,069.46)
Interest and Cost on Taxes	180,000.00	209,726.73	29,726.73
Fire Prevention Bureau Fees	85,000.00	117,991.81	32,991.81
Mobile Home Park Fees	130,000.00	143,691.60	13,691.60
Payments in Lieu of Taxes - Federal	12,071.00	14,392.00	2,321.00
Cable TV Fee and Lease	136,772.36	136,772.36	-
PILOT - Target, Costco, etc.	240,000.00	294,796.45	54,796.45
Energy Receipts Tax	2,465,920.00	2,465,920.00	-
Supplemental Energy Receipts Tax	104,286.00	104,286.00	-
Garden State Preservation Trust Fund	36,666.00	36,666.00	-
Uniform Construction Code Fees	625,000.00	887,927.80	262,927.80
Shared Services Agreement -			
Animal Control:			
Township of Long Beach	16,800.00	17,224.50	424.50
Borough of Beach Haven	5,000.00	8,057.50	3,057.50
Borough of Barnegat Light	2,900.00	4,139.00	1,239.00
Borough of Harvey Cedars	2,800.00	3,778.50	978.50
Shared Services Agreement -			
Construction:			
Township of Eagleswood	30,000.00	27,642.00	(2,358.00)
Borough of Beach Haven	40,000.00	63,953.10	23,953.10
Borough of Surf City	30,000.00	52,981.00	22,981.00
Borough of Harvey Cedars	15,000.00	31,147.00	16,147.00
Ocean County Cooperative Pricing System	15,000.00	17,500.00	2,500.00
Reserve To Pay Bonds	8,988.02	8,988.02	-
Capital Surplus	215,000.00	215,000.00	-
Reserve To Pay Notes	1,199,805.80	1,199,805.80	-
PILOT - Stafford Preserve	400,000.00	469,666.28	69,666.28
Recycling Tonnage Grant	96,555.52	96,555.52	-
Clean Communities Program	76,325.09	76,325.09	-
Alcohol Education and Rehabilitation Fund	3,731.71	3,731.71	-
Municipal Alliance on Alcoholism and Drug Abuse	28,249.00	28,249.00	-
Body Armor Replacement Fund	4,677.95	4,677.95	-
Distracted Driving Crackdown	5,500.00	5,500.00	-
Drive Sober or Get Pulled Over - Holiday Crackdown	5,500.00	5,500.00	-
Total Miscellaneous Revenues	<u>6,702,548.45</u>	<u>7,210,018.26</u>	<u>507,469.81</u>

See independent accountant's compilation report and the accompanying notes to the financial statements.

TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017

	<u>Anticipated</u>	<u>Amount Realized</u>	<u>Excess/ (Deficit)</u>
Receipts From Delinquent Taxes	<u>500,000.00</u>	<u>735,497.23</u>	<u>235,497.23</u>
Amount To Be Raised By Taxes for Support of Municipal Budget	<u>35,147,639.47</u>	<u>37,496,439.94</u>	<u>2,348,800.47</u>
Budget Totals	45,850,187.92	48,941,955.43	3,091,767.51
Non-Budget Revenues	<u>-</u>	<u>1,837,514.53</u>	<u>1,837,514.53</u>
	<u>\$ 45,850,187.92</u>	<u>\$ 50,779,469.96</u>	<u>\$ 4,929,282.04</u>
Revenue Accounts Receivable		\$ 6,989,478.99	
Grants Receivable		<u>220,539.27</u>	
		<u>\$ 7,210,018.26</u>	
Summary of Revenue Realized:			
Allocation of Current Tax Revenues:			
Allocation of Current Tax Collections:			
Revenue From Collections		\$ 91,976,720.98	
Allocated To School and County Taxes		<u>56,787,953.22</u>	
Balance for Support of Municipal Appropriations		35,188,767.76	
Increased By:			
Appropriation Reserve for Uncollected Taxes		<u>2,307,672.18</u>	
Amount for Support of Municipal Budget Appropriations		<u>\$ 37,496,439.94</u>	

See independent accountant's compilation report and the accompanying notes to the financial statements.

TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017

Analysis of Non-Budget Revenues

Peddler and Taxi Licenses	\$ 3,090.00
Raffle/Bingo Licenses	6,585.00
Food-Handlers License	12,333.30
Vital Statistics	28,466.00
Tax Searches	10.00
Xerox Copies	922.12
FEMA Reimbursement - Sandy	220,081.03
Land Use - Zoning Fees	10.00
Administration Fees - Site Plans	7,225.00
Variance Lists	870.00
Towing Fees	680.00
Ocean County Recycling Revenue Sharing	64,905.99
Pool Licenses	500.00
Street Opening Permits	14,631.00
Labor Liens	45,569.37
Police Reports	1,805.63
Police Outside Employment Administrative Fee	125,998.13
Interest on Investments and Deposits	111,494.83
Trash Containers	140.00
Returned Check Charge Fees	240.00
Cat Licenses	8,411.80
Court Reporter - Planning and Zoning	4,800.00
Miscellaneous	10.00
2% Administrative Payment	7,086.34
Miscellaneous Refunds and Reimbursements	52,156.32
Restitution	6,612.18
Penalty - Building Department	250.00
Recycled Material	21,227.22
PILOT - Presbyterian Homes	28,492.86
PILOT - Stafford Family Apartments	50,712.00
PILOT - Stafford Properties Urban Development	30,513.47
PILOT - Stafford Properties Urban Development/Five Below	22,005.83
Refund of 2016 PERS/PFRS Overbilling	131,214.73
Auction Proceeds	28,430.55
Sandy Debris Removal - 10% Match Returned from County	781,862.78
LOSAP and FSA Forfeitures	2,204.66
Voided Checks - Municipal Court	100.60
Fine	2,396.28
Carfax Reports	717.10
OPRA Requests	414.45
Firearms Application Fees	2,082.00
Unused Township Escrow Funds Returned	1,907.46
DMV Inspection Fines	8,348.50
	<u>8,348.50</u>
	<u>\$ 1,837,514.53</u>

See independent accountant's compilation report and the accompanying notes to the financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

	<u>Original Budget</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
GENERAL APPROPRIATIONS					
Operations - Within "CAPS"					
GENERAL GOVERNMENT					
General Administration:					
Salaries and Wages	\$ 211,000.00	\$ 211,000.00	\$ 209,340.19	\$ 1,659.81	
Other Expenses	16,300.00	16,300.00	11,617.84	4,682.16	
Purchasing:					
Salaries and Wages	155,000.00	158,000.00	157,915.34	84.66	
Other Expenses	12,050.00	12,050.00	11,769.02	280.98	
Human Resources:					
Other Expenses	27,000.00	27,000.00	7,098.00	19,902.00	
Mayor and Council:					
Salaries and Wages	145,000.00	157,000.00	156,038.76	961.24	
Other Expenses	3,200.00	3,200.00	3,185.17	14.83	
Municipal Clerk:					
Salaries and Wages	215,000.00	215,000.00	214,529.16	470.84	
Other Expenses	37,500.00	37,500.00	31,546.93	5,953.07	
Elections	3,000.00	3,000.00	3,000.00		
Financial Administration (Treasury):					
Salaries and Wages	500,000.00	500,000.00	441,730.09	58,269.91	
Other Expenses	17,850.00	17,850.00	15,871.70	1,978.30	
Audit Services:					
Other Expenses	45,000.00	45,000.00	42,140.00	2,860.00	
Banking and Arbitrage Rebate Services:					
Other Expenses	20,000.00	20,000.00	11,618.21	8,381.79	
Computerized Data Processing:					
Salaries and Wages	110,500.00	110,500.00	110,118.24	381.76	
Other Expenses	115,200.00	115,200.00	98,603.41	16,596.59	
Revenue Administration (Tax Collection):					
Salaries and Wages	355,000.00	355,000.00	346,736.60	8,263.40	
Other Expenses	66,920.00	66,920.00	52,788.20	14,131.80	
Tax Assessment Administration:					
Salaries and Wages	406,000.00	406,000.00	383,321.61	22,678.39	
Other Expenses	85,600.00	85,600.00	48,919.67	36,680.33	
Legal Services (Legal Department):					
Other Expenses	175,000.00	175,000.00	82,538.15	92,461.85	

See independent accountant's compilation report and the accompanying notes to the financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

	<u>Original Budget</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Engineering Services:					
Other Expenses	157,500.00	197,500.00	188,712.80	8,787.20	
Municipal Alliance:					
Salaries and Wages	6,000.00	9,600.00	9,574.39	25.61	
Community Development and Zoning:					
Salaries and Wages	217,000.00	177,000.00	150,315.09	26,684.91	
Other Expenses	15,600.00	14,900.00	10,305.40	4,594.60	
Historic Sites Office:					
Salaries and Wages	500.00	500.00		500.00	
Other Expenses	1,050.00	1,050.00	836.19	213.81	
LAND USE ADMINISTRATION					
Planning Board:					
Salaries and Wages	4,400.00	4,400.00	2,175.47	2,224.53	
Other Expenses	12,055.00	12,055.00	7,002.34	5,052.66	
Zoning Board of Adjustment:					
Salaries and Wages	3,500.00	3,500.00	1,447.58	2,052.42	
Other Expenses	10,900.00	10,900.00	7,179.26	3,720.74	
CODE ENFORCEMENT AND ADMINISTRATION					
Uniform Construction Code Enforcement:					
Salaries and Wages	767,000.00	767,000.00	696,525.79	70,474.21	
Other Expenses	13,100.00	13,800.00	13,410.30	389.70	
Other Code Enforcement Functions:					
Salaries and Wages	134,000.00	134,000.00	126,739.41	7,260.59	
Other Expenses	2,850.00	2,850.00	2,142.83	707.17	
INSURANCE					
General Liability	490,978.55	490,978.55	429,204.68	61,773.87	
Workers Compensation	354,045.15	354,045.15	354,045.15		
Employee Group Health	5,906,250.00	5,906,250.00	5,609,219.05	297,030.95	
Unemployment/Disability Insurance	75,000.00	75,000.00	75,000.00		
PUBLIC SAFETY					
Police Department:					
Salaries and Wages	8,569,000.00	8,569,000.00	8,420,883.06	148,116.94	
Other Expenses	589,555.00	589,555.00	530,298.78	59,256.22	
Office of Emergency Management:					
Other Expenses	5,000.00	5,000.00	3,583.58	1,416.42	

See independent accountant's compilation report and the accompanying notes to the financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

	<u>Original Budget</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Aid To Volunteer Fire Companies	90,000.00	90,000.00	90,000.00		
Aid To Volunteer Ambulance Companies	70,000.00	70,000.00	70,000.00		
Uniform Fire Safety:					
Salaries and Wages	131,500.00	131,500.00	113,565.30	17,934.70	
Other Expenses	7,250.00	7,250.00	4,132.26	3,117.74	
Municipal Prosecutor's Office:					
Other Expenses	48,000.00	48,000.00	44,346.75	3,653.25	
New Jersey Public Employees Safety and Health	30,500.00	30,500.00	22,037.97	8,462.03	
PUBLIC WORKS					
Streets and Road Maintenance:					
Salaries and Wages	1,138,000.00	1,138,000.00	1,119,424.12	18,575.88	
Other Expenses	136,275.00	131,275.00	124,236.71	7,038.29	
Solid Waste Collection:					
Salaries and Wages	1,826,000.00	1,826,000.00	1,714,014.99	111,985.01	
Other Expenses	42,475.00	47,475.00	44,352.91	3,122.09	
Buildings and Grounds:					
Salaries and Wages	1,279,000.00	1,279,000.00	1,219,745.32	59,254.68	
Other Expenses	221,200.00	221,200.00	214,293.26	6,906.74	
Vehicle Maintenance:					
Salaries and Wages	616,000.00	616,000.00	572,128.95	43,871.05	
Other Expenses	614,175.00	654,175.00	636,912.71	17,262.29	
Municipal Bus Service:					
Salaries and Wages	239,000.00	239,000.00	215,258.16	23,741.84	
Other Expenses	4,600.00	4,600.00	3,176.29	1,423.71	
HEALTH AND HUMAN SERVICES					
Environmental Health Services:					
Salaries and Wages	4,000.00	4,000.00	1,527.22	2,472.78	
Other Expenses	1,970.00	1,970.00	888.09	1,081.91	
Animal Control Services:					
Salaries and Wages	148,500.00	148,500.00	142,847.67	5,652.33	
Other Expenses	20,500.00	20,500.00	19,398.39	1,101.61	

See independent accountant's compilation report and the accompanying notes to the financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

	<u>Original Budget</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
PARKS AND RECREATION					
Recreation Services and Programs:					
Salaries and Wages	448,000.00	448,000.00	437,116.95	10,883.05	
Other Expenses	37,650.00	37,650.00	32,665.51	4,984.49	
Beach and Boardwalk Operations:					
Salaries and Wages	32,500.00	28,900.00	22,673.00	6,227.00	
Other Expenses	800.00	800.00	800.00		
Celebration of Public Events:					
Other Expenses	41,000.00	41,000.00	39,976.35	1,023.65	
Municipal Court:					
Salaries and Wages	445,000.00	445,000.00	422,209.99	22,790.01	
Other Expenses	19,100.00	19,100.00	17,140.49	1,959.51	
Public Defender:					
Other Expenses	38,000.00	38,000.00	29,879.20	8,120.80	
UNCLASSIFIED					
UTILITY EXPENSES AND BULK PURCHASES					
Electricity	315,000.00	315,000.00	291,082.72	23,917.28	
Street Lighting	500,000.00	500,000.00	442,422.84	57,577.16	
Telephone (excluding telephone acquisition)	160,000.00	160,000.00	149,091.42	10,908.58	
Water	10,000.00	10,000.00	5,727.70	4,272.30	
Gas (natural or propane)	65,000.00	65,000.00	51,626.42	13,373.58	
Telecommunications Costs	200.00	200.00	176.55	23.45	
Sewerage Processing and Disposal	17,500.00	17,500.00	12,366.90	5,133.10	
Gasoline	400,000.00	400,000.00	267,629.29	132,370.71	
Landfill/Solid Waste Disposal Costs	1,350,000.00	1,295,000.00	1,142,412.74	152,587.26	
Accumulated Leave Compensation	10,000.00	10,000.00	10,000.00		
Total Operations - Within "CAPS"	<u>30,616,098.70</u>	<u>30,616,098.70</u>	<u>28,826,312.58</u>	<u>1,789,786.12</u>	
Detail:					
Salaries and Wages	18,116,400.00	18,091,400.00	17,417,902.45	673,497.55	
Other Expenses	12,499,698.70	12,524,698.70	11,408,410.13	1,116,288.57	

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

	<u>Original Budget</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
STATUTORY EXPENDITURES					
Contribution To:					
Public Employees Retirement System	1,030,830.50	1,030,830.50	1,030,830.50		
Social Security System (O.A.S.I.)	1,400,000.00	1,400,000.00	1,229,638.02	170,361.98	
Police and Firemen's Retirement System of NJ	1,522,626.04	1,522,626.04	1,522,626.04		
Defined Contribution Retirement Program	5,000.00	5,000.00	3,341.46	1,658.54	
	<u>3,958,456.54</u>	<u>3,958,456.54</u>	<u>3,786,436.02</u>	<u>172,020.52</u>	
Total Deferred Charges and Statutory Expenditures - Municipal - Within "CAPS"	<u>34,574,555.24</u>	<u>34,574,555.24</u>	<u>32,612,748.60</u>	<u>1,961,806.64</u>	
Total General Appropriations for Municipal Purposes - Within "CAPS"					
Employee Group Health	106,950.00	106,950.00		106,950.00	
Length of Service Award Program	50,000.00	50,000.00	50,000.00		
Recycling Tax					
	<u>156,950.00</u>	<u>156,950.00</u>	<u>50,000.00</u>	<u>106,950.00</u>	
Total Operations - Excluded From "CAPS"					
Shared Service Agreements:					
Animal Control:					
Township of Long Beach:					
Salaries and Wages	16,800.00	16,800.00	16,800.00		
Borough of Beach Haven:					
Salaries and Wages	5,000.00	5,000.00	5,000.00		
Borough of Barnegat Light:					
Salaries and Wages	2,900.00	2,900.00	2,900.00		
Borough of Harvey Cedars:					
Salaries and Wages	2,800.00	2,800.00	2,800.00		
Construction:					
Township of Eagleswood					
Salaries and Wages	30,000.00	30,000.00	30,000.00		
Borough of Beach Haven:					
Salaries and Wages	40,000.00	40,000.00	40,000.00		

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

	<u>Original Budget</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Borough of Surf City Salaries and Wages	30,000.00	30,000.00	30,000.00		
Borough of Harvey Cedars: Salaries and Wages	<u>15,000.00</u>	<u>15,000.00</u>	<u>15,000.00</u>		
Total Shared Service Agreements	<u>142,500.00</u>	<u>142,500.00</u>	<u>142,500.00</u>		
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Recycling Tonnage Grant	96,555.52	96,555.52	96,555.52		
Ocean County Municipal Alliance	28,249.00	28,249.00	28,249.00		
Municipal Alliance - Local Match	7,062.25	7,062.25	7,062.25		
Clean Communities Program	76,325.09	76,325.09	76,325.09		
Drunk Driving Enforcement Fund					
Alcohol Education/Rehabilitation Grant	3,731.71	3,731.71	3,731.71		
Distracted Driving Crackdown	5,500.00	5,500.00	5,500.00		
Drive Sober or Get Pulled Over	5,500.00	5,500.00	5,500.00		
Local Match for Future Grants	5,000.00	5,000.00		5,000.00	
Body Armor Replacement Fund	<u>4,677.95</u>	<u>4,677.95</u>	<u>4,677.95</u>		
Total Public and Private Programs Offset By Revenues	<u>232,601.52</u>	<u>232,601.52</u>	<u>227,601.52</u>	<u>5,000.00</u>	
Total Operations - Excluded From "CAPS"	<u>532,051.52</u>	<u>532,051.52</u>	<u>420,101.52</u>	<u>111,950.00</u>	
Detail:					
Salaries and Wages	142,500.00	142,500.00	142,500.00		
Other Expenses	389,551.52	389,551.52	277,601.52	111,950.00	
Capital Improvements - Excluded From "CAPS"					
Capital Improvement Fund	<u>325,000.00</u>	<u>325,000.00</u>	<u>325,000.00</u>		
Total Capital Improvements - Excluded From "CAPS"	<u>325,000.00</u>	<u>325,000.00</u>	<u>325,000.00</u>		

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

	<u>Original Budget</u>	<u>Balance After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Municipal Debt Service - Excluded From "CAPS"					
Payment of Bond Principal	4,595,000.00	4,595,000.00	4,595,000.00		
Payment of Bond Anticipation Notes	1,208,250.00	1,208,250.00	1,208,250.00		
Interest on Bonds	1,701,760.00	1,701,760.00	1,640,710.00		61,050.00
Interest on Notes	260,000.00	260,000.00	259,716.55		283.45
Green Acres Trust Loan Program:					
Loan Repayments for Principal and Interest	345,898.98	345,898.98	314,807.38		31,091.60
Total Municipal Debt Service - Excluded From "CAPS"	<u>8,110,908.98</u>	<u>8,110,908.98</u>	<u>8,018,483.93</u>		<u>92,425.05</u>
Total General Appropriations for Municipal Purposes - Excluded From "CAPS"	8,967,960.50	8,967,960.50	8,763,585.45	111,950.00	92,425.05
Subtotal General Appropriations	43,542,515.74	43,542,515.74	41,376,334.05	2,073,756.64	92,425.05
Reserve for Uncollected Taxes	<u>2,307,672.18</u>	<u>2,307,672.18</u>	<u>2,307,672.18</u>		
Total General Appropriations	<u>\$ 45,850,187.92</u>	<u>\$ 45,850,187.92</u>	<u>\$ 43,684,006.23</u>	<u>\$ 2,073,756.64</u>	<u>\$ 92,425.05</u>
Budget as Adopted	\$ 45,683,229.12				
Added By N.J.S. 40A:4-87	<u>166,958.80</u>				
	<u>\$ 45,850,187.92</u>				
<u>Analysis of Paid or Charged</u>					
Cash Disbursements			\$ 40,820,844.05		
Encumbrances Payable			327,888.48		
Reserve for:					
Uncollected Taxes			2,307,672.18		
Grant Expenditures - Appropriated			<u>227,601.52</u>		
			<u>\$ 43,684,006.23</u>		

See independent accountant's compilation report and the accompanying notes to the financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY ACCOUNTING BASIS
December 31, 2017 and 2016**

<u>Assets</u>	<u>2017</u>	<u>2016</u>	<u>Liabilities and Reserves</u>	<u>2017</u>	<u>2016</u>
Animal Control Fund:			Animal Control Fund:		
Cash	\$ 21,088.98	\$ 50,208.90	Reserve for Animal Control Fund Expenditures	\$ 21,088.98	\$ 50,201.10
			Due To State of New Jersey Department of Health		7.80
				<u>21,088.98</u>	<u>50,208.90</u>
Trust - Other Fund:			Trust - Other Fund:		
Cash	7,126,063.75	6,935,033.08	Reserve for:		
			Landfill Tax Escrow	417,156.28	414,960.11
			Cash Surety Bonds	1,399,234.92	1,176,699.06
			Developers' Escrow Deposits	1,519,132.16	1,361,678.39
			Municipal Alliance Program Income	22,560.52	28,455.97
			Various Reserves	<u>3,767,979.87</u>	<u>3,953,239.55</u>
				<u>7,126,063.75</u>	<u>6,935,033.08</u>
Open Space Trust Fund:			Open Space Trust Fund:		
Cash and Cash Equivalents	<u>383,278.21</u>	<u>507,177.01</u>	Reserve for Open Space Fund Expenditures	<u>383,278.21</u>	<u>507,177.01</u>
	<u>383,278.21</u>	<u>507,177.01</u>		<u>383,278.21</u>	<u>507,177.01</u>
Length of Service Award Program Fund ("LOSAP"):			Length of Service Award Program Fund ("LOSAP"):		
Investments	1,290,706.95	1,111,805.04	Miscellaneous Reserves	1,290,706.95	1,111,805.04
Total Assets	<u>\$ 8,821,137.89</u>	<u>\$ 8,604,224.03</u>	Total Liabilities and Reserves	<u>\$ 8,821,137.89</u>	<u>\$ 8,604,224.03</u>

See independent accountant's compilation report and the accompanying notes to the financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY ACCOUNTING BASIS
December 31, 2017 and 2016**

<u>Assets</u>	<u>2017</u>	<u>2016</u>	<u>Liabilities, Reserves and Fund Balance</u>	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 7,281,557.95	\$ 6,546,932.86	Serial Bonds	\$ 50,990,000.00	\$ 45,190,000.00
Grants Receivable - NJ DOT	<u>406,250.00</u>	<u>372,500.00</u>	Bond Anticipation Notes	4,715,000.00	13,022,000.00
	<u>7,687,807.95</u>	<u>6,919,432.86</u>	Encumbrances Payable	2,268,264.00	2,160,302.38
			Loans Payable	1,386,988.76	2,892,489.03
			Improvement Authorizations:		
			Funded	1,813,458.76	169,088.64
			Unfunded	6,397,033.73	6,494,678.63
			Capital Improvement Fund	123,526.00	36,026.00
Deferred Charges To Future Taxation:			Reserve for:		
Funded	52,376,988.76	48,082,489.03	Debt Service	508,488.29	1,208,760.82
Unfunded	<u>8,942,500.00</u>	<u>17,107,000.00</u>	Developer's Contributions	42,000.00	42,000.00
	<u>61,319,488.76</u>	<u>65,189,489.03</u>	Reserve for Grants Receivable	162,500.00	128,750.00
			Fund Balance	<u>600,037.17</u>	<u>764,826.39</u>
Total Assets	<u>\$ 69,007,296.71</u>	<u>\$ 72,108,921.89</u>	Total Liabilities, Reserves and Fund Balance	<u>\$ 69,007,296.71</u>	<u>\$ 72,108,921.89</u>

The Township had bonds and notes authorized but not issued of \$4,227,500 and \$4,085,000 at December 31, 2017 and 2016, respectively.

**TOWNSHIP OF STAFFORD
 COUNTY OF OCEAN, NEW JERSEY
 GENERAL CAPITAL FUND
 STATEMENT OF CHANGES IN FUND BALANCE -
 REGULATORY ACCOUNTING BASIS
 Year ended December 31, 2017**

Balance, December 31, 2016		\$ 764,826.39
Increased By:		
Cancelled Funded Improvement Authorizations	\$ 7,349.58	
Premium on Note Sale	<u>42,861.20</u>	
		<u>50,210.78</u>
		815,037.17
Decreased By:		
Anticipated Revenue in Current Fund		<u>215,000.00</u>
Balance, December 31, 2017		<u><u>\$ 600,037.17</u></u>

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
WATER/SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY ACCOUNTING BASIS
December 31, 2017 and 2016**

<u>Assets</u>	<u>2017</u>	<u>2016</u>	<u>Liabilities, Reserves and Fund Balances</u>	<u>2017</u>	<u>2016</u>
Operating Fund:			Operating Fund:		
Cash and Cash Equivalents	\$ 7,823,220.28	\$ 7,476,237.63	Liabilities:		
Cash - Change Fund	<u>300.00</u>	<u>300.00</u>	Appropriation Reserves	\$ 664,745.01	\$ 510,377.97
			Encumbrances Payable	66,660.17	44,856.59
Receivables With Full Reserves:	7,823,520.28	7,476,537.63	Accrued Interest on Bonds, Notes and Loans	580,404.15	681,779.29
Consumer Accounts Receivable	146,474.84	173,700.09	Prepaid Revenue	<u>133,753.91</u>	<u>223,913.26</u>
Water-Sewer Liens Receivable	<u>23,316.25</u>	<u>23,316.25</u>		1,445,563.24	1,460,927.11
	169,791.09	197,016.34	Reserve for Receivables	169,791.09	197,016.34
			Fund Balance	<u>6,377,957.04</u>	<u>6,015,610.52</u>
Total Operating Fund	<u>7,993,311.37</u>	<u>7,673,553.97</u>	Total Operating Fund	<u>7,993,311.37</u>	<u>7,673,553.97</u>
			Capital Fund:		
Capital Fund:			Serial Bonds	33,331,000.00	30,346,000.00
Cash and Cash Equivalents	1,730,033.99	3,737,780.68	Loans Payable	19,364,066.49	19,216,780.90
Fixed Capital	148,332,464.38	147,816,481.13	Bond Anticipation Notes	-	6,676,000.00
Fixed Capital Authorized and Uncompleted	14,731,287.75	14,047,271.00	Improvement Authorizations:		
Due from NJEIT	<u>853,908.00</u>	<u>-</u>	Funded	812,888.08	157,323.30
			Unfunded	4,189,464.60	8,684,630.89
			Contracts/Encumbrances Payable	1,330,091.31	675,215.54
			Capital Improvement Fund	12,625.00	12,625.00
			Reserve for:		
			Deferred Amortization	2,546,287.75	1,060,599.00
			Amortization	103,538,753.89	98,253,700.23
			Fund Balance	<u>522,517.00</u>	<u>518,657.95</u>
Total Capital Fund	<u>165,647,694.12</u>	<u>165,601,532.81</u>	Total Capital Fund	<u>165,647,694.12</u>	<u>165,601,532.81</u>
Total Assets	<u>\$ 173,641,005.49</u>	<u>\$ 173,275,086.78</u>	Total Liabilities, Reserves and Fund Balances	<u>\$ 173,641,005.49</u>	<u>\$ 173,275,086.78</u>

The Township had bonds and notes authorized but not issued of \$4,283,644 and \$6,310,672 at December 31, 2017 and 2016, respectively.

TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized:		
Operating Surplus Anticipated	\$ 2,000,000.00	\$ 800,000.00
Water/Sewer User Fees	15,064,416.80	14,879,037.74
Miscellaneous	696,311.12	638,130.06
Interlocal Agreement - Boro of Ship Bottom	95,096.65	50,116.80
Capital Surplus	-	5,778.75
Reserve to Pay Notes	-	64,221.25
Miscellaneous Revenue Not Anticipated	61,165.57	7,561.86
Other Credits To Income:		
Appropriation Reserves Lapsed	458,044.46	352,411.29
	<u>18,375,034.60</u>	<u>16,797,257.75</u>
Total Revenue		
Expenditures:		
Operating	7,560,000.00	7,410,884.08
Debt Service	6,915,188.08	6,849,509.32
Deferred Charges	1,000,672.00	-
Statutory Expenditures	536,328.00	496,037.92
Refund of Prior Year Revenue	500.00	40,975.97
	<u>16,012,688.08</u>	<u>14,797,407.29</u>
Total Expenditures		
Excess in Revenue	2,362,346.52	1,999,850.46
Fund Balance, January 1	6,015,610.52	4,815,760.06
	8,377,957.04	6,815,610.52
Decreased By:		
Utilized as Anticipated Revenue	2,000,000.00	800,000.00
Fund Balance, December 31	<u>\$ 6,377,957.04</u>	<u>\$ 6,015,610.52</u>

See independent accountant's compilation report and the accompanying notes to the financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
WATER/SEWER UTILITY CAPITAL FUND
STATEMENT OF CHANGES IN CAPITAL FUND BALANCE
REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

Balance, December 31, 2016	\$ 518,657.95
Increased By:	
Premium on Sale of Bonds and Notes	<u>3,859.05</u>
Balance, December 31, 2017	<u><u>\$ 522,517.00</u></u>

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess/ (Deficit)</u>
Operating Surplus Anticipated	\$ 2,000,000.00	\$ 2,000,000.00	\$ -
Water/Sewer User Fees	13,910,000.00	15,064,416.80	1,154,416.80
Miscellaneous	300,000.00	696,311.12	396,311.12
Interlocal Agreement - Ship Bottom	50,000.00	95,096.65	45,096.65
Miscellaneous Revenue Not Anticipated	<u>-</u>	<u>61,165.57</u>	<u>61,165.57</u>
	<u>\$ 16,260,000.00</u>	<u>\$ 17,916,990.14</u>	<u>\$ 1,656,990.14</u>
Cash Receipts		\$ 15,693,076.88	
Surplus Realized		2,000,000.00	
Prepaid Revenue Applied		<u>223,913.26</u>	
		<u>\$ 17,916,990.14</u>	

See independent accountant's compilation report and the accompanying notes to the financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
WATER/SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY ACCOUNTING BASIS
Year ended December 31, 2017**

	Appropriations		Expended		
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
Operating:					
Salaries and Wages	\$ 2,135,000.00	\$ 2,135,000.00	\$ 2,025,249.52	\$ 109,750.48	
Other Expenses	5,385,000.00	5,385,000.00	4,851,049.53	533,950.47	
Accumulated Leave Compensation	40,000.00	40,000.00	40,000.00		
Total Operating	7,560,000.00	7,560,000.00	6,916,299.05	643,700.95	
Debt Service:					
Payment of Bond Principal	2,315,000.00	2,355,000.00	2,355,000.00		
Payment of Bond Anticipation Notes	1,001,000.00	1,001,000.00	1,001,000.00		
Interest on Bonds	1,235,000.00	1,195,000.00	1,135,602.93		\$ 59,397.07
Interest on Notes	100,000.00	100,000.00	48,586.43		51,413.57
NJEIT Trust Loan Program:					
Loan Repayment for Principal and Interest	2,512,000.00	2,512,000.00	2,374,998.72		137,001.28
Total Debt Service	7,163,000.00	7,163,000.00	6,915,188.08		247,811.92
Deferred Charges:					
Deferred Charges to Future Revenue:					
Bond Ordinance 2015-03	672.00	672.00	672.00		
Bond Ordinance 2015-03	145,000.00	145,000.00	145,000.00		
Bond Ordinance 2015-03	855,000.00	855,000.00	855,000.00		
Total Deferred Charges	1,000,672.00	1,000,672.00	1,000,672.00		
Statutory Expenditures:					
Public Employees' Retirement System	358,229.17	358,229.17	358,229.17		
Social Security System	163,098.83	163,098.83	142,054.77	21,044.06	
Unemployment Compensation Insurance	15,000.00	15,000.00	15,000.00		
Total Statutory Expenditures	536,328.00	536,328.00	515,283.94	21,044.06	
Total Appropriations	\$ 16,260,000.00	\$ 16,260,000.00	\$ 15,347,443.07	\$ 664,745.01	\$ 247,811.92
Cash Disbursements			\$ 13,800,665.23		
Encumbrances Payable			66,660.17		
Accrued Interest Payable			1,480,117.67		
			\$ 15,347,443.07		

TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY
GENERAL FIXED ASSET GROUP
STATEMENTS OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCE - REGULATORY ACCOUNTING BASIS
DECEMBER 31, 2017 AND 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>	<u>Reserves</u>	<u>2017</u>	<u>2016</u>
General Fixed Assets:					
Land	\$ 20,152,797.61	\$ 20,152,797.61			
Buildings and Improvements	12,724,890.28	12,102,316.35			
Machinery and Equipment	<u>17,931,843.95</u>	<u>18,180,017.64</u>	Investment in Fixed Assets	<u>\$ 50,809,531.84</u>	<u>\$ 50,435,131.60</u>
Total Assets	<u>\$ 50,809,531.84</u>	<u>\$ 50,435,131.60</u>	Total Reserves	<u>\$ 50,809,531.84</u>	<u>\$ 50,435,131.60</u>

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**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The Governmental Accounting Standards Board (“GASB”) Statement 14, as amended by GASB Statements No. 39 and 61, established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”) requirements where certain boards, commissions, and agencies of the Township, by statute or other directive, report separately on their financial statements.

The financial statements of the Township of Stafford, County of Ocean, New Jersey ("Township") include every board, body, officer or commission maintained wholly or in part by funds appropriated by the Township, as required by the provision of N.J.S. 40A:5-5. The financial statements, however, do not include the operation of School Boards, Volunteer Fire Departments/Fire Districts and First Aid Squads which are subject to separate audit. Included within the financial statements are taxes levied, collected and turned over to School Boards and appropriations for contributions to Volunteer Fire Departments and First Aid Squads. Complete financial statements of the above entities can be obtained by contacting the Treasurer of the respective entity.

B. Description of Funds

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Codification establishes three fund types to be used by general purpose governmental units when reporting financial position and results of operations in accordance with GAAP.

The accounting policies of the Township conform to the accounting principles and practices applicable to municipalities prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The accompanying financial statements are presented in the format prescribed by the State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and are a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through the following separate funds:

Current Fund - is used to account for all revenues and expenditures applicable to the general operations of Township departments.

Federal and State Grant Fund – accounts for receipts and disbursements of Federal and State grants.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

B. Description of Funds (continued)

Trust Funds - are used to account for assets held by the Township in a trustee capacity or as an agent for individuals and other governmental agencies. Funds held by the Township which have restrictions placed on the use of such funds are recorded in the Trust Fund.

General Capital Fund - is used to account for financial resources to be used for the acquisition of general capital facilities. The major resources are derived from the sale of serial bonds and bond anticipation notes.

Water/Sewer Utility Operating and Capital Funds - are used to account for Water/Sewer operations that are financed through user fees. The funds are operated on a basis similar to private business enterprises where the intent is that the costs of providing the Water/Sewer Utility to the general public be financed through user fees. Operations related to the acquisition of Water/Sewer capital facilities are recorded within the Water/Sewer Utility Capital Fund.

General Fixed Assets Account Group – used to account for fixed assets used in general government operations.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounting principles and practices prescribed for municipalities by the Division of Local Government Services differ in certain respects from GAAP applicable to local government units. The more significant differences follow.

A modified accrual basis of accounting is followed by the Township. Modifications from the accrual basis follow:

Revenues - Revenues are recorded as received in cash except for statutory reimbursements and grant funds, which are due from other governmental units. State and federal grants for operating purposes are realized as revenues when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves within the Current Fund. Other amounts that are due to the Township which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable.

Expenditures - Disbursements for Current Fund inventory-type items are considered expenditures at the time of purchase. Prepaid expenses are not recorded and interest on long-term debt included in the General Capital Fund is recorded as an expenditure when paid. The encumbrance method of accounting, which records commitments such as purchase orders and contracts as a charge against the current year's budget in addition to expenditures made or accrued, is utilized. The cash basis of accounting, however, is followed for recording the Township's share of contributions for fringe benefits, such as retirement plans, accrued sick leave and vacation leave.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

Appropriation reserves are recorded at December 31 for unexpended appropriation balances except for amounts which, according to state statutes, may be cancelled by the governing body. The appropriation reserves are available to satisfy specific claims, commitments or contracts incurred during the preceding fiscal year. At the end of the succeeding fiscal year, the remaining unexpended balances lapse to fund balance through other credits to revenue.

Had the Township's financial statements been prepared under generally accepted accounting principles, the encumbrance method of accounting would be followed for expenditures presently reflected on a paid or charged basis, appropriation reserves would not be recorded, revenues susceptible to accrual would have been reflected without offsetting reserves and inventories would not be reflected as expenditures at the time of purchase.

Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

D. Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the State Division of Local Government Services in accordance with N.J.S.A. 40A:4 et seq.

E. Cash and Cash Equivalents

Cash and cash equivalents include petty cash, change funds, and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost. Consequently, unrealized gain or loss on investments has not been recorded in accordance with Governmental Accounting Standards Board Statement No. 31.

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

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

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents (continued)

collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

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

F. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agencies of the United States that insure deposits, the State of New Jersey Cash Management Fund and government money market mutual funds through registered broker/dealers and banks. The New Jersey Governmental Unit Deposit Protection Act ("GUDPA") requires public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required.

Investments

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

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Government Money Market Mutual Funds.
- (c) 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.
- (d) Bonds or other obligations of the Township, or bonds or other obligations of school districts of which the Township is a part or within which the school district is located.
- (e) Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase that are approved by the New Jersey Department of Treasury Division of Investments.
- (f) Local Government Investment Pools.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

F. Deposits and Investments (continued)

- (g) 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).

Repurchase agreements (15.1(a) (8)) must comply with the following conditions:

- (a) The underlying securities are permitted investments, pursuant to the list contained in (a) and (c) above.
- (b) The custody of the collateral is transferred to a third party. This means the bank must contract with a trusted third party to hold the collateral to ensure it is not pledged against any other investments.
- (c) The maturity of the agreement is not more than 30 days.
- (d) The underlying securities are purchased through a GUDPA bank.
- (e) A master repurchase agreement providing for the custody and security of collateral is executed.

Local Government Investment Pools ("LGIP") (15.1(e) (2)) are subject to the following requirements:

- (a) It is managed in accordance with the SEC's government money market rules (2a-7).
- (b) It is rated in the highest category by a nationally recognized statistical rating organization.
- (c) Have their portfolio limited to U.S. Government securities as defined in 2a-7 and repurchase agreements that are collateralized by such U.S. Government securities.

Every local unit must have a Cash Management Plan ("Plan"); the Plan is subject to audit. In addition, when the Plan permits investments for more than one year, the investment must approximate the prospective use of funds. This primarily relates to U.S. securities and local bond issue purchases. The law also requires that cash management plans provide for the CFO to give the governing body a monthly report that summarizes:

- (a) All investments made or redeemed over the past month.
- (b) Each organization holding local unit funds.
- (c) The amount of securities purchased or sold, class or type of securities purchased, book value, earned income, fees incurred, and market value of all investments as of the report date.
- (d) Other information that may be required by the governing body.

The Township is permitted to invest public funds in accordance with N.J.S.A. 40A:5-15.1. These investments include bonds or other obligations of the United States or obligations guaranteed by the United States, Government Money Market Mutual Funds, bond or other obligations of the Township or bonds or other obligations of the school district, local government investment pools, and agreements for the repurchase of fully-collateralized securities, if purchased in accordance with N.J.S.A. 40A:5-15.1. The Township is also permitted to invest Length of Service Award Program ("LOSAP") funds with the types of eligible investments authorized in N.J.A.C. 5:30-14.19. These investments include interest-bearing accounts or securities in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

G. Property Acquired for Taxes

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

H. Deferred Charges

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

I. Deferred Charges to Future Taxation Funded and Unfunded

Upon the authorization of capital projects, the Township establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for that particular year in the Current Fund budget. As funds are raised, the deferred charges are reduced.

J. Grants

Current Fund - State and federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs.

Trust Fund - State and federal grants and assistance awards are dedicated by rider in the Trust Fund. A receivable and corresponding spending reserve are recorded when the grant is awarded.

Capital Fund - State and federal grants and assistance awards are recorded as a funding source for improvement authorizations or are established as receivables with an offsetting reserve.

K. General Fixed Assets

Accounting for governmental fixed assets, as required by N.J.A.C.5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and Budget Circular A-87 (Attachment B, Section 19), except that the useful life of such property is at least five years. The Township has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

K. General Fixed Assets (continued)

historical cost or estimated historical cost. In some instances, assets are valued at the assessed valuation of the property at the time of acquisition, which approximates fair value. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at their estimated fair market value on the acquisition date. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. Fixed assets acquired through grants or contributed capital is not accounted for separately.

The Township is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed assets, reflecting the activity for the year, must be included in the Township's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that includes accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

L. Interfunds

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

M. Appropriation Reserves

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

N. Encumbrances

Encumbrances are contractual orders at December 31, 2017 are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

O. Long-Term Debt

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

P. Compensated Absences

Expenditures for compensated absences relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The compensated absence liability at December 31, 2017 is set forth in Note 13.

Q. Fund Balance

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

R. Assessment and Collection of Property Taxes

New Jersey statutes require that taxable valuation of real property be prepared by the local unit tax assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Local Unit, Local School District, County and Special Districts, the tax rate is struck by the County Tax Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 20, with a completed duplicate of the tax rolls to be delivered to the Local Unit Tax Collector on or before June 3. New Jersey statutes require that each local unit provide for sufficient anticipated cash receipts equal to the "lawful yearly expenditure" which includes the total amount of property taxes to be raised by the local unit.

Taxes are levied on an annual basis and are due quarterly on February 1, May 1, August 1, and November 1. Any taxes not paid as of December 31 are subject to tax sale and lien in the subsequent year, with the exception of bankruptcies. The date of tax sale is at the discretion of the tax collector.

S. School Taxes

The Township is responsible for levying, collecting, and remitting school taxes for the Lacey Township School District. Operations are charged for the full amount required to be raised from taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2016 and decreased by the amount deferred at December 31, 2017.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

T. County Taxes

The Township is responsible for levying, collecting, and remitting county taxes for the County of Ocean. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10 of the current year and due to be paid to the County by February 15 of the following year.

U. Reserve for Uncollected Taxes

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

V. Inventories of Supplies

The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

W. Volunteer Length of Service Award Plan

The Township has established a Volunteer Length of Service Award Plan ("LOSAP") ("Plan") to ensure retention of the Township's volunteer First Aid squad. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a "length of service award plan under Section 457(e)11 of the Internal Revenue Code".

Annual Contributions - The annual contribution to be made by the Township for each active volunteer member shall be \$1,150.00 per year of active emergency service, commencing with the year 2005.

Appropriations - Appropriations for the purpose of funding the Township's LOSAP shall be included as a separate line item in the Township's budget, commencing with the year 2005.

Periodic Increases - Notwithstanding the provisions above, the annual contribution to be made by the Township for each active volunteer member shall not be subject to periodic increases based upon the "consumer price index factor" pursuant to subsection f. of section 3 of P.L. 1997, c. 388 (N.J.S.A. 40A:14-185).

Estimated Cost - The estimated cost of the program to the Township has been calculated to be approximately \$78,200.00 per year. (This amount may vary annually, however, based upon the total number of eligible active volunteer members at the time the program was established).

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

X. Trust Fund Reserves

Landfill Tax Escrow - The Landfill Tax Escrow account was created in accordance with the provisions of the Sanitary Landfill Facility Closure and Contingency Fund Act P.L. 1981, C306. The account is overseen by the State of New Jersey, Department of Environmental Protection, Division of

Solid and Hazardous Waste. The funds are to be used exclusively for the closure and post-closure care of the Township landfill in accordance with the approved Closure and Post-Closure Plan. Expenditures can only be made from the Fund upon the approval of the Department of Environmental Protection.

Recreation Assessment - The Township charges developers a fee created by ordinance to fund current and future recreation facilities. The funds are held in the Trust Fund and may only be utilized through appropriation in the Current Fund budget or by creation of a capital ordinance.

Storm Water Management Assessment - The Township charges developers a fee created by ordinance for the maintenance of the underground storm water discharge system. These funds are held within the Township's Trust Fund and may only be utilized by a budget appropriation in the Current Fund or by capital ordinance.

Y. Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended June 30, 2017:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no impact on the Township's financial statements

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The adoption of this Statement had no impact on the Township's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement had no impact on the Township's financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Y. Impact of Recently Issued Accounting Principles (continued)

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the Township's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The adoption of this statement had no impact on the Township's financial statements.

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

Recently Issued Accounting Pronouncements

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

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Township's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Township's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the Township's financial statements.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 1. Summary of Significant Accounting Policies (continued)

Y. Impact of Recently Issued Accounting Principles (continued)

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management does not expect this Statement to have a material impact on the Township's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement No. 85 is effective for periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the Township's financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for reporting periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the Township's financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the Township's financial statements.

Z. Subsequent Events

The Township has evaluated subsequent events through April 4, 2018, the date the financial statements were available to be issued. See Note 24 for additional information.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 2. Cash and Cash Equivalents

The Township is governed by the deposit and investment limitations of New Jersey state law. The Deposits and investments held at December 31, 2017, and reported at fair value are as follows:

Deposits:

Demand Deposits	<u>\$44,166,652.83</u>
Total Deposits	<u><u>\$44,166,652.83</u></u>

Reconciliation of Statements of Assets, Liabilities, Reserves and Fund Balance:

Current	\$20,184,687.88
Animal Control Trust	21,088.98
Trust - Other	7,126,063.75
General Capital	7,281,557.95
Water/Sewer Utility Operating	7,823,220.28
Water/Sewer Utility Capital	<u>1,730,033.99</u>
Total Reconciliation	<u><u>\$44,166,652.83</u></u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned. Although the Township does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New

Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA.

However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2017, the Township's bank balance of \$43,825,407.26 was insured or collateralized as follows:

Insured under FDIC	\$ 1,545,798.81
Collateralized - GUDPA	39,107,749.35
Uninsured and Uncollateralized	<u>3,171,859.10</u>
	<u><u>\$ 43,825,407.26</u></u>

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 2. Cash and Cash Equivalents (continued)

NJARM

All investments in the Fund are governed by the regulations of the Investment Council which prescribes standards designed to insure the quality of investments and to minimize the risks related to investments. To date, the Fund has never defaulted on principal or interest on any short term security held by its participants. Further, a reserve is being accumulated as additional protection for other than State participants. Finally, the Council monitors eligible securities on a regular basis. As of December 31, 2017, the Township had \$23,706,909.15 on deposit with the New Jersey Asset Management Program (“NJARM”). NJARM is a local investment pool which invests in repurchase agreements collateralized by U.S. Securities, U.S. Government Agency Discount Notes, and U.S. Government Agency Securities. The deposit with NJARM is available for withdrawal upon notice given by 11:00 am EST on each business day and is accordingly classified as a cash equivalent.

Note 3. Investments

As of December 31, 2017 and 2016, the Township had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Book Value</u>
2017:		
LOSAP	<u>\$ 1,290,706.95</u>	<u>\$ 1,290,706.95</u>
2016:		
LOSAP	<u>\$ 1,111,805.04</u>	<u>\$ 1,111,805.04</u>

Interest Rate Risk

LOSAP investment options are at the discretion of each individual participant and not the Township.

Credit Risk

State law limits investments as noted above.

The fair value of the above-listed investments was based on quoted market prices.

During the year, the Township had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the Township.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 4. Taxes, Water/Sewer Utility Receivables

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years.

Comparison of Tax Rate Information

	2017	2016	2015
Total Tax Rate	\$ 2.353	\$ 2.329	\$ 2.247
Apportionment of Tax Rate:			
Municipal	0.901	0.885	0.860
Municipal Open Space	0.010	0.010	0.010
County	0.451	0.446	0.426
Local School	0.752	0.752	0.728
Regional School	0.239	0.236	0.223

Net Valuation Taxable

2017	\$	<u>3,899,381,913.00</u>
2016	\$	<u>3,849,038,400.00</u>
2015		<u>\$ 3,802,776,243.00</u>

Comparison of Tax Levies and Collection Currently

Year	Tax Levy	Cash Collections	Percentage Of Collection
2017	\$ 92,715,159.38	\$ 91,976,720.98	99.20%
2016	90,747,341.80	89,902,073.66	99.07%
2015	86,552,131.16	85,762,956.26	99.09%

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 4. Taxes, Water/Sewer Utility Receivables

Delinquent Taxes and Tax Title Liens

Year Ended December 31	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage Of Tax Levy
2017	\$ 233,145.62	\$ 675,650.29	\$ 908,795.91	0.98%
2016	196,928.39	737,904.35	934,832.74	1.03%
2015	161,359.82	628,590.93	789,950.75	0.91%

The following is a three-year comparison of certain statistical information relative to water-sewer charges and water-sewer collections for the current and previous two years.

Comparison of Water-Sewer Charges Levies

Year	Levy	Prior Year Delinquent	Cash Collections
2017	\$ 15,037,191.55	\$ 173,700.09	\$ 15,064,416.80
2016	14,879,620.47	175,882.36	14,881,802.74
2015	14,749,561.42	195,178.94	14,768,858.00

Note 5. Accounts Receivable

Accounts receivable at December 31, 2017 consisted of intergovernmental grants, taxes and other accounts receivable. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the Township's individual major funds, in the aggregate, are as follows:

	<u>Current Fund</u>	<u>State & Federal Grant Fund</u>	<u>General Capital Fund</u>	<u>Utility Operating Fund</u>	<u>Total</u>
State	\$ -	\$ -	\$ 406,250.00	\$ -	\$ 406,250.00
Taxes & User Fees	675,650.29	-	-	146,474.84	822,125.13
Other	259,501.48	24,883.61	-	23,316.25	307,701.34
Total	<u>\$ 935,151.77</u>	<u>\$ 24,883.61</u>	<u>\$ 406,250.00</u>	<u>\$ 169,791.09</u>	<u>\$ 1,536,076.47</u>

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 6. Interfund Balances and Transfers

The composition of interfund balances as of December 31, 2017 is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ -	\$ 204,242.08
State & Federal Grant Fund	204,242.08	-
	<u>\$ 204,242.08</u>	<u>\$ 204,242.08</u>

All balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) revenues/receipts are collected, and (3) payments between funds are made.

Significant transfers between funds during the year ended December 31, 2017 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Current Fund	\$ 1,208,760.82	\$ -
General Capital Fund	-	1,208,760.82
	<u>\$ 1,208,760.82</u>	<u>\$ 1,208,760.82</u>

Note 7. Fixed Assets and Fixed Capital

The following is a summary of changes in the General Fixed Assets Account Group for the year 2017:

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2017</u>
Land	\$ 20,152,797.61	\$ -	\$ -	\$ 20,152,797.61
Buildings and Improvements	12,102,316.35	622,573.93	-	12,724,890.28
Machinery & Equipment	18,180,017.64	1,075,715.78	(1,323,889.47)	17,931,843.95
	<u>\$ 50,435,131.60</u>	<u>\$ 1,698,289.71</u>	<u>\$ (1,323,889.47)</u>	<u>\$ 50,809,531.84</u>

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 9. Long-Term Debt

The Township's long-term debt consisted of the following at December 31, 2017:

Current Fund Loans

		Original Loan <u>Amount</u>	Balance December 31, <u>2017</u>
2013	Community Disaster Loan	\$ 3,240,000.00	\$ 3,240,000.00
		<u>\$ 3,240,000.00</u>	<u>\$ 3,240,000.00</u>

The final amortization table for the repayment of the Community Disaster Loan has not yet been established.

General Capital Bonds

<u>Purpose</u>	<u>Date of Issue</u>	Original <u>Issue</u>	Interest <u>Rate</u>	Balance December 31, <u>2017</u>
2008 General Improvement Bonds	8/26/2008	\$ 19,200,000.00	4.000%	\$ 900,000.00
2011 General Improvement Bonds	5/24/2011	8,850,000.00	3.000-4.000%	1,880,000.00
2012 General Improvement Bonds	5/22/2012	7,965,000.00	2.500-3.500%	6,000,000.00
2014 General Obligation Refunding Bonds	3/27/2014	6,111,500.00	4.000-5.000%	2,735,000.00
2014 Pension Refunding Bonds	3/27/2014	1,025,000.00	2.500-5.000%	1,010,000.00
2014 General Obligation Bonds	5/19/2014	6,500,000.00	2.000-4.000%	5,300,000.00
2014 General Obligation Refunding Bonds B	11/19/2014	8,480,000.00	1.750-5.000%	6,630,000.00
2016 General Obligation Refunding Bonds B	2/24/2016	11,095,000.00	2.250-5.000%	11,095,000.00
2017 General Obligation Bonds	5/10/2017	12,055,000.00	3.000-5.000%	10,880,000.00
2017 General Obligation Refunding Bonds B	11/9/2017	4,560,000.00	2.000%-5.000%	4,560,000.00
				<u>\$ 50,990,000.00</u>

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 9. Long-Term Debt (continued)

Debt service requirements for bonds as of December 31 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,825,000.00	\$ 1,811,201.67	\$ 6,636,201.67
2019	5,060,000.00	1,696,953.75	6,756,953.75
2020	5,160,000.00	1,513,347.50	6,673,347.50
2021	4,560,000.00	1,316,197.50	5,876,197.50
2022	4,635,000.00	1,147,035.00	5,782,035.00
2023-2027	19,920,000.00	3,057,512.50	22,977,512.50
2028-2032	6,670,000.00	376,977.50	7,046,977.50
2033	160,000.00	4,000.00	164,000.00
	<u>\$ 50,990,000.00</u>	<u>\$ 10,923,225.42</u>	<u>\$ 61,913,225.42</u>

General Capital Loans

The Township has received loans from the State of New Jersey, Department of Environmental Protection under the Green Acres Trust Program as follows:

	<u>Original Loan Amount</u>	<u>Annual Payment</u>	<u>Balance December 31, 2016</u>	<u>Final Payment</u>
2000 Green Acres Trust	\$ 840,000.00	\$ 52,233.88	\$ 78,350.82	4/30/2019
2001 Green Acres Trust	70,444.22	4,380.45	13,141.34	11/17/2020
2001 Green Acres Trust	380,000.00	23,629.62	82,703.63	1/20/2021
2001 Green Acres Trust	1,500,000.00	93,274.78	326,461.74	2/4/2021
2001 Green Acres Trust	500,000.00	31,091.59	108,820.57	7/20/2021
2001 Green Acres Trust	250,000.00	15,545.79	54,410.30	7/20/2021
2002 Green Acres Trust	500,000.00	32,468.04	113,638.18	6/25/2021
2002 Green Acres Trust	500,000.00	31,091.60	139,912.16	6/25/2022
2006 Green Acres Trust	500,000.00	31,091.60	279,824.34	8/27/2026
	<u>\$ 5,040,444.22</u>	<u>\$ 314,807.35</u>	<u>\$ 1,197,263.08</u>	

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**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 9. Long-Term Debt (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 293,527.90	\$ 21,279.44	\$ 314,807.34
2019	273,310.89	15,379.51	288,690.40
2020	252,426.27	10,147.20	262,573.47
2021	155,092.86	5,095.26	160,188.12
2022-26	<u>162,630.84</u>	<u>8,372.91</u>	<u>171,003.75</u>
	<u>\$ 1,136,988.76</u>	<u>\$ 60,274.32</u>	<u>\$ 1,197,263.08</u>

In addition to the above capital loans, the Township has a Green Acres loan for \$250,000.00 for which the final amortization schedule has not been prepared.

Water and Sewer Utility Bonds

	<u>Date of</u>	<u>Original</u>	<u>Interest</u>	<u>Balance</u>
<u>Purpose</u>	<u>Issue</u>	<u>Issue</u>	<u>Rate</u>	<u>December 31,</u>
				<u>2017</u>
2005 Water and Sewer Bonds	7/1/2005	\$ 3,156,000.00	3.000%	\$ 2,821,000.00
2008 Water and Sewer Bonds	8/26/2008	12,800,000.00	4.000%	605,000.00
2009 Water and Sewer Bonds	3/12/2009	9,345,000.00	3.000%	560,000.00
2011 Water and Sewer Bonds	5/24/2011	5,900,000.00	3.000-4.000%	1,260,000.00
2012 Water and Sewer Bonds	5/22/2012	4,035,000.00	3.000-3.125%	3,215,000.00
2014 Water and Sewer Bonds	3/27/2014	4,218,500.00	2.500-5.000%	3,425,000.00
2014 Water and Sewer Bonds	5/19/2014	3,500,000.00	2.000-4.000%	3,050,000.00
2016 Water and Sewer Bonds	2/24/2016	7,425,000.00	2.250-5.000%	7,425,000.00
2017 Water and Sewer Bonds	5/10/2017	5,675,000.00	3.000-5.000%	5,280,000.00
2017 Water and Sewer Bonds	11/9/2017	2,530,000.00	2.000-2.600%	2,490,000.00
2017 Water and Sewer Bonds	11/9/2017	3,200,000.00	2.000-5.000%	<u>3,200,000.00</u>
				<u>\$ 33,331,000.00</u>

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 9. Long-Term Debt (continued)

Debt service requirements for bonds as of December 31 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,490,000.00	\$ 1,116,464.17	\$ 3,606,464.17
2019	2,520,000.00	1,071,057.50	3,591,057.50
2020	2,645,000.00	987,405.00	3,632,405.00
2021	2,730,000.00	893,560.00	3,623,560.00
2022	2,890,000.00	789,190.00	3,679,190.00
2023-2027	12,425,000.00	2,469,725.00	14,894,725.00
2028-2032	7,631,000.00	483,240.00	8,114,240.00
	<u>\$ 33,331,000.00</u>	<u>\$ 7,810,641.67</u>	<u>\$ 41,141,641.67</u>

Water/Sewer Loans

The Township has Water and Sewer Loans outstanding for the following programs:

<u>Program</u>	<u>Original Issue</u>	<u>Balance December 31, 2017</u>	<u>Final Payment</u>
NJ Environmental Infrastructure Trust Loan	\$ 2,185,000.00	\$ 495,000.00	6/1/2020
NJ Environmental Infrastructure Fund Loan	2,183,651.00	295,361.98	6/1/2020
NJ Environmental Infrastructure Trust Loan	5,295,000.00	2,355,000.00	8/1/2025
NJ Environmental Infrastructure Fund Loan	4,895,597.00	1,710,718.01	8/1/2024
NJ Environmental Infrastructure Trust Loan	3,075,000.00	1,450,000.00	8/1/2026
NJ Environmental Infrastructure Fund Loan	3,026,741.00	1,073,541.45	8/1/2024
NJ Environmental Infrastructure Trust Loan	4,425,000.00	2,040,000.00	8/1/2027
NJ Environmental Infrastructure Fund Loan	4,361,085.00	1,447,244.31	8/1/2024
NJ Environmental Infrastructure Trust Loan	2,295,000.00	1,585,000.00	8/1/2028
NJ Environmental Infrastructure Fund Loan	2,263,923.00	1,191,183.17	8/1/2028
NJ Environmental Infrastructure Trust Loan	100,180.18	45,510.07	8/1/2029
NJ Environmental Infrastructure Fund Loan	288,693.00	58,717.31	8/1/2029
NJ Environmental Infrastructure Trust Loan	1,405,000.00	1,015,000.00	8/1/2029
NJ Environmental Infrastructure Fund Loan	4,221,645.00	2,375,434.19	8/1/2029
NJEIT Interim Construction Loan	2,226,356.00	2,226,356.00	
	<u>\$ 42,247,871.18</u>	<u>\$ 19,364,066.49</u>	

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 9. Long-Term Debt (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,109,938.46	\$ 402,929.69	\$ 2,512,868.15
2019	2,176,873.55	355,261.67	2,532,135.22
2020	2,186,767.04	307,579.31	2,494,346.35
2021	1,975,263.71	260,848.76	2,236,112.47
2022	2,018,964.03	216,029.16	2,234,993.19
2023-2027	6,085,576.83	429,660.30	6,515,237.13
2028-2029	584,326.87	21,650.00	605,976.87
	<u>\$ 17,137,710.49</u>	<u>\$ 1,993,958.89</u>	<u>\$ 19,131,669.38</u>

In addition to the above loans the Township has a New Jersey Environmental Infrastructure Trust Interim Construction Loan for \$2,226,356.00 for which the final amortization scheduled has not been prepared.

Changes in Outstanding Long-Term Debt

Transactions for the year ended December 31, 2017 are summarized as follows:

	<u>Balance</u> December 31, <u>2016</u>	<u>Accrued/</u> <u>Increases</u>	<u>Retired/</u> <u>Decreases</u>	<u>Balance</u> December 31, <u>2017</u>	<u>Balance</u> Due Within <u>One Year</u>
General Capital:					
General Bonds	\$ 45,190,000.00	\$ 16,615,000.00	\$ 10,815,000.00	\$ 50,990,000.00	\$ 4,825,000.00
Loans	2,892,489.03		1,505,500.27	1,386,988.76	293,527.90
	<u>\$ 48,082,489.03</u>	<u>\$ 16,615,000.00</u>	<u>\$ 12,320,500.27</u>	<u>\$ 52,376,988.76</u>	<u>\$ 5,118,527.90</u>
Utility Capital:					
General Bonds	\$ 30,346,000.00	\$ 11,405,000.00	\$ 8,420,000.00	\$ 33,331,000.00	\$ 2,490,000.00
Loans	19,216,780.90	2,226,356.00	2,079,070.41	19,364,066.49	2,109,938.46
	<u>\$ 49,562,780.90</u>	<u>\$ 13,631,356.00</u>	<u>\$ 10,499,070.41</u>	<u>\$ 52,695,066.49</u>	<u>\$ 4,599,938.46</u>

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 9. Long-Term Debt (continued)

Summary of Municipal Debt (Excluding Current
and Operating Debt and Type I School Debt)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 57,091,988.76	\$ 61,104,489.03	\$ 62,731,563.58
Water-Sewer Utility:			
Bonds, Notes and Loans	52,695,066.49	56,238,780.90	60,617,790.49
	<hr/>	<hr/>	<hr/>
Total Debt Issued	109,787,055.25	117,343,269.93	123,349,354.07
	<hr/>	<hr/>	<hr/>
Authorized but not issued:			
General:			
Bonds, Notes and Loans	4,227,500.00	4,085,000.00	24,825,000.00
Water-Sewer Utility:			
Bonds, Notes and Loans	4,283,644.00	6,310,672.00	-
	<hr/>	<hr/>	<hr/>
Total Authorized But Not Issued	8,511,144.00	10,395,672.00	24,825,000.00
	<hr/>	<hr/>	<hr/>
Total Gross Debt	\$ 118,298,199.25	\$ 127,738,941.93	\$ 148,174,354.07
	<hr/>	<hr/>	<hr/>
Deductions:			
General:			
Funds on Hand For Payment of Bonds and Notes:			
Reserve for Debt Service	1,680,988.29	2,352,510.82	24,825,000.00
	<hr/>	<hr/>	<hr/>
Total Deductions	1,680,988.29	2,352,510.82	24,825,000.00
	<hr/>	<hr/>	<hr/>
Total Net Debt	\$ 116,617,210.96	\$ 125,386,431.11	\$ 123,349,354.07
	<hr/>	<hr/>	<hr/>

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 9. Long-Term Debt (continued)

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.419%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local District School Debt	\$ 15,518,000.00	\$ 15,518,000.00	-
General Debt	61,319,488.76	1,680,988.29	59,638,500.47
Water-Sewer Utility Debt	56,978,710.49	56,978,710.49	-
	<u>\$ 118,298,199.25</u>	<u>\$ 58,659,698.78</u>	<u>\$ 59,638,500.47</u>

Net Debt \$59,638,500.47 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$4,202,986,147.00 = 1.419%.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 147,104,515.15
Net Debt	<u>59,638,500.47</u>

Remaining Borrowing Power	<u>\$ 87,466,014.68</u>
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Self-Liquidating Utility Calculation.

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

Cash Receipts From Fees, Rents or Other Charges for the Year	\$ 17,916,990.14
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Deductions:

Operating and Maintenance Costs	\$ 8,096,328.00
Debt Service	<u>6,915,188.08</u>

Total Deductions	<u>15,011,516.08</u>
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Excess/(Deficit) in Revenue	<u>\$ 2,905,474.06</u>
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*If Excess in Revenues all Utility Debt is Deductible

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 10. Bond Anticipation Notes

The Township issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding ten years. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that, on or before the third anniversary date of the original note, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. Legal installments must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance.

On December 31, 2017, the Township's outstanding bond anticipation notes were as follows:

<u>General Capital Fund</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
Construction of Community Center & Pavilion	5/10/2017	5/9/2018	\$ 373,750.00	2.250%
Construction of Community Center & Pavilion	5/10/2017	5/9/2018	145,000.00	2.250%
Various Capital Improvements/Acquisition of Capital Equipment	5/10/2017	5/9/2018	<u>4,196,250.00</u>	2.250%
			<u>\$ 4,715,000.00</u>	

Changes in Outstanding Short-Term Debt

Transactions for the year ended December 31, 2016 are summarized as follows:

	Balance December 31, <u>2016</u>	Accrued/ <u>Increases</u>	Retired/ <u>Decreases</u>	Balance December 31, <u>2017</u>	Balance Due Within <u>One Year</u>
General Capital	\$ 13,022,000.00	\$ 4,715,000.00	\$ 13,022,000.00	\$ 4,715,000.00	\$ 4,715,000.00
Water/Sewer Utility	6,676,000.00	-	6,676,000.00	-	-
	<u>\$ 19,698,000.00</u>	<u>\$ 4,715,000.00</u>	<u>\$ 19,698,000.00</u>	<u>\$ 4,715,000.00</u>	<u>\$ 4,715,000.00</u>

Note 11. Bonds and Notes Authorized But Not Issued

At December 31, 2017, the Township had authorized but not issued bonds and notes in the General Capital Fund in the amount of \$4,227,500 and in the Water/Sewer Utility Capital Fund in the amount of \$4,283,644.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 12. Fund Balance Appropriated

Current Fund

The fund balance at December 31, 2017 was \$10,184,792.68 of which \$4,700,000.00 was appropriated and included as anticipated revenue for the year ended December 31, 2017.

Water/Sewer Utility Operating Fund

The fund balance at December 31, 2017 was \$6,377,957.04 of which \$2,000,000.00 was appropriated and included as anticipated revenue for the year ended December 31, 2017.

Note 13. Accrued Sick and Vacation Benefits

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Township's liability related to unused vacation and sick pay. The Township permits its employees to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. Effective for financial statements dated December 31, 1987, the state has required all municipalities to disclose the estimated current cost of unused sick and vacation benefits at year-end. The Township estimated the current cost of such unpaid compensation would be \$3,214,840.09 at December 31, 2017. In accordance with New Jersey principles, this amount is not reported as an expenditure or liability in the accompanying financial statements. The Township has a trust reserve for accumulated absence liabilities in the amount of \$775,686.64 at December 31, 2017.

Note 14. Deferred Charges to be Raised in Succeeding Years' Budgets

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the current fund balance sheet included a deferred charge for Future Taxation Unfunded - Community Disaster Loan in the amount of \$3,333,975.62.

Note 15. Pension Obligations

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

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

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Components of Net Pension Liability - At December 31, 2016, the Township reported a liability of \$43,819,924.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Township's proportion of the net pension liability was based on the Township's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Township's proportion measured as of June 30, 2016, was .14795%, which was an increase of .00565% from its proportion measured as of June 30, 2015.

Collective Balances at December 31, 2016 & December 31, 2015

	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	12,840,091.00	4,651,764.00
Deferred Inflows of Resources	354,805.00	963,777.00
Net Pension Liability	43,819,924.00	31,943,724.00
Township's Portion of the Plan's Total		
Net Pension Liability	0.14795%	0.14514%

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 814,918.00	\$ -
Changes of Assumptions	9,077,148.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,670,894.00	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	1,277,131.00	354,805.00
	\$ 12,840,091.00	\$ 354,805.00

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension expense as follows:

Year Ending	
<u>Dec 31,</u>	<u>PERS</u>
2017	\$ 2,782,613.00
2018	2,782,619.00
2019	3,187,458.00
2020	2,690,838.00
2021	1,041,758.00
	\$ 12,485,286.00

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

	<u>PERS</u>
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global debt ex U.S.	5.00%	-0.25%
REIT	<u>5.25%</u>	5.63%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals 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 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

A. Public Employees' Retirement System (PERS) (continued)

Sensitivity of the Township's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Township's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	Decrease (2.98%)	Discount Rate (3.98%)	Increase (4.98%)
Township's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Township	\$ 53,696,203.00	\$ 43,819,924.00	\$ 35,666,200.00

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

Plan Description – The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

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

The following represents the membership tiers for PFRS:

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

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

Basis of Presentation - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS or its participating employers. Accordingly, they do not purport to be a complete

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

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

presentation of the financial position or changes in financial position of PFRS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Township contributions to PFRS amounted to \$1,447,875 for 2016.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Net Pension Liability and Pension Expense - At December 31, 2017, the Township's proportionate share of the PFRS net pension liability is valued to be \$33,922,163.00. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The Township's proportion of the net pension liability was based on the Township's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Township's proportion measured as of June 30, 2016, was .17758%, which was an increase of .00789% from its proportion measured as of June 30, 2015.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

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

Collective Balances at December 31, 2016 & December 31, 2015

	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	7,983,396.00	5,218,175.00
Deferred Inflows of Resources	850,868.00	1,543,686.00
Net Pension Liability	33,922,163.00	28,263,669.00
 Township's Portion of the Plan's Total Net Pension Liability	 0.17758%	 0.16969%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2016, the Township had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 222,365.00
Changes of Assumptions	4,698,498.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,376,858.00	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions	<u>908,040.00</u>	<u>628,503.00</u>
	<u>\$ 7,983,396.00</u>	<u>\$ 850,868.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

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

	Year Ending Dec 31,	<u>PFRS</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	2017	\$ 1,612,181.00		
	2018	1,612,181.00		
	2019	2,178,627.00		
	2020	1,399,800.00		
	2021	<u>329,739.00</u>		
		<u>\$ 7,132,528.00</u>		
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014			-	-
June 30, 2015			-	5.53
June 30, 2016			-	5.58
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014			6.17	-
June 30, 2015			5.53	-
June 30, 2016			5.58	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014			-	5.00
June 30, 2015			-	5.00
June 30, 2016			5.00	-
Changes in Proportion and Differences between Township Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014			6.17	6.17
June 30, 2015			5.53	5.53
June 30, 2016			5.58	5.58

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

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

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

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$2,848,620.00 as of December 31, 2016. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The State's proportion of the net pension liability associated with the Township 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 members, actuarially determined. The State's proportion measured as of June 30, 2016 was .17758%, which was an increase of .00789% from its proportion measured as of June 30, 2015, which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 33,922,163.00
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>2,848,620.00</u>
Total Net Pension Liability	<u><u>\$ 36,770,783.00</u></u>

For the year ended December 31, 2016, the Township's total allocated pension expense was \$5,160,224.00.

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

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

	<u>PFRS</u>
Inflation	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% Based on Age
Thereafter	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2010 - June 30, 2013

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

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

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. The single blended discount rate was based on long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipals 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 30% 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Township's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Township's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55%) or 1-percentage-point higher (6.55%) than the current rate:

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 15. Pension Obligations (continued)

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

	Decrease (4.55%)	Discount Rate (5.55%)	Increase (6.55%)
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Township's proportionate share of the

Net Pension Liability and the State's

Proportionate Share of the Net Pension

Liability associated with the Township	\$ 43,740,142.00	\$ 33,922,163.00	\$ 25,916,192.00
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C. Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by *N.J.S.A.43:15C-1* et. seq.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Township's contribution amounts for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

As of December 31, 2017, the Township did not have any employees participating in the Defined Contribution Retirement Program.

Note 16. Post-Employment Healthcare Benefits

Plan Description

In addition to the pension benefits as described in Note 1, the Township provides for health benefits as follows:

Effective January 1, 2009, the Township is a member of the State Health Benefits Program (SHBP). The SHBP is a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et.seq. to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 16. Post-Employment Healthcare Benefits (continued)

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in SHBP. All employees of the Township who have completed twenty-five (25) years of active service or are eligible for disability retirement under the Public Employees' Retirement System or the Police and Firemen's Retirement System will be provided hospitalization and medical coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of SHBP, as well as the actuarial valuation of the plan in accordance with Governmental Accounting Standards Board Statement 45. These financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295. They are also available on the state's web site at www.state.nj.us/treasury/pensions.

Funding Policy

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-employment health benefits under the plan have been funded on a pay-as-you go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for health premiums of participating retirees in the SHBP are billed to the Township on a monthly basis. The Township currently contributes on a pay-as-you go basis based upon monthly invoices from the State of New Jersey Division of Pensions. Employees are not required to contribute. Contributions to the plan for the last two years and the number of former employees eligible for and participating in the post-employment health care benefits program as of the respective year ended December 31 was as follows:

<u>Year</u>	<u>Contribution</u>	<u>Number of Employees</u>
2017	\$ 2,232,883.29	106
2016	2,040,321.67	105
2015	1,922,307.32	99

Note 17. Unemployment Compensation Insurance

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et seq.). The Township has elected to provide a self-insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. The Reserve for Unemployment Compensation Insurance at December 31, 2017 totaled \$38,300.38.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 18. Contingent Liabilities

State and Federal Grants

The Township receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2017, the Township estimates that no material liabilities will result from such audits.

Note 19. Risk Management

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Township is a member of the Ocean County Municipal Joint Insurance Fund ("JIF"). The joint insurance pool is both an insured and self-administered group of 30 municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program which has a contract for excess liability insurance for property. The fund also purchased an excess Faithful Performance and Employee Dishonesty Bond. There were no settlements in excess of insurance coverage in 2017 and 2016.

Note 20. Deferred Compensation Program

The Township has instituted a Deferred Compensation Plan ("Plan") pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C.381; P.L. 1978, C.39; P.L. 1980, C.78; and P.L. 1997, C.116 of the Statutes of New Jersey.

The Plan is an arrangement whereby a public employer may establish a Plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations.

The Township has engaged a private contractor to administer the Plan.

Note 21. Length of Service Award Program ("LOSAP")

The Township has established a Volunteer Length of Service Award Plan ("LOSAP") ("Plan") to ensure retention of the Township's volunteer Fire Department and also their First Aid Squad. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a "length of service award plan under Section 457(e)11 of the Internal Revenue Code".

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 21. Length of Service Award Program (“LOSAP”) (continued)

Annual Contributions - The annual contribution to be made by the Township for each active volunteer member shall be \$1,150.00 per year of active emergency service, commencing with the year 2005.

Appropriations - Appropriations for the purpose of funding the Township’s LOSAP shall be included as a separate line item in the Township’s budget, commencing with the year 2005.

Periodic Increases - Notwithstanding the provisions above, the annual contribution to be made by the Township for each active volunteer member shall not be subject to periodic increases based upon the “consumer price index factor” pursuant to subsection f. of section 3 of P.L. 1997, c. 388 (N.J.S.A. 40A:14-185).

Criteria for Eligibility; Contributions; Points - Any active volunteer member shall eligible to participate in the LOSAP Plan immediately upon commencement of the member’s performance of active voluntary services in the emergency service organization. Annual contributions shall only be made by the Township, however, for those active volunteer members who have earned the minimum number of points for performing certain volunteer services on a yearly basis.

Determination as to Eligibility - Each emergency service organization shall provide to the Township Administrator, acting as the Plan Administrator of LOSAP Plan, a certified list as to the active volunteer members who are initially eligible to participate in the Plan and those who are eligible to participate as of each January 1 thereafter. The Plan Administrator shall forward said certified list to the Township Council for approval, in accordance with the provisions of N.J.A.C. 5:30-14.10. The decision of the Township Council as to such active member’s eligibility shall be binding upon the Plan Administrator, participants, beneficiaries and any and all other persons having an interest hereunder, subject to appropriate judicial review.

Terms of Participation - The Plan Administrator shall have the right to require any active volunteer member at the time of his or her becoming a participant to agree, in writing, to be bound by the terms, covenants and conditions of the LOSAP and accompanying trust. Each participant shall furnish to the Plan Administrator all pertinent information required for the administration of the LOSAP. The Plan Administrator shall rely upon all such information furnished.

Vesting - The active volunteer member shall not be permitted to receive a distribution of the fund in his or her LOSAP account until the completion of a five-year vesting period.

Termination of Service - Any participant who terminates service as an active volunteer member shall cease to participate hereunder. A former participant may resume participation immediately upon returning to the service of the emergency service organization as an active volunteer member. Any active volunteer member who terminates service with the emergency service organization, subsequently returns to service and again becomes a participant shall be treated as a new participant for purposes of eligibility unless said participant was fully vested prior to his or her termination from service.

Reporting Requirements - N.J.A.C. 5:30-14.49 requires that the Township perform a separate review report of the Plan in accordance with the American Institute of Certified Public Accountants Statements for Accounting and Auditing Review Services.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 22. Community Disaster Loan

The Community Disaster Loan Program is administered by the United States Department of Homeland Security, Federal Emergency Management Agency. Loans are made to local governments in designated major disaster areas which experience significant revenue losses. As a result of Superstorm Sandy the Township was designated a major disaster area.

The Township has been approved for a total of \$5,000,000 from the Community Disaster Loan Program. In accordance with federal guidelines, the loans may be fully or partially forgiven if certain revenue criteria are met over the three years following the disaster. FEMA has completed their analysis and determined that the Township is not eligible for loan forgiveness. The Township is currently evaluating options to pay off the outstanding balance of the Community Disaster Loan.

During the year ending December 31, 2013, the Township realized \$2,000,000 as revenue in the Current Fund from the Community Disaster Loan received from the United States Department of Homeland Security, Federal Emergency Management Agency. On July, 2, 2014, the Township drew down an additional \$1,240,000. In accordance with directives from the Division of Local Government Services, State of New Jersey, the drawdowns were realized as revenue in 2013 and 2014, respectively. As of December 31, 2017, \$93,975.62 of interest has accrued on the loan.

Note 23. Tax Abatements

The Township of Stafford is authorized by the New Jersey Housing and Mortgage Financing Act Law of 1983, N.J.S.A. 55:14K-1 et seq. (hereinafter "HMFA Law") to enter into property tax abatement agreements for the purpose of attracting affordable housing. The exemption of the projects from real property taxation subject to this law shall not extend beyond the date on which the Agency Mortgage is paid in full, which according to the HMFA Law, may not exceed fifty (50) years. All the units in the project qualify as low or moderate income units under the Fair Housing Act, NJSA, 52:270-301 et seq. the regulations of the council on Affordable Housing, NJAC5:94: et seq. and NJAC 5:95 et seq. and the Uniform Housing Affordability Controls, NJAC 5:94 et seq. Tax abatements may be granted to any affordable housing, as deemed appropriate by the Township.

The Township of Stafford is authorized by the Long Term Tax Exemption Law of 1991, N.J.S.A. 40A:21 et seq. (hereinafter "Long Term Tax Exemption Law") to enter into property tax abatement agreements for the purpose of attracting redevelopment projects. The exemption of the projects from real property taxation subject to this law shall apply to the value of the new improvements constructed as part of a redevelopment project and must have a maximum exemption term of thirty (30) years or no more than thirty-five (35) years from the execution of the financial agreement. Tax abatements may be granted for any redevelopment project in accordance with the Long Term Tax Exemption Law as deemed appropriate by the Township.

For the year ended December 31, 2017, the Township abated property taxes totaling \$1,884,133.85 under this program. However, the Township collected \$874,181.06 from these properties under a payment in lieu of taxes program.

**TOWNSHIP OF STAFFORD
COUNTY OF OCEAN, NEW JERSEY**

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2017

Note 23. Tax Abatements (continued)

Recipient	Purpose	Amount Abated	Municipal Portion Collected Under PILOT Program	County Portion Collected Under PILOT Program
Target	Commercial	\$ 368,310.38	\$ 124,477.48	\$ 4,861.64
Costco	Commercial	386,296.72	124,928.27	4,814.03
Best Buy, PetSmart & Dick's	Commercial	225,031.51	45,390.70	1,782.52
Vitamin Shoppe	Commercial	13,039.93	6,323.85	246.39
Ulta Beauty	Commercial	38,478.44	18,660.56	727.04
AT&T	Commercial	11,401.01	5,529.06	215.42
Olive Garden	Commercial	23,744.12	-	-
Five Below	Commercial	34,628.63	-	966.67
Total Commercial		<u>1,100,930.74</u>	<u>325,309.92</u>	<u>13,613.71</u>
Stafford Family Apartments	Affordable Housing	141,895.31	50,712.00	-
Presbyterian Homes	Affordable Housing	158,472.20	28,492.86	-
Total Affordable Housing		<u>300,367.51</u>	<u>79,204.86</u>	<u>-</u>
Stafford Preserve	Other	482,835.60	469,666.28	20,933.08
		<u>\$ 1,884,133.85</u>	<u>\$ 874,181.06</u>	<u>\$ 34,546.79</u>

Note 24. Subsequent Events

Capital Ordinances

On February 27, 2018 the Township approved Ordinance 2018-03 to appropriate funds for the acquisition of various capital equipment. The costs will be funded through bonds and notes authorized in the amount of \$4,945,000 and \$247,250 from the Capital Improvement fund.

On February 27, 2018 the Township approved Ordinance 2018-04 to appropriate funds for various water/sewer utility improvements and the acquisition of various water/sewer utility equipment. The costs will be funded through bonds and notes authorized in the amount of \$2,775,000.

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

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FORM OF CONTINUING DISCLOSURE CERTIFICATE – BONDS

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Township of Stafford, in the County of Ocean, New Jersey (the "Issuer" or "Township") in connection with the issuance by the Issuer of \$ _____ General Improvement Bonds, Series 2018 (the "Bonds"). The Bonds are being issued pursuant to various Bond Ordinances (collectively, the "Ordinances") duly adopted by the Township Council of the Issuer (the "Council"), as set forth in a Resolution duly adopted by the Council on March 27, 2018 (the "Resolution"). The Bonds are dated their date of delivery and shall mature on May 1st in the years 2019 through 2032, inclusive. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c-12, as amended.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer 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 (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System operated by MSRB.

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

"MSRB" shall mean the Municipal Securities Rule Making Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" or "Repositories" shall mean each State Repository, if any, and the Municipal Securities Rulemaking Board (the "MSRB") via the MSRB's Electronic Municipal Market Access system ("EMMA").

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

“State” shall mean the State of New Jersey.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports. (a) The Issuer shall, or cause the Dissemination Agent to, not later than September 30th of each year, commencing September 30, 2018 for the Annual Report for the fiscal year ending December 31, 2017, provide to the MSRB via the EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner not in excess of ten (10) business days after such required date, send a notice, in substantially the form attached hereto as Exhibit A, to the MSRB via EMMA on such form and in such format as shall be required by the MSRB for such filings.

(c) The Dissemination Agent shall:

1. If the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

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

1. The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements

contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Certain financial and operating data of the Issuer, consisting of: (i) Issuer indebtedness; (ii) the Issuer's most current adopted budget; (iii) property valuation information; and (iv) tax rate, levy and collection data.

SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall deliver in a timely manner not in excess of ten (10) business days after the occurrence of the event, through EMMA, at www.emma.msrb.org, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notice 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 holders of the Bonds, if material;
8. bond calls, if material;
9. defeasances;
10. release, substitution, or sale of property securing payment of the Bonds, if material;
11. rating changes;
12. tender offers for the Bonds;
13. bankruptcy, insolvency, receivership or similar events of the Township;

14. the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all 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; and
15. appointment of a successor or additional trustee, or the change of a trustee, if material.

The Township does not undertake to provide the above-described event notice of a mandatory scheduled redemption not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the final official statement (as defined in the Rule), (ii) the only open issue is which securities will be redeemed in the case of a partial redemption; (iii) notice of redemption is given to the Bondholders as required under the terms of the securities and (iv) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced prior to optional redemptions or security purchases.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event (for which a determination of materiality is applicable) would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the MSRB via EMMA.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Issuer 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 Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The Initial Dissemination Agent shall be the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be 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 an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance 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, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer 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 Issuer. 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 for a Listed Event under Section 5(c), 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 Issuer 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 Issuer 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 Issuer 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. Prior Compliance with the Rule. The Township is currently in compliance with all previous undertakings, if any, to provide secondary market disclosure pursuant to the Rule.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**TOWNSHIP OF STAFFORD, IN THE
COUNTY OF OCEAN, NEW JERSEY**

By _____
DOUGLAS R. GANNON,
Chief Financial Officer

Dated: _____, 2018

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Township of Stafford, in the County of Ocean, New Jersey

Name of Bond Issue: \$ _____ General Improvement Bonds, Series 2018

Dated Date: _____, 2018
(CUSIP Number: _____)

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 Bond Resolution and a Continuing Disclosure Certificate for the General Improvement Bonds dated _____, 2018 executed by the Township. The Issuer anticipates that the Annual Report will be filed by _____.

Date: _____

**TOWNSHIP OF STAFFORD, IN THE
COUNTY OF OCEAN, NEW JERSEY**

By _____
Name:
Title:

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

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

I, DOUGLAS R. GANNON, Chief Financial Officer of the Township of Stafford, in the County of Ocean, State of New Jersey (the "Township"), DO HEREBY CERTIFY on behalf of the Township to _____, _____ (the "Purchaser") of the Bond Anticipation Notes, Series 2018A, in the aggregate principal amount of \$7,440,000, dated May __, 2018, and maturing May __, 2019 (the "Notes"), in connection with the issuance of the Notes, that pursuant to requirement of Rule 15c2-12 promulgated by the Securities and Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Municipal Securities Rule Making Board (the "MSRB"), of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notice 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 holders of the Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing payment of the Bonds, if material; (11) rating changes; (12) tender offers for the Bonds; (13) bankruptcy, insolvency, receivership or similar events of the Township; (14) the consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all 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; and (15) the appointment of a successor or additional trustee, or the change of a trustee, if material.

Whenever the Township obtains actual knowledge of the occurrence of any of the aforementioned events and when the occurrence of such events will constitute material information to the holders of the Notes, the Township shall, in a timely manner not in excess of ten (10) business days after each such occurrence, electronically file a notice with the MSRB.

The Township's obligation under this Certificate shall terminate upon the defeasance or payment in full of the Notes.

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

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

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the Township as of this ____ day of ____, 2018.

**TOWNSHIP OF STAFFORD, IN THE
COUNTY OF OCEAN, NEW JERSEY**

**DOUGLAS R. GANNON,
Chief Financial Officer**

APPENDIX E
FORM OF BOND COUNSEL'S OPINION FOR THE BONDS

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*An opinion in substantially the following form
will be delivered at Closing, assuming no
material changes in facts or law.*

_____, 2018

Mayor and Members of the Township Council
of the Township of Stafford, in the
County of Ocean, New Jersey

Re: Township of Stafford, in the County of Ocean, New Jersey
\$4,580,000 General Improvement Bonds, Series 2018

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Township of Stafford, in the County of Ocean, New Jersey (the "Township") of \$4,580,000 General Improvement Bonds, Series 2018 (the "Bonds"). The Bonds are general obligations of the Township and the full faith, credit and taxing power of the Township is available to pay the principal of and interest on the Bonds. The Bonds are dated their date of delivery, mature on May 1 in the amounts, in each of the years and bear interest at the rates, payable on November 1 and May 1 of each year, commencing November 1, 2018, as set forth in the table below:

<u>Year (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$ 190,000	5.00%
2020	205,000	5.00%
2021	295,000	5.00%
2022	310,000	5.00%
2023	320,000	5.00%
2024	325,000	5.00%
2025	335,000	5.00%
2026	345,000	5.00%
2027	360,000	3.00%
2028	375,000	3.00%
2029	380,000	3.00%
2030	380,000	3.00%
2031	380,000	3.00%
2032	380,000	3.00%

The Bonds will be issued in book-entry form only in the form of one certificate for the aggregate principal amount of Bonds maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, Jersey City, New Jersey ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of

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such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), a resolution adopted by the Township Council on March 27, 2018 ("Resolution") and Bond Ordinances numbered 2016-17 and 2017-10 (the "Ordinances"). The Bonds are issued for the purpose of financing general improvements and purposes as set forth in the Ordinances, and to pay a portion of the costs of issuing the Bonds.

The Bonds are subject to redemption prior to their stated maturities as set forth in the Official Statement.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Resolution and the Ordinances; (b) such matters of law, including, *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"), and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

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

1. The Bonds have been duly authorized, issued, executed and sold by the Township; the Resolution and the Ordinances have been duly authorized and adopted by the Township; and the Bonds, the Resolution and the Ordinances are legal, valid and binding obligations of the Township enforceable in accordance with their respective terms.

2. Assuming continuing compliance by the Township with certain covenants and with the provisions of the Code applicable to the Bonds, under statutes and court decisions existing on the date of original delivery of the Bonds, interest on the Bonds is excluded from gross income of the holders of the Bonds for federal income tax purposes under Section 103 of the Code. In addition, interest on the Bonds is not treated as a preference item for purposes of

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the alternative minimum tax imposed by the Code on individuals or corporations, but for the taxable years that began on or before December 31, 2017, interest on the Bonds will be included in "adjusted current earnings" in computing alternative minimum taxable income for purposes of the alternative maximum tax imposed by the Code on certain corporations.

3. Under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the Township to pay the Bonds is unlimited, and the Township shall be required to levy *ad valorem* taxes upon all taxable real property within the Township for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no other opinion regarding other federal and state tax consequences arising with respect to the Bonds.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

GLUCKWALRATH LLP

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APPENDIX F
FORM OF BOND COUNSEL'S OPINION FOR THE NOTES

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*An opinion in substantially the following form
will be delivered at Closing, assuming
no material changes of fact or law.*

_____, 2018

Mayor and Members of the Township Council
of the Township of Stafford, in the
County of Ocean, New Jersey

Re: Township of Stafford, in the County of Ocean, New Jersey
\$7,440,000 Bond Anticipation Notes, Series 2018 A consisting of
\$3,940,000 General Improvement Notes, and
\$3,500,000 Water/Sewer Utility Notes

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Township of Stafford, in the County of Ocean, New Jersey (the "Issuer") of its \$7,440,000 Bond Anticipation Notes, Series 2018 A consisting of General Improvement Notes in the aggregate principal amount of \$3,940,000 (the "General Improvement Notes") and its Water/Sewer Utility Notes in the aggregate principal amount of \$3,500,000 (the "Water/Sewer Notes", and together with the General Improvement Notes, the "Notes"). The Notes are general obligations of the Issuer and the full faith, credit and taxing power of the Issuer is available to pay the principal of and interest on the Notes. The Notes are dated their date of delivery, are issued in registered form, mature on May 2, 2019 are not subject to redemption prior to maturity and bear interest at a rate of 2.75 percent per annum payable at maturity.

The Notes will be initially issued in fully registered book-entry form only in the form of one certificate for the aggregate amount of each of the General Improvement Notes and the Water/Sewer Notes, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Notes. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or greater through book-entries on the books and records of DTC and its participants.

The Notes are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962 and the acts amendatory

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thereof and supplemental thereto (the "Act"), and bond ordinances of the Issuer numbered 2017-18, 2017-30, 2018-03 and 2018-04 (collectively, the "Ordinances"). The Notes are issued for the purpose of providing funds to finance various general capital and water/sewer utility improvements as described in the Ordinances (collectively, the "Project"). The Project was authorized by the Ordinances.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Notes, including (a) a copies of the Ordinances; (b) such matters of law, including *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Notes as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the forms of the proceedings and other certifications of public officials to be executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming that the Notes and other documents and certificates are executed and delivered as instructed by us, we are of the opinion that:

1. The Notes have been duly authorized, issued, executed and sold by the Issuer; the Ordinances have been duly authorized and adopted by the Issuer; and the Notes and the Ordinances are legal, valid and binding obligations of the Issuer enforceable in accordance with their respective terms.

2. Assuming continuing compliance by the Issuer with certain covenants and with the provisions of the Code applicable to the Notes, under statutes and court decisions existing on the date of original delivery of the Notes, interest on the Notes is excluded from gross income of the holders of the Notes for federal income tax purposes under Section 103 of the Code. In addition, interest on the Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals or corporations, but for the taxable years that began on or before December 31, 2017, interest on the Notes will be included in "adjusted current earnings" in computing alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on certain corporations.

3. Under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Notes, interest on the Notes and any gain from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

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4. The power and obligation of the Issuer to pay the Notes is unlimited, and the Issuer shall have the power and be obligated to levy ad valorem taxes upon all the taxable real property within the Township for the payment of the Notes and interest thereon, without limitation of rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Notes.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Notes.

GLUCKWALRATH LLP

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