

**NEW ISSUE**  
**SERIAL BONDS**

**RATING: Moody's: "Aa2"**  
**(See "RATING" herein)**

*In the opinion of Rogut McCarthy LLC, Bond Counsel to the Township, assuming compliance by the Township with its Tax Certificate described herein, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, Bond Counsel is further of the opinion that, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof. See "TAX MATTERS" herein.*

**\$11,200,000 GENERAL IMPROVEMENT BONDS**  
**TOWNSHIP OF CLARK**  
**COUNTY OF UNION, NEW JERSEY**  
**(Book-Entry Only) (Callable)**

**Dated: October 1, 2019**

**Due: October 1, as shown below**

The \$11,200,000 General Improvement Bonds (the "Bonds") of the Township of Clark, in the County of Union, New Jersey (the "Township"), will be issued as fully registered bonds registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds, with the Bonds immobilized in the custody of DTC. Owners of beneficial interests in the Bonds will not receive physical delivery of bond certificates, but are to receive statements or other evidence of such ownership of beneficial interests from sources from which such interests were purchased. Investors may purchase beneficial interests in the Bonds in book-entry form in the denomination of \$5,000 or any integral multiple thereof. See "THE BONDS – Book-Entry Only System" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will, in turn, remit such payments to the owners of beneficial interests in the Bonds. Principal of the Bonds is payable on October 1 of each of the years set forth below, and interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 2020 in each year until maturity or prior redemption.

The Bonds are subject to optional redemption prior to their stated maturities. See "THE BONDS – Prior Redemption" herein.

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 the interest thereon. The Township is authorized and required by law to levy *ad valorem* taxes upon all the 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.

**MATURITY SCHEDULE, INTEREST RATES AND YIELDS**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2020	\$450,000	2.50%	1.25%	2029	\$800,000	2.50%	2.00%
2021	450,000	2.50	1.30	2030	800,000	2.50	2.10
2022	450,000	2.50	1.40	2031	800,000	2.50	2.20
2023	450,000	2.50	1.45	2032	800,000	2.50	2.30
2024	450,000	2.50	1.50	2033	900,000	2.50	2.40
2025	450,000	2.50	1.60	2034	900,000	2.50	2.50
2026	450,000	2.50	1.70	2035	900,000	2.50	2.55
2027	450,000	2.50	1.80	2036	900,000	2.50	2.60
2028	800,000	2.50	1.90				

(plus accrued interest from October 1, 2019)

*The Bonds are offered for sale upon the terms of the notice of sale and subject to the final approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Township in connection with the issuance of the Bonds. It is anticipated that the Bonds in definitive form will be available for delivery to DTC in New York, New York, on or about October 3, 2019.*

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

Dated: September 24, 2019

**TOWNSHIP OF CLARK  
UNION COUNTY  
STATE OF NEW JERSEY**

**MAYOR**

Salvatore Bonaccorso

**TOWNSHIP COUNCIL**

Brian P. Toal, President  
Patrick O'Connor, Vice President  
Angel Albanese  
Alvin Barr  
Steven Hund  
Frank Mazzarella  
William Smith

**TOWNSHIP ADMINISTRATOR**

John F. Laezza, Jr.

**DIRECTOR OF REVENUE AND FINANCE**

Terance J. O'Neill

**TOWNSHIP CLERK**

Edith L. Merkel

**TOWNSHIP ATTORNEY**

Joseph J. Triarsi, Esq.  
Triarsi, Betancourt, Wukovits & Dugan, LLC  
Cranford, New Jersey

**TOWNSHIP AUDITOR**

Wiss & Company, LLP  
Livingston, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

Rogut McCarthy LLC  
Cranford, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Township or the Underwriters to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of 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 Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, 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, and copies of which may be inspected at the offices of the Township during normal business hours.

The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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**OFFICIAL STATEMENT  
OF THE TOWNSHIP OF CLARK  
IN THE COUNTY OF UNION, NEW JERSEY  
relating to**

**\$11,200,000 GENERAL IMPROVEMENT BONDS**

**INTRODUCTION**

This Official Statement (the “Official Statement”) which includes the cover page and the appendices attached hereto, has been prepared by the Township of Clark (the “Township”), in the County of Union (the “County”), State of New Jersey (the “State”) in connection with the sale and issuance of its \$11,200,000 General Improvement Bonds (the “Bonds”) dated October 1, 2019. This Official Statement has been executed by and on behalf of the Township by the Director of Revenue and Finance and the Township Clerk and may be distributed in connection with the Bonds. This Official Statement is “deemed final”, as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”).

**THE BONDS**

**General Description**

The Bonds will be dated and bear interest from October 1, 2019 and will mature on October 1 in the years and in the principal amounts as set forth on the cover page. Interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 2020 (each, an “Interest Payment Date”), in each year until maturity or prior redemption at the respective interest rates set forth on the cover page of this Official Statement. Principal of and interest on the Bonds will be paid to The Depository Trust Company, New York, New York (“DTC”), acting as securities depository, by the Director of Revenue and Finance, as “Bond Registrar/Paying Agent”. Interest on the Bonds will be credited to the DTC Participants (as hereinafter defined) as listed on the records of DTC as of the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity and in the principal amount of such maturity. The Bonds will be issued in book-entry form only. Purchases of the Bonds will be made in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Bond Registrar/Paying Agent directly to Cede & Co. (or any successor or assign), as nominee for DTC, which will remit such payments to the participants of DTC which will in turn remit such payments to the owners of beneficial interests in the Bonds. See “Book-Entry Only System” herein.

**Book-Entry Only System**

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law,

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

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

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

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

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

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

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

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

The 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 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.

### **Prior Redemption**

The Bonds maturing on or before October 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after October 1, 2027 are subject to redemption at the option of the Township prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after October 1, 2026, upon notice as hereinafter set forth at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Township determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Township, and within any maturity, by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, the Bond Registrar/Paying Agent shall treat each Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by \$5,000.

Notice of redemption shall be given by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Bond Registrar/Paying Agent at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. Such mailing is not a condition precedent to redemption and the failure to mail or to receive any redemption notice will not affect the validity of the redemption proceedings. If any Bond subject to redemption is part of a greater principal amount of the Bonds not to be redeemed, such entire amount shall be surrendered to the Bond Registrar/Paying Agent and, for that portion of the Bond not to be redeemed, a new Bond shall be issued in the name of the registered owner in an amount equal to the principal amount of the Bond surrendered less the amount to be redeemed.

### **SECURITY AND SOURCE OF PAYMENT**

The Bonds are general obligations of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Township and, unless paid from other sources, the Township is required by law to levy *ad valorem* taxes upon all the real property taxable within the Township for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount.

Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Township is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission, whose powers have been vested in the Local Finance Board in the Division of Local Government Services in the State of New Jersey Department of Community Affairs (the "Local Finance Board").

### **AUTHORIZATION FOR THE BONDS**

The Bonds are authorized and are to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended (the "Local Bond Law"). The Bonds also are authorized by various bond ordinances adopted by the Township Council and by virtue of resolutions adopted by the Township Council on August 19, 2019.

The bond ordinances included in the sale of the Bonds were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel 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 any person shall be estopped from questioning the sale or the execution or the delivery of the Bonds by the Township.

### **PURPOSE OF THE BONDS**

The proceeds of the Bonds will be used to (i) currently refund \$1,770,000 of the Township's \$3,000,000 outstanding bond anticipation notes dated October 5, 2018 and maturing on October 4, 2019; (ii) currently refund the Township's \$5,430,000 outstanding bond anticipation notes dated August 1, 2019 and maturing on October 4, 2019; and (iii) provide funding for unfunded capital projects in the amount of \$4,000,000.



The projects to be funded by the sale are listed below:

<u>Ordinance Number</u>	<u>Description</u>	<u>Principal Amount of the Bonds</u>
18-07	Undertaking of the 2018 Capital Road Improvement Program	\$ 950,000
18-17	Various public improvements	665,000
18-20	Various public improvements and acquisition of various equipment and machinery and vehicles for the use of the DPW	155,000
19-05	Undertaking of various improvements to parks and recreation areas	187,000
19-11	Undertaking of the 2019 Capital Road Improvement Program	1,235,000
19-13	Undertaking of the improvement of Meadow Road	151,000
19-16	Construction of a new Public Safety Building	<u>7,857,000</u>
Total:		\$11,200,000

**NO DEFAULT**

No principal or interest payments on Township indebtedness are past due. The Township has never defaulted in the payment of any bonds or notes.

**MARKET PROTECTION – BOND AND NOTE FINANCING**

The Township does not contemplate issuing any additional bonds, or any tax anticipation notes during the remainder of 2019. The Township may issue bond anticipation notes as needed during the remainder of 2019.

**CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

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

The Local Bond Law governs the issuance of bonds and notes 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. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Township are general full faith and credit obligations.

**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 of the Division (the “Director”), a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of the Township’s 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 Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

**Debt Limits**

The net authorized bonded indebtedness of the Township is limited by statute, subject to the exceptions noted below, to an amount equal to 3.50% of its average equalized valuation basis. The average equalized valuation basis of the Township is set by statute as the average for the last 3 years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Board of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

The Township has not exceeded its statutory debt limit. On December 31, 2018 the statutory net debt as a percentage of average equalized valuation was 0.668%. As noted above, the statutory limit is 3.50%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Purposes	\$17,859,698	\$0	\$17,859,698
Utility Purposes	400,000	400,000	0
School Purposes	<u>11,135,000</u>	<u>11,135,000</u>	<u>0</u>
Total:	\$29,394,698	\$11,535,000	\$17,859,698

**Exceptions to Debt Limits - Extensions of Credit**

The Township may exceed its debt limit with the approval of the Local Finance Board. 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 make certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued 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. Bond anticipation notes may be issued for periods not greater than one year. Such notes shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. At the third and at each subsequent anniversary date from the original date of issuance, the amount of notes that may be issued must be decreased by the minimum amount required for the first year’s principal payment for a bond issue.

### **School Debt (N.J.S.A. 18A:24-1 et seq.)**

New Jersey's school districts operate under the same comprehensive review and regulation as do its municipalities. Certain exceptions and differences are provided, but the state supervision of school finance closely parallels that of local governments.

School district bonds and temporary notes are issued in conformity with the cited statute, which closely parallels the Local Bond Law. Although school districts are exempted from the 5% down payment provision applicable to municipalities, they are subject to debt limits (which vary depending on the grades the school system provides), and to state regulation of their borrowing.

The Local Finance Board and the Commissioner of Education must approve any proposed authorization of debt which exceeds the statutory debt limit of a Type II district. A Type II school district has an elected board of education; a Type I school district has an appointed board and issues debt without a referendum. All authorizations of debt in a Type II school district require an approving referendum of the voters in the school district. The Township's school district is a Type II district.

All authorizations of debt must be reported to the Division of Local Government Services by means of a Supplemental Debt Statement prior to final approval to ensure that the proposed authorization is within all applicable debt limitations.

The School Bond Reserve Act, Chapter 72 of the Laws of 1980 of the State, as amended, devotes a portion of the Fund for the Support of Free Public Schools as security for payment of school bonds.

### **The Municipal Finance Commission (N.J.S. 52:27-1 et seq.)**

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

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

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

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

## **Investment of Municipal Funds**

Investment of funds by New Jersey municipalities is governed by State statute. Pursuant to N.J.S.A. 40A:5-15.1, municipalities are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America (“Government Obligations”); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular municipality or a school district encompassing the geographic area of the particular municipality; (5) bonds or other obligations having a maturity of 397 days or less approved by the Division of Local Government Services of the State Department of Community Affairs; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the “Cash Management Fund”); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. Municipalities are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq., or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a non-partisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency Obligations, certain short-term investment-grade corporate obligations, commercial paper rated “prime”, certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency Obligations and certain other types of instruments. The average maturity of the securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two years.

The Township has no investments in derivatives.

## **MUNICIPAL BUDGET**

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the Township is required to have a balanced budget in which debt service is included in full for each fiscal year.

### **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. Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division prior to final adoption of the budget. 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, among others, for certification.

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

## **Limitations on Municipal Appropriations and Tax Levy**

A statute passed in 1976, as amended and supplemented (N.J.S.A. 40A:4-45.1 et seq.), commonly known as the “Cap Law”, imposed limitations on increases in municipal appropriations subject to various exceptions. While the Cap Law restricts the ability of a municipality to increase its overall appropriations, 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 Cost-of-Living Adjustment (“COLA”). Increases up to 3.5% are allowed by adoption of an ordinance whenever the COLA is less than 2.5%. If the COLA is greater than 2.5%, an increase in any amount above 2.5% will be permitted by adoption of an ordinance to 3.5% and beyond 3.5% upon passage of a referendum. The COLA is the rate of annual percentage increase in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other items 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. The Cap Law does not limit the obligation of the Township to levy *ad valorem* taxes upon all taxable real property within the Township to pay debt service.

Chapter 62 of the Pamphlet Laws of 2007 imposed restrictions upon the allowable annual increase in the tax levy. In general, starting with the 2008 budgets for calendar year municipalities and 2009 budgets for fiscal year municipalities, municipalities have their tax levies limited to a four percent (4%) increase. The cap calculation is subject to various adjustments, such as the value of increased assessments, and allows for an increase in the adjusted tax levy for various items, including amounts required to be added to the adjusted tax levy for increases in debt service, amounts required to replace reductions in State formula aid, certain increased pension contributions, increases greater than four percent (4%) in the reserve for uncollected taxes, and increases in health care costs in excess of four percent (4%) (but not in excess of the percentage increase in the State Health Benefits Program). The law also allows the Local Finance Board to grant waivers for extraordinary circumstances (some of which are defined in the Law) and authorizes a municipality to submit a public question to the voters for approval (by an affirmative vote of at least sixty percent (60%)) to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met. Neither cap law limits the obligation of the Township to levy *ad valorem* taxes upon all taxable real property within the Township to pay debt service.

On July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment (the 2011 budget for the Township) reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy. Chapter 44 eliminated the process for obtaining waivers for additional spending under the tax levy limitation.

The Township’s appropriation and tax levy increases for 2011 to 2019, inclusive, were within the limits allowed under the CAP Law, taking into account applicable adjustments and available “CAP” banks and without conducting a referendum to exceed the cap limits.

## **Miscellaneous Revenues**

The Local Budget Law (N.J.S.A. 40A:4-26) provides that: “No miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director shall determine upon application by the governing body that the facts clearly warrant the expectation that

such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit.”

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation of like amount. The fiscal years for such grants rarely coincide with the municipality’s fiscal year. However, grant revenue is generally not realized until received in cash.

### **Real Estate Taxes**

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

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

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget.

The reserve requirement is calculated as follows:

$$\frac{\text{Levy required to balance budget}}{\text{Prior Year's Percentage of Current Tax Collection (or lesser \%)}} = \text{Total Taxes to be Levied}$$

Chapter 28 of the Pamphlet Laws of 1997 of New Jersey amended Section 41 of the Local Budget Law to allow municipalities to reduce the reserve for uncollected taxes by taking into account prior year tax reductions resulting from tax appeal judgments awarded to property owners. Another statute, Chapter 99 of the Pamphlet Laws of 1997 of New Jersey, allows a municipality to (1) reduce the reserve for uncollected taxes by deducting receipts anticipated during the fiscal year from the sale of unpaid taxes or municipal liens when such sale is concluded in the final month of the fiscal year or (2) not budget for the reserve for uncollected taxes if it sells its total property tax levy pursuant to such statute. See “Assessment And Collection of Taxes – Tax Collection Procedure” herein for a brief discussion of Chapter 99.

### **Deferral of Current Expenses**

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 the municipality. 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, property revaluation programs, revision and codification of ordinances, master plan preparations, 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**

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may be transferred during the first three (3) months of the year to the previous years' budget. Both types of transfers require a 2/3 vote of the full membership of the governing body, however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to approval by the governing body.

## **Operation of Utilities**

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.

## **Fiscal Year**

The Township's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of the State (codified as N.J.S.A. 40A:4-3.1) required municipalities with populations in excess of 35,000 or that received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption was granted. Municipalities not meeting the criteria for a mandatory change had the option to choose to change to the State fiscal year. N.J.S.A. 40A:4-3.1 was amended by P.L. 2000, c. 126, to eliminate the criteria for mandatory change of the fiscal year, but to continue to grant all municipalities the option to change to the State fiscal year. In addition, P.L. 2008, c. 92, further amended N.J.S.A. 40A:4-3.1 to allow municipalities operating on a fiscal year basis to revert to a calendar year. The Township did not meet the criteria for a mandatory change to the State fiscal year, and does not presently intend to optionally make such a change in the future.

## **Budget Process**

Primary responsibility for the Township's budget process lies with the Township Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Township operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Township may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

## **Capital Budget**

In accordance with the Local Budget Law, the Township must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period of 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 items were detailed.

## **ASSESSMENT AND COLLECTION OF TAXES**

### **Tax Collection Procedure**

Real property taxes are assessed locally, based upon an assessment at true value. The tax bill includes a levy for Township, County and School purposes. Tax bills are mailed annually in June. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, is transferred as of June 30 of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15 to the County by the Township. Annually, all properties with unpaid taxes for the previous year are placed in a tax sale in accordance with the New Jersey Statutes. Annual interim tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Township.

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

In response to the \$10,000 annual limitation on an individual's federal income tax deduction for state and local taxes paid (beginning in 2018 and ending in 2025) contained in the federal "Tax Cuts and Jobs Act", Pub. L. No. 115-97, New Jersey Governor Phil Murphy signed into law Senate Bill No. 1893 ("S-1893") on May 4, 2018. S-1893, which will take effect when implementing regulations are adopted by various State agencies, authorizes municipalities, counties and school districts ("local units") to establish one or more charitable funds, each for specific public purposes, and permits certain donations to those charitable funds to be credited toward the donor's property tax obligation. Moneys held in a charitable fund are immediately available to pay debt service. On June 13, 2019, the Internal Revenue Service (the "IRS") issued final regulations, effective August 12, 2019, denying the deductibility (except for a de minimis amount) for federal income tax purposes of property tax credit donation mechanisms authorized by S-1893 and similar laws adopted in other states. The Township makes no representations as to whether any local units will establish charitable funds pursuant to S-1893 or how S-1893 will be implemented.

### **Tax Appeals**

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Union County Tax Board on or before the first day of April of the current tax year for review. The Union County Tax Board 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 Union County Tax Board, appeal may be made to the Tax Court of New Jersey, for a further hearing. Further, an assessment in excess of \$1,000,000 can be appealed directly to the Tax Court of New Jersey. State tax appeals tend to take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period. In addition,



pursuant to Assembly Bill No. 2004, signed into law by Governor Phil Murphy on August 9, 2019, commercial tax appeal refunds exceeding \$100,000 may be paid to the property owner, with interest, in substantially equal payments within a three year period - rather than within sixty days of the final judgment (the standard period for refunds).

## **TAX MATTERS**

### **Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and rebate of certain arbitrage earnings to the United States. Noncompliance by the Township with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

The Township has covenanted, to the extent permitted by the Constitution and the laws of the State, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. The Township’s Tax Certificate (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Township, in executing the Tax Certificate, will certify to the effect that the Township expects and intends to comply with the provisions and procedures contained therein.

In rendering the opinion described below with respect to the Bonds, Bond Counsel has relied upon the covenant and has assumed the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate.

### **Tax Opinions**

In the opinion of Rogut McCarthy LLC, Bond Counsel to the Township, assuming compliance by the Township with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. For other Federal tax information, see “Tax Matters – Additional Federal Income Tax Consequences” herein.

In the opinion of Bond Counsel, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

### **Additional Federal Income Tax Consequences**

Prospective purchasers of the Bonds should be aware that ownership of governmental obligations, such as the Bonds, may have collateral Federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors

as to any possible collateral consequences from the ownership of the Bonds. Bond Counsel expresses no opinion regarding any such collateral Federal income tax consequences.

### **Proposals for Tax Changes**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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

### **STATEMENT OF LITIGATION**

There is no litigation pending or threatened restraining or enjoining the issuance or the delivery of the Bonds or the levy or the collection of taxes to pay the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes. There is at present no single action pending or threatened against the Township which would impose an undue financial burden on the Township. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Township is a party-defendant in certain lawsuits, none of a kind unusual for a Township of its size, and none of which, in the opinion of the Township Attorney, would adversely impair the Township's ability to pay its bondholders. All of the Township's tort actions are being defended by municipal joint insurance funds (which provide pooled private insurance coverage and self-insurance coverage to its members). The Township is also insured for liability in excess of the limits provided by the municipal joint insurance funds. Pending municipal real estate appeals are limited in number and, based upon the Township's prior experience in tax appeals, and assuming that such tax appeals are resolved adversely to the interest of the Township, such resolution would not in any way endanger the Township's ability to pay its bondholders.

### **LEGALITY FOR INVESTMENT**

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

## **FINANCIAL STATEMENTS**

The regulatory-basis financial statements of the Township as of and for the year ended December 31, 2018, together with the related notes to the regulatory-basis financial statements (the “Financial Statements”) are presented in Appendix “B” to this Official Statement. The Financial Statements have been audited by Wiss & Company, LLP, Livingston, New Jersey, an Independent Auditor (the “Township Auditor”), as stated in its report appearing in Appendix “B” to this Official Statement. See “Appendix B – Financial Statements of the Township of Clark”. The Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the security for the Bonds contained herein.

The Township Auditor has not participated in the preparation of this Official Statement except to the extent as previously stated.

## **RATING**

Moody’s Investors Service, Inc. (the “Rating Agency”) has assigned a rating of “Aa2” to the Bonds.

The rating reflects only the view of the Rating Agency and an explanation of the significance of the rating may only be obtained from the Rating Agency at the following address: 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. The Township forwarded to the Rating Agency certain information and materials concerning the Bonds and the Township. There can be no assurance that the rating will be maintained for any given period of time or that the rating will not be raised, lowered or withdrawn entirely if, in the Rating Agency’s judgment, circumstances so warrant. Any downward change in, or withdrawal of, the rating may have an adverse effect on the marketability or market price of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased at a public sale from the Township for resale by the following purchasers (the “Underwriters”): Manager: Roosevelt & Cross, Inc.; Co-Managers: Oppenheimer & Co., Inc., Citigroup Global Markets, Inc., Intercoastal Capital Markets, Inc., Edward D. Jones & Co., Ramirez & Company, Inc., Ross, Sinclaire & Associates, LLC, R. Seelaus & Company, Inc., and Stifel, Nicolaus & Company, Inc.\* The proceeds of the Bonds equal the par amount of \$11,200,000.00.

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all the Bonds are sold at the public offering prices or yields set forth on the cover of this Official Statement, the Underwriters anticipate total selling compensation of \$229,069.00.\* The public offering prices or yields of the Bonds may be changed from time to time by the Underwriters.

\*Information obtained from the Underwriters.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as municipal advisor to the Township with respect to the issuance of the Bonds (“Municipal Advisor”). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in 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.

## DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

### Absence of Litigation

Upon delivery of the Bonds, the Township shall furnish a certificate of the Township Attorney, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds 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. 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 enforce the collection of taxes or other revenues for the payment of its bonds and notes, which has not been disclosed in this Official Statement.

### Legal Matters

The legality of the Bonds will be subject to the approving opinion of Rogut McCarthy LLC, Cranford, New Jersey, Bond Counsel. Such opinion will be to the effect that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Township, enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.
2. The Township has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Township is authorized and required by law to levy on all real property taxable by the Township such *ad valorem* taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

Rogut McCarthy LLC has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will not express, and has not been requested to express, an opinion as to the accuracy, completeness or fairness of such statements. See "Appendix C – Proposed Form of Bond Counsel Opinion" herein.

### Certificates of Township Officials

The original purchasers of the Bonds shall also receive a certificate, dated as of the date of delivery of the Bonds and signed by the Director of Revenue and Finance and the Township Clerk that (a) as of the date of the Official Statement furnished by the Township in relation to the Bonds, said Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Township is not guaranteed as to accuracy, completeness or fairness, such officers have no reason to believe and do not believe that such information is materially inaccurate or misleading, and (b) to the knowledge of such officers, since the date of said Official Statement and since the date of the sale of the Bonds, there has been no material transactions not in the ordinary course of affairs entered into by the Township and no material adverse change in the general affairs of the Township or in its financial condition as shown in said Official Statement, other than as disclosed in or contemplated by said Official Statement, provided such certificate shall not include consideration of information supplied by, or that should have been supplied by, the successful bidders for the Bonds. In addition, the original purchasers of the Bonds shall also receive certificates in form satisfactory to Rogut McCarthy LLC, Bond Counsel, evidencing the

proper execution and delivery of the Bonds and receipt of payment therefor and a certificate, dated as of the date of delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the Township, nor the title of the said officers to their respective offices, is being contested.

## **SECONDARY MARKET DISCLOSURE**

The Township has agreed, pursuant to a resolution adopted on August 19, 2019, to undertake for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format, as prescribed by the MSRB. Specifically, the Township will do the following for the benefit of the holders of the Bonds and the beneficial owners thereof:

(A) Not later than seven months after the end of the Township's fiscal year (presently December 31), commencing with the report for the fiscal year ending December 31, 2019, provide or cause to be provided, annual financial information with respect to the Township consisting of (i) audited financial statements (or unaudited financial statements if audited financial statements are not then available by the date of filing, which audited financial statements will be delivered when and if available) of the Township and (ii) certain financial information and operating data consisting of information concerning the Township's debt, overlapping indebtedness, tax rate, levy and collection data, property valuation, budget and fund balance of the type contained in Appendix "A" hereof. The audited financial statements will be prepared in accordance with mandated State statutory accounting principles, as in effect from time to time. Audited financial statements if not available by the filing date will be submitted separately when available.

(B) Provide or cause to be provided in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds or financial obligations of the Township:

- (1) Principal or interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds ;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property which secures the repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Township (the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Township in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Township, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject

to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Township);

- (13) The consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Township, any of which affect Bondholders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Township, any of which reflect financial difficulties. The Township intends the words used in paragraphs (15) and (16) and the definition of “financial obligation” to have the meanings ascribed to them in SEC Release No. 34-83885 (August 20, 2018).

(C) Provide or cause to be provided, in a timely manner, notice of a failure of the Township to provide required annual financial information on or before the date specified above.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

If the Township fails to comply with the above-described undertaking, any Bondholder or beneficial owner of the Bonds may pursue an action for specific performance to enforce the rights of all Bondholders and beneficial owners with respect to such undertaking; *provided, however*, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Bonds or any liability by the Township for monetary damages. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Bondholders and beneficial owners of the Bonds.

The Township reserves the right to terminate its obligation to provide annual financial information and notice of material events, as set forth above, if and when the Township no longer remains an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12.

The undertaking may be amended by the Township from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements, a change in law or a change in identity, nature, type of operation or status of the Township, which in the opinion of nationally recognized bond counsel complies with Rule 15c2-12 and does not, in such bond counsel’s opinion, materially impair the interests of the Bondholders and the beneficial owners of the Bonds.

The Township has previously entered into continuing disclosure undertakings under Rule 15c2-12. The Township appointed Phoenix Advisors, LLC, Bordentown, New Jersey, in May of 2015 to serve as continuing disclosure agent to assist in the filing of certain information with the MSRB’s Electronic Municipal Market Access Dataport (“EMMA”) as required under its obligations.

## **PREPARATION OF OFFICIAL STATEMENT**

The firm of Phoenix Advisors, LLC assisted in the preparation of information contained in this Official Statement and information has been obtained from sources which Phoenix Advisors, LLC considers to be reliable but they make no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

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

## **APPROVAL OF OFFICIAL STATEMENT**

Prior to the delivery of the Bonds, the Township Council will have adopted a resolution approving this Official Statement, deeming it a “final official statement” for purposes of Rule 15c2-12 and directing the Director of Revenue and Finance and the Township Clerk to deliver a reasonable number of copies thereof in final form to the Underwriters for their use in the sale, resale or distribution of the Bonds.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to Terance J. O’Neill, Director of Revenue and Finance, Township of Clark, 430 Westfield Avenue, Clark, New Jersey 07066, telephone (732) 388-3194 or to the Municipal Advisor, at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, 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. 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 made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township, the State or any of their agencies or authorities, since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

This Official Statement has been duly executed and delivered by the Director of Revenue and Finance and the Township Clerk on behalf of the Township.

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

By: /s/ Terance J. O'Neill  
Terance J. O'Neill  
Director of Revenue and Finance

By: /s/ Edith L. Merkel  
Edith L. Merkel  
Township Clerk

Dated: September 24, 2019



**APPENDIX A**

**ECONOMIC AND DEMOGRAPHIC INFORMATION  
RELATING TO THE TOWNSHIP OF CLARK**

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

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

### **General Information**

The Township is a municipal corporation organized in the State of New Jersey by act of the Legislature in 1864. It is located in the County of Union in northern New Jersey within close proximity to the New York metropolitan area. The Township is served by Conrail, NJ Transit, various bus lines, Newark Liberty International Airport and the Port of Elizabeth. The Garden State Parkway intersects the Township with Routes 1, 9, and 22, Interstate Highway 78 and the New Jersey Turnpike in close proximity.

### **Form of Government**

The form of government of the Township is the Mayor-Council Plan of the Optional Municipal Charter Law (N.J.S.A. 40:69A-1 et seq). The form of government provides for the division of the Township into four wards, with seven council members, one from each ward and three at-large, to be elected for four year staggered terms, with the Mayor elected directly by the voters for a four-year term.

Basic provisions of the Mayor-Council Plan are (1) the legislative power is vested in the Council; (2) the Mayor exercises the executive power by: being responsible for enforcing the charter, ordinances and general laws; supervising all departments; reporting annually to the Council and the public on the state of the municipality and making recommendations for new actions or programs; preparing, with the assistance of the business administrator, the annual budget for submission to the Council for consideration and adoption; and negotiating all municipal contracts, subject to Council approval; (3) ordinances adopted by the Council are subject to approval or veto by the Mayor (a two-thirds vote of the Council overrides a veto); (4) the Mayor may attend Council meetings and may take part in discussions, but has no vote except to break a tie in the vote to fill a Council vacancy; and (5) a business administrator (the head of the administration department), under the direction and supervision of the Mayor, exercises important management powers.

### **Pension and Retirement Systems**

Substantially all eligible employees participate in the Public Employees’ Retirement System, the Police and Firemen’s Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a

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

portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

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

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

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

*[Remainder of page intentionally left blank]*

## **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Township</u></b>				
2018	8,086	7,818	268	3.3%
2017	8,151	7,842	309	3.8%
2016	8,126	7,797	329	4.0%
2015	8,031	7,635	396	4.9%
2014	8,020	7,572	448	5.6%
<b><u>County</u></b>				
2018	272,683	260,935	11,748	4.3%
2017	274,800	261,743	13,057	4.8%
2016	275,097	260,860	14,237	5.2%
2015	277,226	260,453	16,773	6.1%
2014	277,500	258,188	19,312	7.0%
<b><u>State</u></b>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%

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

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

	<b><u>Township</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$100,192	\$73,376	\$76,475
Median Family Income	119,545	86,824	94,337
Per Capita Income	45,881	38,163	39,069

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

## Population

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

<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>
2018 Estimate	15,607	5.77%	558,067	4.02%	8,908,520	1.33%
2010	14,756	1.09	536,499	2.67	8,791,894	4.49
2000	14,597	-0.22	522,541	5.82	8,414,350	8.85
1990	14,629	-12.40	493,819	-2.04	7,730,188	4.96
1980	16,699	-11.31	504,094	-7.18	7,365,001	2.75

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

## Largest Taxpayers

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

<u>Taxpayers</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Clark Developers LLC	\$17,100,000	2.24%
Clark Commons	14,927,000	1.96%
100 Walnut LLC	8,512,500	1.12%
L'Oreal USA S/D Inc.	5,840,800	0.77%
Clark 1709 LLC	5,647,500	0.74%
Target Corp.	5,443,200	0.71%
Lexington Village Associates	4,707,800	0.62%
Holiday Clark LLC	4,656,800	0.61%
Mastertaste Inc.	3,882,200	0.51%
Halsted Realty, LLC	3,378,100	0.44%
<b>Total</b>	<b><u>\$74,095,900</u></b>	<b><u>9.72%</u></b>

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

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2018	\$65,386,931	\$64,697,320	98.95%
2017	64,038,520	63,443,978	99.07%
2016	61,249,763	60,355,802	98.54%
2015	59,635,461	59,002,031	98.94%
2014	57,670,778	57,136,408	99.07%

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>
2018	\$21,328	\$582,669	\$603,997	0.92%
2017	20,276	509,190	529,466	0.83%
2016	19,665	463,402	483,067	0.79%
2015	18,871	517,959	536,830	0.90%
2014	18,084	463,244	481,328	0.83%

Source: Annual Audit Reports of the Township

**Property Acquired by Tax Lien Liquidation**

<u>Year</u>	<u>Amount</u>
2018	\$0
2017	0
2016	0
2015	0
2014	0

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 Township residents for the past five (5) years.

<u>Year</u>	<u>Municipal</u>	<u>Municipal Library</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2019	\$2.300	\$0.119	\$4.363	\$1.875	\$8.657
2018	2.260	0.117	4.280	1.896	8.553
2017	2.227	0.115	4.210	1.864	8.416
2016	2.065	0.110	4.109	1.822	8.106
2015	2.038	0.107	4.123	1.756	8.024

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>
2019	\$764,370,600	\$2,738,579,636	27.92%	\$334,121	\$2,738,913,757
2018	761,711,000	2,728,191,261	27.92	323,097	2,728,514,358
2017	756,747,200	2,676,856,031	28.27	282,304	2,677,138,335
2016	751,305,500	2,616,877,395	28.71	287,491	2,617,164,886
2015	736,384,800	2,477,741,588	29.72	300,902	2,478,042,490

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>
2019	\$4,860,200	\$602,056,500	\$0	\$101,112,000	\$22,884,200	\$33,457,700	\$764,370,600
2018	5,704,900	599,609,500	0	100,799,200	22,139,700	33,457,700	761,711,000
2017	5,394,500	594,456,200	0	100,864,100	22,574,700	33,457,700	756,747,200
2016	5,402,800	591,176,900	0	115,793,400	22,574,700	16,357,700	751,305,500
2015	11,044,900	587,334,700	0	89,071,000	22,526,500	26,407,700	736,384,800

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



## Financial Operations

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

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

<u>Anticipated Revenues</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fund Balance Utilized	\$2,150,000	\$1,600,000	\$1,100,000	\$775,000	\$1,500,000
Miscellaneous Revenues	3,606,264	3,738,818	3,260,866	3,951,374	3,527,993
Receipts from Delinquent Taxes	460,000	430,000	430,000	430,000	430,000
Amount to be Raised by Taxation	<u>15,802,971</u>	<u>16,340,933</u>	<u>17,725,827</u>	<u>18,116,795</u>	<u>18,495,171</u>
Total Revenue:	<u>\$22,019,235</u>	<u>\$22,109,751</u>	<u>\$22,516,693</u>	<u>\$23,273,169</u>	<u>\$23,953,164</u>
<u>Appropriations</u>					
General Appropriations	\$16,321,234	\$16,630,723	\$16,922,270	\$17,503,292	\$17,785,089
Operations (Excluded from CAPS)	1,722,686	1,628,957	1,713,768	1,744,662	1,727,860
Deferred Charges and Statutory Expenditures	0	0	541,318	0	24,698
Capital Improvement Fund	100,000	45,000	100,000	100,000	515,000
Municipal Debt Service	3,000,315	3,005,071	2,239,337	2,925,215	2,900,517
Reserve for Uncollected Taxes	<u>875,000</u>	<u>800,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total Appropriations:	<u>\$22,019,235</u>	<u>\$22,109,751</u>	<u>\$22,516,693</u>	<u>\$23,273,169</u>	<u>\$23,953,164</u>

Source: Annual Adopted Budgets of the Township

## Fund Balance

### Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Fund Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2018	\$3,862,285	1,500,000
2017	2,302,714	775,000
2016	1,931,841	1,100,000
2015	1,910,310	1,600,000
2014	2,705,911	2,150,000

Source: Annual Audit Reports of the Township

Sewer Utility Operating Fund

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

<b><u>Fund Balance - Sewer Utility Operating Fund</u></b>		
	<b>Fund</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>Balance</u></b>	<b><u>of Succeeding Year</u></b>
2018	\$1,158,839	\$0
2017	1,618,217	78,244
2016	836,090	617,106
2015	1,428,282	536,073
2014	1,568,111	193,564

Source: Annual Audit Reports of the Township

Swim Pool Utility Operating Fund

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

<b><u>Fund Balance - Swim Pool Utility Operating Fund</u></b>		
	<b>Fund</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>Balance</u></b>	<b><u>of Succeeding Year</u></b>
2018	\$42,731	\$30,200
2017	45,162	14,000
2016	58,123	45,300
2015	56,709	23,100
2014	45,797	17,052

Source: Annual Audit Reports of the Township

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

**General Purpose Debt**

Serial Bonds	\$14,835,000
Bond Anticipation Notes	3,000,000
Bonds and Notes Authorized but Not Issued	24,698
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$17,859,698

**Local School District Debt**

Serial Bonds	\$11,135,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$11,135,000

**Self-Liquidating Debt**

Serial Bonds	\$400,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$400,000

**TOTAL GROSS DEBT**

**\$29,394,698**

Less: Statutory Deductions

General Purpose Debt	\$0
Local School District Debt	11,135,000
Self-Liquidating Debt	<u>400,000</u>
Total:	\$11,535,000

**TOTAL NET DEBT**

**\$17,859,698**

Source: Annual Debt Statement of the Township

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**Overlapping Debt (as of December 31, 2018)<sup>2</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Township Percentage</u></b>	<b><u>Township Share</u></b>
Local School District	\$11,135,000	100.00%	\$11,135,000
Rahway Valley Sewerage Authority	145,983,784	7.97%	11,634,908
County	713,793,709	3.79%	<u>27,034,919</u>
Net Indirect Debt			\$49,804,827
Net Direct Debt			<u>17,859,698</u>
Total Net Direct and Indirect Debt			<b><u>\$67,664,525</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2016, 2017, 2018)	\$2,673,974,896
Permitted Debt Limitation (3 1/2%)	93,589,121
Less: Net Debt	<u>17,859,698</u>
Remaining Borrowing Power	<u>\$75,729,423</u>
Percentage of Net Debt to Average Equalized Valuation	0.668%
Gross Debt Per Capita based on 2010 population of 14,756	\$1,992
Net Debt Per Capita based on 2010 population of 14,756	\$1,210

Source: Annual Debt Statement of the Township

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

**APPENDIX B**  
**FINANCIAL STATEMENTS**  
**OF THE TOWNSHIP OF CLARK**

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**TOWNSHIP OF CLARK  
COUNTY OF UNION, NEW JERSEY**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Township of Clark  
County of Union, New Jersey**

**Financial Statements and Supplementary Schedules**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members  
of the Township Council  
Township of Clark  
County of Union  
Clark, New Jersey

### Report on the Financial Statements

We have audited the accompanying basic financial statements-regulatory basis of the Township of Clark, ("Township"), County of Union, State of New Jersey, which comprise the comparative balance sheets-regulatory basis of the various funds and account group, as of December 31, 2018 and 2017, the related comparative statements of operations and changes in fund balances-regulatory basis and the related notes to the financial statements for the years then ended and the statement of fund balance-regulatory basis, the statements of revenues-regulatory basis and the statements of expenditures-regulatory basis of the various funds for the year ended December 31, 2018, which collectively comprise the Township's basic financial statements as listed in the financial statements section of the accompanying table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division"), as described in Note 1. 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the requirements prescribed by the Division. Those standards and the requirements prescribed by the Division require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

As described in Note 1, the financial statements are prepared by the Township on the basis of the financial reporting provisions of the Division (regulatory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division.

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

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

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017 or the results of its operations and changes in fund balances for the years then ended.

**Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects the comparative balance sheets-regulatory basis of the various funds and account group of the Township as of December 31, 2018 and 2017, and the results of its operations and changes in fund balances of such funds – regulatory basis for the years then ended, and the revenues - regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2018 in accordance with the financial reporting provisions of the Division as described in Note 1.

*Scott A. Cielland*  
Scott A. Cielland  
Registered Municipal Accountant  
No. 455

*Wiss & Company*  
WISS & COMPANY, LLP

Livingston, New Jersey  
July 30, 2019

Township of Clark  
County of Union, New Jersey  
Current and Grant Fund

Comparative Balance Sheets - Regulatory Basis

		December 31,	
	Reference	2018	2017
<b>Assets</b>			
Current Fund:			
Cash	1-A	\$ 6,281,304.58	\$ 7,533,828.67
Due from State of New Jersey - Senior Citizens and Veterans	4-A	2,009.59	-
Receivables with full reserves:			
Delinquent property taxes receivable	3-A	582,669.23	509,190.15
Tax title liens receivable	5-A	21,328.01	20,276.06
Revenue accounts receivable	6-A	17,954.01	21,383.00
	A	<u>621,951.25</u>	<u>550,849.21</u>
Total Current Fund		<u>6,905,265.42</u>	<u>8,084,677.88</u>
Grant Fund:			
Cash	2-A	12,928.08	39,188.36
Grants receivable	15-A	73,298.00	215,697.55
Total Grant Fund		<u>86,226.08</u>	<u>254,885.91</u>
		<u>\$ 6,991,491.50</u>	<u>\$ 8,339,563.79</u>

See accompanying notes to financial statements.

Township of Clark  
County of Union, New Jersey  
Current and Grant Fund

Comparative Balance Sheets - Regulatory Basis

		December 31,	
	Reference	2018	2017
<b>Liabilities, reserves and fund balance</b>			
Current Fund:			
Liabilities:			
Appropriation reserves	A-3, 8-A	\$ 1,298,829.76	\$ 1,247,899.62
Encumbrances payable	A-3, 8-A	66,792.91	149,469.04
Prepaid taxes	10-A	316,632.80	3,309,633.90
Tax overpayments	11-A	38,074.02	9,216.02
Due to State of New Jersey - Senior Citizens and Veterans	4-A	-	166.44
Due to State of New Jersey	7-A	700.00	8,084.00
Reserve for state tax appeals	12-A	700,000.00	506,645.58
		<u>2,421,029.49</u>	<u>5,231,114.60</u>
Reserve for receivables	A	621,951.25	550,849.21
Fund balance	A-1	3,862,284.68	2,302,714.07
Total Current Fund		<u>6,905,265.42</u>	<u>8,084,677.88</u>
Grant Fund:			
Encumbrances payable	18-A	-	196,079.82
Reserve for appropriated grants	16-A	86,226.08	19,424.61
Reserve for unappropriated grants	17-A	-	39,381.48
Total Grant Fund		<u>86,226.08</u>	<u>254,885.91</u>
		<u>\$ 6,991,491.50</u>	<u>\$ 8,339,563.79</u>

See accompanying notes to financial statements.

Township of Clark  
County of Union, New Jersey  
Current Fund

Comparative Statements of Operations and Changes in Fund Balances - Regulatory Basis

	<u>Reference</u>	<b>Years ended December 31,</b>	
		<b>2018</b>	<b>2017</b>
Revenue and other income realized:			
Fund balance utilized	A-2	\$ 775,000.00	\$ 1,100,000.00
Miscellaneous revenue anticipated	A-2	4,731,108.68	3,939,473.70
Receipts from delinquent taxes	A-2	521,975.75	471,145.36
Receipts from current taxes	A-2	64,426,416.95	63,043,978.30
Non-budget revenues	A-2	391,985.02	316,255.32
Other credits to income:			
Senior citizen adjustment	4-A	332.88	-
Prior year interfund returned		-	9,591.90
Unexpended balance of appropriation reserves	8-A	1,000,001.63	373,392.32
<b>Total revenue and other income</b>		<u>71,846,820.91</u>	<u>69,253,836.90</u>
Expenditures:			
Budget expenditures	A-3	22,395,056.36	21,724,349.94
County taxes	3-A, 14-A	14,450,884.31	14,112,402.42
County share of added and omitted taxes	3-A, 13-A	46,585.16	74,911.43
Local district school tax	3-A, 9-A	32,608,316.00	31,870,398.00
Senior citizen adjustment		-	166.44
Refund of prior year revenue		-	735.50
Cancellations of grants (net)	16-A	11,408.47	-
<b>Total expenditures</b>		<u>69,512,250.30</u>	<u>67,782,963.73</u>
Statutory excess to fund balance		2,334,570.61	1,470,873.17
Fund balance:			
Balance, January 1	A	2,302,714.07	1,931,840.90
		4,637,284.68	3,402,714.07
Decreased by:			
Utilized as anticipated revenue	A-1	775,000.00	1,100,000.00
<b>Balance, December 31</b>	A	<u>\$ 3,862,284.68</u>	<u>\$ 2,302,714.07</u>

See accompanying notes to financial statements.

Township of Clark  
County of Union, New Jersey  
Current Fund

Statement of Revenues - Regulatory Basis

Year ended December 31, 2018

	Reference	Anticipated Budget	Realized	Excess or (Deficit)
Surplus anticipated	A-1	\$ 775,000.00	\$ 775,000.00	\$ -
<b>Miscellaneous revenues</b>				
Licenses:				
Alcoholic beverages	6-A	30,000.00	29,426.00	(574.00)
Other	6-A	9,000.00	11,924.00	2,924.00
Fees and permits	6-A	192,000.00	208,793.63	16,793.63
Fines and costs:				
Municipal Court	6-A	300,000.00	332,326.75	32,326.75
Interest and costs on taxes	6-A	108,000.00	122,388.41	14,388.41
Interest on investments and deposits	6-A	10,000.00	55,963.78	45,963.78
Consolidated municipal property tax relief aid	6-A	105,463.00	105,463.00	-
Energy receipts tax (P.L. 1977, Chapters 162 and 167)	6-A	1,683,064.00	1,683,064.00	-
Uniform Construction Code	6-A	550,000.00	1,051,435.69	501,435.69
Board of Education - trash removal	6-A	33,413.00	33,412.50	(0.50)
Recycling tonnage Grant	15-A	39,381.48	39,381.48	-
Drunk Driving Enforcement	15-A	2,251.18	2,251.18	-
Clean Communities Grant	15-A	28,200.70	28,200.70	-
Municipal Alliance Grant	15-A	13,053.00	13,053.00	-
Level the Playing Field	15-A	25,470.00	25,470.00	-
Recycling Enhancement	15-A	10,000.00	10,000.00	-
Drive Sober	15-A	5,500.00	5,500.00	-
Union County Open Space Kids Grant	15-A	43,865.00	43,865.00	-
Distracted Driving	15-A	6,600.00	6,600.00	-
Utility Operating Surplus of Prior Year	6-A	550,000.00	550,000.00	-
Uniform fire safety act	6-A	36,000.00	56,382.15	20,382.15
Cable TV Franchise fee	6-A	79,000.00	84,181.75	5,181.75
Cell Tower Rental	6-A	47,000.00	60,500.00	13,500.00
Hotel Tax	6-A	166,000.00	171,525.66	5,525.66
Total miscellaneous revenues	A-1	4,073,261.36	4,731,108.68	657,847.32
Receipts from delinquent taxes	A-1	430,000.00	521,975.75	91,975.75
Property tax for support of municipal and library budget appropriations:				
Local tax for municipal purposes		17,224,416.00	17,428,252.48	203,836.48
Local tax for library purposes		892,379.00	892,379.00	-
Total property taxes for municipal purposes and library	A-2, 3-A	18,116,795.00	18,320,631.48	203,836.48
Non-budget revenues	A-1, A-2 Below	-	391,985.02	391,985.02
		\$ 23,395,056.36	\$ 24,740,700.93	\$ 1,345,644.57
Budget revenue	A-3	\$ 23,273,169.48		
Special items of revenue (N.J.S.A. 40A:4-87)	A-3 Above	121,886.88		
		\$ 23,395,056.36		

See accompanying notes to financial statements.

Township of Clark  
County of Union, New Jersey  
Current Fund

Statement of Revenues - Regulatory Basis

Year ended December 31, 2018

	<u>Reference</u>		
Analysis of realized revenues:			
Allocation of current tax collections:			
Revenue from collections	3-A	\$	64,697,320.30
Less: Reserve for tax appeals pending	12-A		<u>270,903.35</u>
Current Taxes Realized	A-1		64,426,416.95
Allocated to:			
School and county taxes	3-A		<u>47,105,785.47</u>
			17,320,631.48
Add: Reserve for uncollected taxes	A-3		<u>1,000,000.00</u>
Amount for support of municipal budget appropriations	A-2	\$	<u><u>18,320,631.48</u></u>
Miscellaneous revenue not anticipated:			
FEMA		\$	154,912.17
Administrative Fee - Senior Citizens & Vets			3,056.20
Motor Vehicle Inspection Fines			3,769.34
Rental - Union County Ed. Serv. Comm.			17,485.40
Scrap Metal			5,742.86
Union County Utilities			19,184.40
CDBG Prior Year			21,110.44
Police Off Duty Car Fee			130,603.40
NJ Self Ins. Fund			4,254.45
Police - DOJ			6,279.76
Deployment - Puerto Rico			8,761.97
Tax Collector Costs			3,715.44
Clothing Bins			3,325.00
Other			<u>9,784.19</u>
Total	A-1, A-2, 1-A	\$	<u><u>391,985.02</u></u>



Township of Clark  
County of Union, New Jersey  
Current Fund

Statement of Expenditures - Regulatory Basis

Year ended December 31, 2018

Appropriations	Appropriations		Expended	
	Budget	Budget after Modification	Paid or Charged	Reserved
<b>Operations within "CAPS"</b>				
General Government:				
Department of administration				
Business administration				
Salaries and wages	\$ 234,158.00	\$ 234,158.00	\$ 234,158.00	\$ -
Other expenses	74,900.00	74,900.00	66,784.36	8,115.64
Mayor's office				
Salaries and wages	39,900.00	39,900.00	9,900.04	29,999.96
Other expenses	6,500.00	6,500.00	5,207.57	1,292.43
Township council				
Salaries and wages	50,700.00	50,700.00	50,700.00	-
Other expenses	32,000.00	32,000.00	20,899.98	11,100.02
Township clerk				
Salaries and wages	190,704.00	190,704.00	187,714.00	2,990.00
Other expenses	16,900.00	16,900.00	14,543.52	2,356.48
Elections				
Salaries and wages	3,000.00	3,000.00	2,999.38	0.62
Other expenses	13,000.00	13,000.00	11,574.74	1,425.26
Department of Revenue and Finance				
Directors office				
Salaries and wages	223,784.00	223,784.00	221,784.00	2,000.00
Other expenses	100,000.00	100,000.00	97,974.44	2,025.56
Division of revenue				
Collection of taxes				
Salaries and wages	71,008.00	71,008.00	70,008.00	1,000.00
Other expenses	11,900.00	11,900.00	11,559.85	340.15
Department of Assessment				
Assessment of taxes				
Salaries and wages	57,672.00	57,672.00	53,261.57	4,410.43
Other expenses	20,800.00	20,800.00	11,566.22	9,233.78
Department of Law				
Salaries and wages	210,000.00	210,000.00	161,798.80	48,201.20
Department of Engineering				
Other expenses	100,000.00	90,000.00	33,040.00	56,960.00
Planning Board - Municipal Land Use Law (NJSA 40:550-1)				
Salaries and wages	6,327.00	6,327.00	6,072.00	255.00
Other expenses	26,000.00	26,000.00	11,344.22	14,655.78
Board of adjustment				
Salaries and wages	6,327.00	6,327.00	5,946.00	381.00
Other expenses	4,500.00	4,500.00	4,035.95	464.05
Group insurance for employees				
Life insurance	15,000.00	15,000.00	8,731.80	6,268.20
Disability insurance	60,000.00	60,000.00	50,720.37	9,279.63
General liability	700,000.00	700,000.00	700,000.00	-
Employee group health	3,764,000.00	3,764,000.00	3,499,284.45	264,715.55
Health Benefit Waiver	25,000.00	25,000.00	19,389.00	5,611.00
Police				
Salaries and wages	4,416,272.00	4,396,272.00	4,218,180.82	178,091.18
Other expenses	282,500.00	327,500.00	312,697.80	14,802.20
Emergency management services				
Salaries and wages	7,824.00	7,824.00	6,952.04	871.96
Other expenses	12,100.00	12,100.00	12,055.96	44.04
First Aid Organization - Contribution	70,000.00	70,000.00	70,000.00	-
Department of Public Safety				
Directors office				
Salaries and wages	1,800.00	1,800.00	1,800.00	-

See accompanying notes to financial statements.

Township of Clark  
County of Union, New Jersey  
Current Fund

Statement of Expenditures - Regulatory Basis

Year ended December 31, 2018

Appropriations	Appropriations		Expended	
	Budget	Budget after Modification	Paid or Charged	Reserved
<b>Operations within "CAPS"</b>				
<b>(continued)</b>				
Fire				
Salaries and wages	\$ 100,096.00	\$ 100,096.00	\$ 77,437.41	\$ 22,658.59
Other expenses	157,500.00	157,500.00	156,348.49	1,151.51
Fire Hydrant Services	300,000.00	300,000.00	259,232.37	40,767.63
Uniform Fire Safety Act				
Fire Official				
Salaries and wages	100,392.00	100,392.00	96,953.77	3,438.23
Other expenses	21,800.00	21,800.00	18,345.91	3,454.09
Bureau of roads, road repair and maintenance				
Salaries and wages	903,184.00	801,184.00	716,622.82	84,561.18
Other expenses	367,800.00	367,800.00	330,084.69	37,715.31
Building and grounds				
Salaries and wages	176,360.00	176,360.00	172,057.96	4,302.04
Other expenses	90,000.00	125,000.00	122,001.15	2,998.85
Department of shade tree				
Other expenses	10,000.00	10,000.00	5,000.00	5,000.00
Division of health and welfare				
Bureau of health				
Salaries and wages	101,268.00	101,268.00	96,218.57	5,049.43
Other expenses	22,000.00	22,000.00	10,687.64	11,312.36
Department of Senior Citizens Affairs				
Salaries and wages	66,540.00	56,540.00	50,782.92	5,757.08
Other expenses	22,000.00	22,000.00	16,957.05	5,042.95
Dog regulation				
Other expenses	21,000.00	21,000.00	21,000.00	-
Services of visiting nurses - contractual	8,000.00	8,000.00	5,241.50	2,758.50
Department of recreation				
Salaries and wages	273,496.00	313,496.00	308,064.32	5,431.68
Other expenses	45,000.00	45,000.00	44,690.63	309.37
Celebration of public events, anniversary or holiday				
Other expenses	25,000.00	35,000.00	29,621.38	5,378.62
Street Lighting	270,000.00	270,000.00	185,634.47	84,365.53
Municipal Court				
Salaries and Wages	249,544.00	249,544.00	219,799.39	29,744.61
Other expenses	18,600.00	18,600.00	17,732.91	867.09
Division of Code Enforcement				
Construction Code Official				
Salaries and wages	315,144.00	315,144.00	313,027.31	2,116.69
Other expenses	104,700.00	104,700.00	94,794.10	9,905.90
Unclassified				
Grass Collection	40,000.00	40,000.00	19,600.00	20,400.00
Leaf Collection	72,000.00	72,000.00	18,148.20	53,851.80
Recycling	60,000.00	60,000.00	27,089.76	32,910.24
Clean Up	40,000.00	42,000.00	41,631.30	368.70
Municipal Services Act	50,000.00	50,000.00	17,488.14	32,511.86
Environmental commission				
Other expenses	100.00	100.00	-	100.00
Utilities	175,000.00	175,000.00	174,081.22	918.78
Telephone - all departments	40,000.00	40,000.00	36,046.99	3,953.01
Gas - diesel	150,000.00	150,000.00	120,007.19	29,992.81
Reserve for compensated absence	100,000.00	100,000.00	100,000.00	-
<b>Total operations within "CAPS"</b>	<b>15,351,100.00</b>	<b>15,341,100.00</b>	<b>14,115,114.44</b>	<b>1,225,985.56</b>

See accompanying notes to financial statements.

Township of Clark  
County of Union, New Jersey  
Current Fund

Statement of Expenditures - Regulatory Basis  
Year ended December 31, 2018

Appropriations	Appropriations		Expended	
	Budget	Budget after Modification	Paid or Charged	Reserved
<b>Operations within "CAPS"</b> (continued)				
<b>Deferred charges and statutory expenditures-municipal within "CAPS"</b>				
STATUTORY EXPENDITURES:				
Contribution to:				
Public Employees' Retirement System	\$ 470,886.00	\$ 470,886.00	\$ 470,885.11	\$ 0.89
Social security system (O.A.S.I.)	650,000.00	650,000.00	582,127.10	67,872.90
Police and Firemen's Retirement System of NJ	1,011,306.00	1,011,306.00	1,011,306.00	-
Insurance	10,000.00	10,000.00	10,000.00	-
Defined Contribution Retirement Plan	10,000.00	10,000.00	10,000.00	-
Total deferred charges and statutory expenditures - municipal within "CAPS"	2,152,192.00	2,152,192.00	2,084,318.21	67,873.79
Total general appropriations for municipal purposes within "CAPS"	17,503,292.00	17,493,292.00	16,199,432.65	1,293,859.35
<b>Operations - excluded from "CAPS"</b>				
Maintenance of Free Public Library	892,379.00	892,379.00	892,379.00	-
Maintenance of 911				
Salaries and wages	642,873.00	642,873.00	642,546.38	326.62
Other expenses	60,300.00	70,300.00	68,441.14	1,858.86
Length of service award program (L.O.S.A.P.)	60,000.00	60,000.00	60,000.00	-
Interlocal Municipal Service Agreements				
Trash removal - Clark Board of Ed.	33,413.00	33,413.00	30,628.07	2,784.93
Public and Private Programs Offset by revenues:				
Drunk Driving Enforcement		2,251.18	2,251.18	-
Clean Communities		28,200.70	28,200.70	-
Municipal Alliance Grant:				
Municipal Alliance	13,053.00	13,053.00	13,053.00	-
Local match	3,263.00	3,263.00	3,263.00	-
Recycling Tonnage Grant	39,381.48	39,381.48	39,381.48	-
Kids Recreation		43,865.00	43,865.00	-
Distracted Driving		6,600.00	6,600.00	-
Level the Playing Field		25,470.00	25,470.00	-
Recycling Enhancement		10,000.00	10,000.00	-
Drive Sober		5,500.00	5,500.00	-
Total operations - excluded from "CAPS"	1,744,662.48	1,876,549.36	1,871,578.95	4,970.41
<b>Capital improvements excluded from "CAPS"</b>				
Capital Improvement Fund	100,000.00	100,000.00	100,000.00	-
Total Capital Improvements Excluded From "CAPS"	100,000.00	100,000.00	100,000.00	-
<b>Municipal Debt Service - Excluded from "CAPS"</b>				
Payment of bond principal	2,565,000.00	2,565,000.00	2,565,000.00	-
Interest on bonds	360,215.00	360,215.00	360,215.00	-
Total municipal debt service - excluded from "CAPS"	2,925,215.00	2,925,215.00	2,925,215.00	-

See accompanying notes to financial statements.

Township of Clark  
County of Union, New Jersey  
Current Fund

Statement of Expenditures - Regulatory Basis

Year ended December 31, 2018

Appropriations	Appropriations		Expended	
	Budget	Budget after Modification	Paid or Charged	Reserved
<b>Operations - excluded from "CAPS"</b> (Continued)				
Total general appropriations for municipal purposes excluded from "CAPS"	\$ 4,769,877.48	\$ 4,901,764.36	\$ 4,896,793.95	\$ 4,970.41
Subtotal general appropriations for municipal purposes	22,273,169.48	22,395,056.36	21,096,226.60	1,298,829.76
Reserve for uncollected taxes	1,000,000.00	1,000,000.00	1,000,000.00	-
Total general appropriations	<u>\$ 23,273,169.48</u>	<u>\$ 23,395,056.36</u>	<u>\$ 22,096,226.60</u>	<u>\$ 1,298,829.76</u>
	Below	Below	Below	A

**Analysis of budget after modification**

2018 appropriations  
Special items of revenue (N.J.S.A. 40A:4-B7)

<u>Reference</u>	
A-2, Above	\$ 23,273,169.48
A-2, 16-A	<u>121,886.88</u>
Above	<u>\$ 23,395,056.36</u>

**Analysis of paid or charged**

Reserve for uncollected taxes  
Reserve for grant expenditures - appropriated  
Disbursed  
Encumbered

A-2, Above	\$ 1,000,000.00
16-A	174,321.36
1-A	20,855,112.33
A	66,792.91
Above	<u>\$ 22,096,226.60</u>

Township of Clark  
County of Union, New Jersey  
Trust Fund

Comparative Balance Sheets - Regulatory Basis

	Reference	December 31,	
		2018	2017
<b>Assets</b>			
Animal Control Fund:			
Cash	1-B	\$ 4,377.52	\$ 4,883.66
Total Animal Control Fund		4,377.52	4,883.66
Other Trust Funds:			
Cash	1-B	3,011,112.07	2,943,483.78
Total Other Trust Funds		3,011,112.07	2,943,483.78
		\$ 3,015,489.59	\$ 2,948,367.44
<b>Liabilities and Reserves</b>			
Animal Control Fund:			
Reserve for expenditures	2-B	\$ 4,377.52	\$ 4,883.66
Total Animal Control Fund		4,377.52	4,883.66
Other Trust Funds:			
Reserve for various trust deposits	4-B	3,011,112.07	2,943,483.78
Total Other Trust Funds		3,011,112.07	2,943,483.78
		\$ 3,015,489.59	\$ 2,948,367.44

See accompanying notes to financial statements.

Township of Clark  
County of Union, New Jersey  
General Capital Fund

Comparative Balance Sheets - Regulatory Basis

	Reference	December 31,	
		2018	2017
<b>Assets</b>			
Cash	1-C, 2-C	\$ 1,954,690.49	\$ 1,334,497.19
State transportation aid receivable	10-C	71,250.00	121,030.50
Deferred charges to future taxation:			
Funded	3-C	14,835,000.00	17,400,000.00
Unfunded	4-C	3,024,698.10	989,698.10
		\$ 19,885,638.59	\$ 19,845,225.79
<b>Liabilities, reserves and fund balance</b>			
General serial bonds	8-C	\$ 14,835,000.00	\$ 17,400,000.00
Bond anticipation notes	7-C	3,000,000.00	-
Improvement authorizations - funded	6-C	184,080.58	568,618.41
Improvement authorizations - unfunded	6-C	832,260.79	164,252.29
Encumbrances payable	9-C	911,805.54	1,584,133.41
Capital improvement fund	5-C	56,853.50	61,853.50
Reserve for debt service	2-C	877.51	877.51
Fund balance	C-1	64,760.67	65,490.67
		\$ 19,885,638.59	\$ 19,845,225.79

*There were bonds and notes authorized but not issued on December 31, 2018 and 2017 in the amounts of \$24,698.10 and \$989,698.10, respectively (Schedule 11-C).*

*See accompanying notes to financial statements.*

Township of Clark  
 County of Union, New Jersey  
 General Capital Fund

Statement of Fund Balance - Regulatory Basis

Year ended December 31, 2018

	<u>Reference</u>		
Balance, December 31, 2017	C	\$	65,490.67
Increased by:			
Contribution Received	1-C		40,000.00
Premium on Notes Issued	1-C		24,270.00
			<u>129,760.67</u>
Decreased by:			
Appropriated to Finance Improvement Authorizations	6-C		<u>65,000.00</u>
Balance, December 31, 2018	C	\$	<u><u>64,760.67</u></u>

See accompanying notes to financial statements.

Township of Clark  
County of Union, New Jersey  
Swim Pool Utility Fund

Comparative Balance Sheets - Regulatory Basis

	Reference	December 31,	
		2018	2017
<b>Assets</b>			
Operating Fund:			
Cash	1-D	\$ 81,019.90	\$ 71,100.20
Total Operating Fund		<u>81,019.90</u>	<u>71,100.20</u>
Capital Fund:			
Cash	1-D	7,465.50	7,465.50
Fixed capital	3-D	1,766,834.50	1,726,834.50
Total Capital Fund		<u>1,774,300.00</u>	<u>1,734,300.00</u>
		<u>\$ 1,855,319.90</u>	<u>\$ 1,805,400.20</u>
<b>Liabilities, reserves and fund balance</b>			
Operating Fund:			
Liabilities:			
Security deposit	D	\$ 1,000.00	\$ 1,000.00
Encumbrance payable	D-3, 2-D	58.82	4,467.42
Appropriation reserves	D-3, 2-D	37,229.60	20,470.49
		<u>38,288.42</u>	<u>25,937.91</u>
Fund balance	D-1	42,731.48	45,162.29
Total Operating Fund		<u>81,019.90</u>	<u>71,100.20</u>
Capital Fund:			
Reserve for amortization	5-D	1,766,834.50	1,726,834.50
Reserve for capital outlay	4-D	0.50	7,465.50
Improvement authorizations - funded	6-D	7,465.00	-
Total Capital Fund		<u>1,774,300.00</u>	<u>1,734,300.00</u>
		<u>\$ 1,855,319.90</u>	<u>\$ 1,805,400.20</u>

*There were no bonds and notes authorized but not issued on December 31, 2018 and 2017.*



Township of Clark  
County of Union, New Jersey  
Swim Pool Utility Fund

Comparative Statements of Operations and Changes in Fund Balances - Regulatory Basis

	Reference	Years ended December 31,	
		2018	2017
Revenue and other income:			
Fund balance utilized	D-2	\$ 14,000.00	\$ 45,300.00
Membership fees	D-2	287,006.00	295,235.00
Miscellaneous revenue	D-2	45,625.28	62,752.09
Other credits to income:			
Unexpended balance of appropriation reserves	2-D	24,937.91	20,055.77
Total revenue and other income		<u>371,569.19</u>	<u>423,342.86</u>
Expenditures:			
Operating	D-3	307,200.00	282,200.00
Capital improvements	D-3	40,000.00	20,000.00
Debt service		-	75,000.00
Deferred charges and statutory expenditures	D-3	12,800.00	12,800.00
Refund of prior year revenue		-	1,003.75
Total expenditures		<u>360,000.00</u>	<u>391,003.75</u>
Excess in revenue		11,569.19	32,339.11
Fund balance:			
Balance, January 1	D	<u>45,162.29</u>	<u>58,123.18</u>
		56,731.48	90,462.29
Decreased by utilized as anticipated revenue	D-2	<u>14,000.00</u>	<u>45,300.00</u>
Balance, December 31	D	<u>\$ 42,731.48</u>	<u>\$ 45,162.29</u>

See accompanying notes to financial statements.

Township of Clark  
 County of Union, New Jersey  
 Swim Pool Utility Fund

Statement of Revenues-Operating Fund - Regulatory Basis

Year ended December 31, 2018

	<u>Reference</u>	<u>Budgeted Revenue</u>	<u>Realized</u>	<u>(Deficiency)</u>
Fund balance utilized	D-1	\$ 14,000.00	\$ 14,000.00	
Membership fees	D-1, 1-D	290,000.00	287,006.00	\$ (2,994.00)
Miscellaneous	D-1, 1-D	56,000.00	45,625.28	(10,374.72)
		<u>\$ 360,000.00</u>	<u>\$ 346,631.28</u>	<u>\$ (13,368.72)</u>
	<u>Reference</u>	D-3	D-1	

Township of Clark  
 County of Union, New Jersey  
 Swim Pool Utility Fund

Statement of Expenditures-Operating Fund - Regulatory Basis

Year ended December 31, 2018

	Appropriations		Expended	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operating:				
Salaries and wages	\$ 125,000.00	\$ 125,000.00	\$ 92,458.87	\$ 32,541.13
Other expenses	182,200.00	182,200.00	177,511.53	4,688.47
Capital Improvements:				
Capital outlay	40,000.00	40,000.00	40,000.00	-
Deferred charges and statutory expenditures:				
Social security system (O.A.S.I.)	11,400.00	11,400.00	11,400.00	-
Unemployment compensation insurance	1,400.00	1,400.00	1,400.00	-
	<u>\$ 360,000.00</u>	<u>\$ 360,000.00</u>	<u>\$ 322,770.40</u>	<u>\$ 37,229.60</u>
<b>Reference</b>	D-2	D-2	Below	D

Analysis of paid or charged:

Cash disbursed	1-D	\$ 322,711.58
Encumbrances	D	58.82
	Above	<u>\$ 322,770.40</u>

Township of Clark  
County of Union, New Jersey  
Sewer Utility Fund

Comparative Balance Sheets - Regulatory Basis

	Reference	December 31,	
		2018	2017
<b>Assets</b>			
Operating Fund:			
Cash	1-E	\$ 1,349,933.68	\$ 1,896,830.61
Sewer fees receivable	2-E	98,507.85	124,964.70
Total Operating Fund		<u>1,448,441.53</u>	<u>2,021,795.31</u>
Capital Fund:			
Cash	1-E	269,632.30	187,715.86
Fixed capital authorized and uncompleted	7-E	-	800,000.00
Fixed capital	8-E	1,537,628.76	22,212.00
Total Capital Fund		<u>1,807,261.06</u>	<u>1,009,927.86</u>
		<u>\$ 3,255,702.59</u>	<u>\$ 3,031,723.17</u>
<b>Liabilities, reserves and fund balance</b>			
Operating Fund:			
Liabilities:			
Appropriation reserves	E-3, 3-E	\$ 113,812.54	\$ 79,356.55
Encumbrance payable	E-3	72,832.69	195,184.90
Accrued interest on bonds	12-E	2,334.00	-
Sewer fee overpayments	4-E	2,115.58	4,072.38
		<u>191,094.81</u>	<u>278,613.83</u>
Reserve for receivables	E	98,507.85	124,964.70
Fund balance	E-1	1,158,838.87	1,618,216.78
Total Operating Fund		<u>1,448,441.53</u>	<u>2,021,795.31</u>
Capital Fund:			
Improvement authorizations-funded	1-E, 6-E	-	15,416.76
Serial bonds payable	11-E	400,000.00	500,000.00
Reserve for capital outlay	5-E	269,632.30	172,299.10
Reserve for deferred amortization	9-E	-	300,000.00
Reserve for amortization	10-E	1,137,628.76	22,212.00
Total Capital Fund		<u>1,807,261.06</u>	<u>1,009,927.86</u>
		<u>\$ 3,255,702.59</u>	<u>\$ 3,031,723.17</u>

*There were no bonds and notes authorized but not issued at December 31, 2018 and 2017.*

Township of Clark  
County of Union, New Jersey  
Sewer Utility Fund

Comparative Statements of Operations and Changes in Fund Balances - Regulatory Basis

	Reference	Year ended December 31	
		2018	2017
Revenue and other income:			
Fund Balance Utilized	E-2	\$ 78,244.00	\$ 617,106.00
Sewer Fees	E-2	3,632,006.03	3,581,487.64
Miscellaneous revenue	E-2	37,503.51	409,407.51
Other credits to income:			
Unexpended balance of appropriation reserves	3-E	79,356.55	91,065.24
Total revenue and other income		3,827,110.09	4,699,066.39
Expenditures:			
Operating	E-3	2,847,160.00	2,873,134.00
Capital Outlay	E-3	700,000.00	250,000.00
Debt Service	E-3	111,084.00	176,700.00
Total expenditures		3,658,244.00	3,299,834.00
Statutory excess to fund balance		168,866.09	1,399,232.39
Fund balance:			
Balance, January 1	E	1,618,216.78	836,090.39
		1,787,082.87	2,235,322.78
Decreased by:			
Utilized as anticipated revenue	E-2	78,244.00	617,106.00
Appropriated in Current Fund Budget	1-E	550,000.00	-
Balance, December 31	E	\$ 1,158,838.87	\$ 1,618,216.78

See accompanying notes to financial statements.

Township of Clark  
 County of Union, New Jersey  
 Sewer Utility Fund

Statement of Revenues - Operating Fund - Regulatory Basis

Year ended December 31, 2018

	Reference	Budgeted Revenue	Realized	Excess
Fund Balance Utilized	E-1	\$ 78,244.00	\$ 78,244.00	\$ -
Sewer fees	E-1, 1-E, 2-E	3,580,000.00	3,632,006.03	52,006.03
Miscellaneous	E-1, 1-E, Below	-	37,503.51	37,503.51
	E-3	<u>\$ 3,658,244.00</u>	<u>\$ 3,747,753.54</u>	<u>\$ 89,509.54</u>

Analysis of Miscellaneous:

Interest	\$ 37,400.61
Reimbursement	102.90
Above	<u>\$ 37,503.51</u>

Township of Clark  
County of Union, New Jersey  
Sewer Utility Fund

Statement of Expenditures - Operating Fund - Regulatory Basis

Year ended December 31, 2018

	Appropriations		Expended	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operating:				
Salaries and Wages	\$ 345,054.00	\$ 345,054.00	\$ 345,054.00	\$ -
Other expenses:				
Rahway Valley Sewerage Authority	1,997,106.00	1,997,106.00	1,997,106.00	-
Miscellaneous	505,000.00	505,000.00	391,187.46	113,812.54
Capital Outlay	700,000.00	700,000.00	700,000.00	-
Debt Service:				
Bond Principal	100,000.00	100,000.00	100,000.00	-
Interest on Bonds	11,084.00	11,084.00	11,084.00	-
	<u>\$ 3,658,244.00</u>	<u>\$ 3,658,244.00</u>	<u>\$ 3,544,431.46</u>	<u>\$ 113,812.54</u>
<b>Reference</b>	E-2	E-2	Below	E

**Analysis of paid or charged:**

Cash disbursed	1-E	\$ 3,363,181.57
Cash disbursed to sewer utility capital fund	1-E, 5-E	97,333.20
Accrued interest on bonds	12-E	11,084.00
Encumbrances	E	72,832.69
	Above	<u>\$ 3,544,431.46</u>

Township of Clark  
 County of Union, New Jersey  
 General Fixed Assets Account Group

Comparative Balance Sheets - Regulatory Basis

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>Fixed Assets</b>		
Land and Land Improvements	\$ 5,457,805.00	\$ 5,457,805.00
Buildings and Building Improvements	7,287,883.00	7,287,883.00
Machinery and Equipment	8,046,213.00	7,828,739.00
	\$ 20,791,901.00	\$ 20,574,427.00
 <b>Reserve</b>		
Investment in General Fixed Assets	\$ 20,791,901.00	\$ 20,574,427.00

*See accompanying notes to financial statements.*



Township of Clark  
Notes to Financial Statements  
Years ended December 31, 2018 and 2017

**1. Summary of Significant Accounting Policies**

**Reporting Entity**

The Governmental Accounting Standards Board (“GASB”) has established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division of Local Government Services, Department of Community Affairs, State of New Jersey (“Division”) requires the financial statements of the Township of Clark (“Township”) to be reported separately.

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

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

**Description of Funds**

The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Codification recognizes three fund types to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States (“GAAP”).

The accounting policies of the Township conform to the accounting principles applicable to municipalities, which have been prescribed by the Division. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Township are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operations of a specific government activity. As required by the Division, the Township accounts for its financial transactions through the following individual funds and account group:

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

Trust Fund – records the receipts, custodianship and disbursement of monies in accordance with the purpose for which each reserve was established.

Township of Clark  
Notes to Financial Statements  
Years ended December 31, 2018 and 2017

**1. Summary of Significant Accounting Policies (continued)**

General Capital Fund – records the receipt and disbursement of funds for the acquisition of general infrastructure and other capital facilities, other than those acquired through the Current Fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

Swim Pool Utility Operating and Capital Funds – account for the operation and acquisition of capital facilities of the municipally-owned swimming pool.

Sewer Utility Operating and Capital Funds – account for the operation and acquisition of capital facilities of the municipally-owned sewer utility.

General Fixed Assets Account Group – utilized to account for land, buildings, machinery, equipment and vehicles that have been acquired by other governmental funds, other than utility funds. All fixed assets are valued at historical cost.

**Basis of Accounting**

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

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

Revenues – are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and state grants are realized as revenue when anticipated in the Township's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township, which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Expenditures – are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the encumbrance accounting system. Unexpended or uncommitted appropriations at December 31 are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Township's statutory appropriation reserve balance. GAAP requires expenditures in the Current Fund to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

Township of Clark

Notes to Financial Statements

Years ended December 31, 2018 and 2017

**1. Summary of Significant Accounting Policies (continued)**

Appropriation Reserves – unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis. Appropriation reserves are not established under GAAP.

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

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

Compensated Absences – expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that 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.

Foreclosed Property – is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value at the date of acquisition.

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

Township of Clark

Notes to Financial Statements

Years ended December 31, 2018 and 2017

**1. Summary of Significant Accounting Policies (continued)**

Interfunds – the advances from the Current Fund are reported as interfund receivables with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories of Supplies – the costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories are not included on the various balance sheets. GAAP does not require the establishment of an offsetting reserve.

Fixed Capital – Swim Pool and Sewer Utility – the property and equipment purchased by the Swim Pool Utility Fund and Sewer Utility Fund are recorded in its capital account at cost and is adjusted for dispositions and abandonments. The amount reported for reserve for amortization of fixed capital acquired on the balance sheet of the Swim Pool Utility and Sewer Utility Capital Funds represent the aggregate charges (capital outlay and debt service) to the operating budget and reserve for capital outlay for the costs of the acquisitions of property and equipment and proceeds from grants-in-aid. The Swim Pool Utility and Sewer Utility do not record depreciation of property and equipment.

GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by the Swim Pool Utility and Sewer Utility Fund.

Fixed Assets – Current Fund and General Capital Fund – the property and equipment purchased by the Current Fund and the General Capital Fund are recorded as expenditures at the time of purchase and are capitalized in the General Fixed Assets Account Group.

Insurance Claims – Insurance claims incurred are not recorded as a liability but would be recorded as a liability under GAAP.

Length of Service Award Program (LOSAP) – the Division does not require the LOSAP to be included as part of the balance sheet of the Trust Fund in the regulatory basis financial statements of the Township. GAAP requires the inclusion of such information to be recorded in the financial statements.

Net Pension Liability and Pension Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense – the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of these amounts. Since the Township does not follow generally accepted accounting principles, the GASBs did not result in a change in the Township's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASBs (See Note 7 for additional information).

Township of Clark

Notes to Financial Statements

Years ended December 31, 2018 and 2017

**1. Summary of Significant Accounting Policies (continued)**

Other Post-Employment Benefits Other Than Pensions - The requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* OPEB that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of this liabilities, deferrals and expenses, but do require the disclosure of the amounts. Since the Township does not follow generally accepted accounting principles, the GASB did not result in a change in the Township's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASB. See Note 8 for additional information.

**Regulatory Basis Financial Statements**

The GASB Codification also defines the financial statements of a governmental unit to be presented in the basic financial statements to be in accordance with GAAP. The Township presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

**Comparative Data**

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

**Recent Pronouncements**

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. This Statement replaces the requirements of Statement 45 and the primary objective of this Statement is to improve accounting and reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local government employers about financial support for OPEB that is provided by other entities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 30, 2017. The Township adopted GASB No. 75 during the year ended December 31, 2018, which resulted in additional disclosures in the notes to the basic financial statements.

**Recently Issued and Adopted Accounting Principles**

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not determined the impact of the statement on the financial statements.

Township of Clark  
Notes to Financial Statements  
Years ended December 31, 2018 and 2017

**1. Summary of Significant Accounting Policies (continued)**

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not determined the impact of the statement on the financial statements.

**Subsequent Events**

The Township has reviewed and evaluated all events and transactions from December 31, 2018 through July 30, 2019, the date that the financial statements were available for issuance. The effects of those events and transactions that provide additional pertinent information about conditions that existed at December 31, 2018 have been recognized in the accompanying financial statements.

**2. Deposits and Investments**

**Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five 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.

Cash and cash equivalents include petty cash, change funds, amounts on deposit and short-term investments with original maturities of three months or less. Investments are stated at cost, which approximates fair value.

As of December 31, 2018 and 2017, cash and cash equivalents of the Township consisted of certificates of deposit and demand deposit accounts. The carrying amount of the Township's deposits at December 31, 2018 was \$12,972,164.12 (excludes petty cash) and the bank balance was \$13,670,670.50. Of this amount, \$500,000.00 was covered by federal depository insurance and the remaining \$13,009,732.38 was covered by a collateral pool maintained by the bank as required by New Jersey Statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA"). \$160,938.00 held in the Township agency account is not covered by GUDPA.

Township of Clark

Notes to Financial Statements

Years ended December 31, 2018 and 2017

**2. Deposits and Investments (continued)**

The carrying amount of the Township's deposits at December 31, 2017 was \$14,018,993.83 (excludes petty cash) and the bank balance was \$13,958,991.68. Of this amount, \$500,000.00 was covered by federal depository insurance and the remaining \$10,027,078.99 was covered by a collateral pool maintained by the bank as required by New Jersey Statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA"). \$152,686.00 held in the Township agency account is not covered by GUDPA. GASB Statement No. 40 requires that the Township disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the Township would not be able to recover the value of its deposit or investment). Deposits are considered to be exposed to custodial credit risk if they are: uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the Township. The Township does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the Township's deposits were fully collateralized by funds held by the financial institution, but not in the name of the Township. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

**Investments**

New Jersey statutes permit the Township to purchase the following types of securities.

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds and other obligations of the Township or bonds or other obligations of school districts, which are part of the Township or school districts located within the Township.
- d. Bonds or other obligations, having a maturity date of not more than twelve months from the date of purchase that are approved by the New Jersey Department of Treasury Division of Investments.

*Custodial Credit Risk:* All of the Township's investments are insured or registered in the Township's name or held by an entity as its agent in the Township's name. The Township does not have a policy for custodial credit risk for its investments.

*Concentration of Credit Risk:* The Township places no limit on the amount the Township may invest in any one issuer.

*Credit Risk:* The Township does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. Government or investments guaranteed by the U.S. Government.

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**2. Deposits and Investments (continued)**

*Interest Rate Risk:* The Township does not have a policy to limit interest rate risk, however, its practice is typically to invest in investments with short maturities.

During 2018 and 2017, the Township had no investments.

**3. School Debt**

The Township of Clark Board of Education is a Type II School District. As such, the members of the Board of Education are elected by the citizens of the Township and school appropriations are set by a Board of Education. Bonds and notes authorized by voter referendum to finance capital expenditures are general obligations of the Board of Education and, as such, are reported on the statement of net position of the Board of Education.

**4. Long-Term Debt**

The Local Bond Law governs the issuance of bonds to finance general municipal capital expenditures. All bonds issued by the Township are general obligations bonds backed by the full faith and credit of the Township. Bond Anticipation Notes, which are issued to temporarily finance capital projects, must be paid off within ten years or retired by the issuance of bonds.

**Summary of Municipal Debt (excluding Type II School Debt)**

The Township's debt is summarized as follows:

	2018	2017
Issued:		
General:		
Bonds and notes	\$ 17,835,000.00	\$17,400,000.00
Sewer Utility:		
Bonds and notes	400,000.00	500,000.00
Total issued	18,235,000.00	17,900,000.00
Less:		
Deduction for Reserve for Debt Service	877.51	877.51
	18,234,122.49	17,899,122.49
Authorized but not issued:		
General:		
Bonds and notes	24,698.10	989,698.10
Net bonds and notes issued and authorized but not issued	\$ 18,258,820.59	\$18,888,820.59



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**4. 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 0.68%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General debt	\$ 18,259,698.10	\$ 877.51	\$18,258,820.59
School debt	11,135,000.00	11,135,000.00	-
Sewer Utility debt	400,000.00	400,000.00	-
	<u>\$ 29,794,698.10</u>	<u>\$11,535,877.51</u>	<u>\$18,258,820.59</u>

Net debt \$18,258,820.59 divided by equalized valuation basis per N.J.S. 40A:2-2, as amended, \$2,673,974,895.67 equals 0.68%.

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

Equalized valuation basis* - December 31, 2018	<u>\$ 2,673,974,895.67</u>
3 1/2% of equalized valuation basis	\$ 93,589,121.35
Net debt	<u>18,258,820.59</u>
Remaining borrowing power	<u>\$ 75,330,300.76</u>

\* Equalized valuation basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Railroad Property of the Township of the last three (3) preceding years.

**Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding**

Calendar Year	General		Sewer Utility		Total
	Principal	Interest	Principal	Interest	
2019	\$ 1,435,000.00	\$ 322,531.00	\$100,000.00	\$ 7,000.00	\$ 1,864,531.00
2020	1,500,000.00	291,250.00	100,000.00	5,000.00	1,896,250.00
2021	1,700,000.00	259,250.00	100,000.00	3,000.00	2,062,250.00
2022	1,700,000.00	225,250.00	100,000.00	1,000.00	2,026,250.00
2023	1,700,000.00	191,250.00			1,891,250.00
2024-2027	6,800,000.00	380,375.00			7,180,375.00
	<u>\$14,835,000.00</u>	<u>\$1,669,906.00</u>	<u>\$400,000.00</u>	<u>\$16,000.00</u>	<u>\$16,920,906.00</u>

The Township has two serial bond issues outstanding in the general capital fund and one in the sewer utility capital fund at December 31, 2018.

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**4. Long-Term Debt (continued)**

On March 15, 2017, the Township issued \$15,100,000 of General Improvement Bonds and \$500,000 of Sewer Utility Bonds to fund outstanding bond anticipation notes and unfunded improvement authorizations. The bonds were issued with interest rates ranging from 1.50% to 3.00%. The annual principal payments are due through March 15, 2027. The bond issue interest is recorded on the cash basis for general debt. The annual principal payments range from \$850,000 through \$1,700,000.

On January 29, 2016, the Township issued \$5,575,000 in Refunding Bonds. The refunding bonds were issued to refund \$5,542,000 of the Township's outstanding 2005 General Capital bonds. The refunding bonds were issued to achieve a net present value savings of \$209,249. The difference between cash flows required to service the old debt and the cash flows to service the new debt was \$210,952. The economic gain (net present value) resulting from the refunding was \$209,249. As a result of the refunding, \$622,000 of the defeased debt is still outstanding at December 31, 2018.

The bonds were originally issued in the amount of \$9,042,000 on August 15, 2005 at an interest rate of 3.875%. The final principal payment is due on August 15, 2019 in the amount of \$622,000. The interest is paid semi-annually at a rate of 1.33%.

Bond anticipation notes were issued in the General Capital Fund at an interest rate of 3.00% and mature on October 4, 2019. Bond anticipation notes were issued in the General Capital Fund and Sewer Utility Capital Fund at an interest rate of 2.00% and matured on March 17, 2017. At December 31, 2018 and 2017, there were notes outstanding of \$3,000,000.00 and \$-0-, respectively.

**5. Fund Balances Appropriated**

The following fund balances at December 31, 2018 were appropriated in the 2019 budget:

Current Fund	\$1,500,000.00
Swim Pool Utility Operating Fund	30,200.00

The following fund balances at December 31, 2017 were appropriated in the 2018 budget:

Current Fund	\$ 775,000.00
Swim Pool Utility Operating Fund	14,000.00
Sewer Utility Operating Fund	78,244.00

**6. Property Taxes**

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

Township of Clark

Notes to Financial Statements

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**6. Property Taxes (continued)**

Taxes collected in advance – Taxes collected in advance are recorded as cash liabilities in the financial statements are as follows:

	<b>Balance December 31,</b>	
	<b>2018</b>	<b>2017</b>
Prepaid taxes	\$ 316,632.80	\$ 3,309,633.90

**7. Pension Plans**

Substantially, all Township employees participate in the Public Employees' Retirement System or the Police and Firemen's Retirement System. The Division of Pensions within the Treasury Department of the State of New Jersey is the administrator of the funds and charges municipalities annually for their respective contributions. The plans provide retirement and disability benefits, annual cost sharing multiple-employer defined benefit plans and as such do not maintain separate records for each municipality in the state and, therefore, the actuarial data for the Township is not available. The Division of Pensions issues publicly available financial reports for each of the plans that include financial statements and required supplementary information. The reports may be obtained by writing the State of New Jersey, Division of Pensions.

Covered employees are required by State statute to contribute a certain percentage of their salary to the plan. Each member's percentage is based on age determined at the effective date of enrollment. In addition, the PERS and PFRS bill the Township annually at an actuarially determined rate for its required contribution. The current rate is 7.50% and 10%, respectively, of annual covered payroll. The contribution requirements of plan members and the Township are established and may be amended by the Board of Trustees of the respective plan. The Township's contributions to the PERS for the years ended December 31, 2018, 2017 and 2016 were \$470,885, \$443,363 and \$425,431, respectively, equal to the required contributions for each year. The Township's contributions to the PFRS for the years ended December 31, 2018, 2017 and 2016 were \$1,011,306, \$911,200 and \$939,761 respectively, equal to the required contributions for each year.

**Other Post-Retirement Benefits Other Than Pension  
State Health Benefits Program (SHBP)**

**Plan Description:** The Township contributes to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. 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.

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 the SHBP. 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. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and

Township of Clark  
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**7. Pension Plans (continued)**

Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

**Plan Coverage:** All active employees, including their dependents, are eligible to participate in the SHBP, upon completion of a sixty day waiting period. Retirees with twenty five years or more of active service with the Township are also eligible to participate in the SHBP.

**Funding Policy:** Participating employers contractually contribute based on the amount of premiums attributable to their retirees. Post-retirement medical 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 the health premiums of participating employees in the SHBP are billed to the Township on a monthly basis. Eligible employees and retirees have the option of choosing from six medical benefit plans (NJ Direct15, NJ Direct10, Aetna, Freedom10, Aetna Freedom15, Aetna HMO or Horizon HMO) with rates ranging from \$732.54 for a single participant to \$2,231.89 for family coverage.

The Township's contributions to SHBP for post-retirement benefits for the years ended December 31, 2018, 2017, and 2016 were \$1,723,924, \$1,764,044 and \$1,406,482, respectively, which equaled the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Public Employee's Retirement System (PERS)*

At December 31, 2018 and 2017, the Township's liability for its proportionate share of the net pension liability was \$9,966,935 and \$11,698,186, respectively. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Township's proportion was 0.0005062056 percent, which was a decrease of 0.0497471857 from its proportion measured as of June 30, 2017.

At December 31, 2018, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources:

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**7. Pension Plans (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,642,386.00	\$ 3,186,896.00
Net difference between projected and actual earnings on pension plan investments		96,490.00
Changes in proportion	263,069.00	
Difference between expected and actual experience	190,071.00	51,993.00
Township contributions subsequent to the measurement date	240,308.00	
	<u>\$ 2,335,834.00</u>	<u>\$ 3,335,379.00</u>

At December 31, 2017, the Township's deferred outflows of resources and deferred inflows of resources related to PERS were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 2,356,781.00	\$ 2,348,141.00
Net difference between projected and actual earnings on pension plan investments	79,657.00	
Changes in proportion	292,003.00	
Difference between expected and actual experience	275,452.00	
Township contributions subsequent to the measurement date	235,442.50	
	<u>\$ 3,239,335.50</u>	<u>\$ 2,348,141.00</u>

\$240,308.00 and \$235,442.50 as of December 31, 2018 and 2017, respectively, are reflected above as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows, if the financial statements were prepared in accordance with generally accepted accounting principles:

Township of Clark  
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**7. Pension Plans – (Continued)**

**Year ended December 31:**

2019	\$	188,092.00
2020		(11,361.00)
2021		(623,938.00)
2022		(608,984.00)
2023		(180,062.00)
		\$ (1,236,253.00)

*Actuarial Assumptions*

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation rate		2.25%
Salary increase through 2026		1.65 - 4.15%
		based on age
Thereafter		2.65 - 5.15%
		based on age
Investment rate of return		7.00%

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

Inflation rate		2.25%
Salary increase through 2026		1.65 - 4.15%
		based on age
Thereafter		2.65 - 5.15%
		based on age
Investment rate of return		7.00%

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

*Mortality Rates*

Pre-retirement mortality rates were based on the RP-2000 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

Township of Clark

Notes to Financial Statements

Years ended December 31, 2018 and 2017

**7. Pension Plans – (Continued)**

2013 using a generational approach based on the plan actuary's modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the actuary's 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back three years for males and set forward one year for females).

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

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

Township of Clark  
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**7. Pension Plans – (Continued)**

*Discount rate*

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount 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 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

*Sensitivity of the 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 as of December 31, 2018 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 (4.66 percent) or 1-percentage-point higher (6.66 percent) than the current rate:

	At 1% decrease (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
Township's proportionate share of the net pension liability	\$12,532,272.00	\$ 9,966,935.00	\$ 7,814,781.00



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**7. Pension Plans – (Continued)**

The following presents the Township's proportionate share of the net pension liability as of December 31, 2017 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 (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	At 1% decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
Township's proportionate share of the net pension liability	\$14,512,394.00	\$ 11,698,186.00	\$ 9,353,602.00

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

*Additional Information*

Collective balances of the Local Group at June 30, 2018 are as follows:

Deferred outflows of resources	\$ 4,684,852,302.00
Deferred inflows of resources	\$ 7,646,736,226.00
Net pension liability	\$ 19,689,501,539.00
 Township's Proportion	 0.0005062056%

Collective balances of the Local Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 6,424,455,842.00
Deferred inflows of resources	\$ 5,700,625,981.00
Net pension liability	\$ 23,278,401,588.00
 Township's Proportion	 0.0502533913%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 and June 30, 2017 were \$1,099,708,157 and \$1,679,030,145, respectively.

The average of the expected remaining service lives of all plan members is 5.63 and 5.59 years for 2018 and 2017, respectively.

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Years ended December 31, 2018 and 2017

**7. Pension Plans – (Continued)**

Police and Firemen’s Retirement System (PFRS)

At December 31, 2018 and 2017, the Township’s liability for its proportionate share of the net pension liability was \$13,772,630 and \$17,640,999, respectively. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The Township’s proportion of the net pension liability was based on a projection of the Township’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Township’s proportion was 0.1017808740 percent, which was a decrease of 0.0124886071 from its proportion measured as of June 30, 2017.

At December 31, 2018, the Township’s deferred outflows of resources and deferred inflows of resources related to PFRS were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,182,195.00	\$ 3,529,687.00
Net difference between projected and actual earnings on pension plan investments		75,349.00
Changes in proportion	729,084.00	2,176,443.00
Difference between expected and actual experience	140,119.00	56,994.00
Township contributions subsequent to the measurement date	478,630.00	
	<u>\$ 2,530,028.00</u>	<u>\$ 5,838,473.00</u>

At December 31, 2017, the Township’s deferred outflows of resources and deferred inflows of resources related to PFRS were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,182,195.00	\$ 3,529,687.00
Net difference between projected and actual earnings on pension plan investments		\$ 75,349.00
Changes in proportion	729,084.00	2,176,443.00
Difference between expected and actual experience	140,119.00	56,994.00
Township contributions subsequent to the measurement date	478,630.00	
	<u>\$ 2,530,028.00</u>	<u>\$ 5,838,473.00</u>

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**7. Pension Plans – (Continued)**

\$478,630 and \$505,653 are reported as deferred outflows of resources as of December 31, 2018 and 2017, respectively, related to pensions resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows, if the financial statements were prepared in accordance with generally accepted accounting principles:

**Year ended December 31:**

2019	\$ 50,844.00
2020	(809,770.00)
2021	(1,524,197.00)
2022	(1,043,790.00)
2023	(460,162.00)
	<u>\$ (3,787,075.00)</u>

*Actuarial Assumptions*

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation rate	2.25%
Salary increase through 2026	2.10 - 8.98%
Thereafter	3.10 - 9.98%
	based on age
Investment rate of return	7.00%

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

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

Inflation rate	2.25%
Salary increase through 2026	2.10 - 8.98%
Thereafter	3.10 - 9.98%
	based on age
Investment rate of return	7.00%

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

Township of Clark

Notes to Financial Statements

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**7. Pension Plans – (Continued)**

*Mortality Rates*

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the actuary's modified 2014 projection scale thereafter. For preretirement accident mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generation basis using Projection Scale AA from the base year of 2012 to 2013 and the actuary's modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year 2000 to 2013 using Projection Scale BB and the actuary's modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

*Long-Term Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

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

Township of Clark  
Notes to Financial Statements  
Years ended December 31, 2018 and 2017

**7. Pension Plans – (Continued)**

*Discount rate*

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the 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 as of December 31, 2018 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 (5.51 percent) or 1-percentage-point higher (7.51 percent) than the current rate:

Township of Clark  
Notes to Financial Statements  
Years ended December 31, 2018 and 2017

**7. Pension Plans – (Continued)**

	At 1% decrease (5.51%)	At current discount rate (6.51%)	At 1% increase (7.51%)
Township's proportionate share of the net pension liability	\$18,432,956.00	\$ 13,772,630.00	\$ 9,928,710.00

The following presents the Township's proportionate share of the net pension liability as of December 31, 2017 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 (5.14 percent) or 1-percentage-point higher (7.14 percent) than the current rate:

	At 1% decrease (5.14%)	At current discount rate (6.14%)	At 1% increase (7.14%)
Township's proportionate share of the net pension liability	\$23,243,469.00	\$ 17,640,999.00	\$ 13,037,933.00

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Police and Firemen's Retirement System.

*Additional Information*

Collective balances of the Local Group at June 30, 2018 are as follows:

Deferred outflows of resources	\$ 1,988,215,695.00
Deferred inflows of resources	\$ 4,286,994,294.00
Net pension liability	\$ 15,369,699,278.00
 Township's Proportion	 0.101780874%

Collective pension expense for the Local Group for the measurement period ended June 30, 2018 is \$1,270,762,352.

Collective balances of the Local Group at June 30, 2017 are as follows:

Deferred outflows of resources	\$ 2,941,952,753.00
Deferred inflows of resources	\$ 3,262,432,093.00
Net pension liability	\$ 17,167,260,198.00
 Township's Proportion	 0.1142694811%

Collective pension expense for the Local Group for the measurement period ended June 30, 2017 is \$1,611,644,893.

Township of Clark  
Notes to Financial Statements  
Years ended December 31, 2018 and 2017

**7. Pension Plans – (Continued)**

The average of the expected remaining service lives of all plan members is 5.73 and 5.59 years for 2018 and 2017, respectively.

*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 amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation and the State is treated as a non-employer contributing entity. The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Township as of December 31, 2018 and 2017 is 0.1017808740% and 0.1142694811%, respectively, and the non-employer contributing entities' contribution for the year ended June 30, 2018 and 2017 was \$110,796 and \$98,805, respectively. The State's proportionate share of the net pension liability attributable to the Township for the year ended December 31, 2018 and 2017 was \$1,870,784 and \$1,975,940, respectively.

**8. Postemployment Benefits Other Than Pensions (OPEB)**

*Plan description and benefits provided*

The Township participates in the State Health Benefit Local Government Retired Employees Plan (Plan), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the State of New Jersey Division of Pension and Benefits. The Plan covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan provides medical and prescription drug coverage to retirees and their covered dependents. Rules governing the operation and administration of the program are found in Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999. Additional information about the Plan is available from the State of New Jersey, Division of Pensions and Benefits Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

*OPEB Liabilities and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At December 31, 2018 and 2017, the Township's liability for its proportionate share of the net OPEB liability was \$27,683,541.00 and \$35,610,035.00, respectively. The net OPEB liability as of December 31, 2018 was determined by an actuarial valuation as of June 30, 2017 which was rolled forward to June 30, 2018. The net OPEB liability as of December 31, 2017 was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017. The Township's proportion of the net OPEB liability was based on a projection of the Township's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating local governments, actuarially determined. At December 31, 2018 and 2017, the Township's proportion was 0.176704 and 0.174424 percent, respectively.

Township of Clark  
Notes to Financial Statements  
Years ended December 31, 2018 and 2017

**8. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)**

At December 31, 2018, the Township's deferred outflows of resources and deferred inflows of resources related to OPEB were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 453,544.00	\$ 7,022,293.00
Net difference between projected and actual earnings on OPEB plan investments	14,630.00	
Differences between expected and actual experience		5,620,746.00
Changes in proportion		2,646,963.00
	<u>\$ 468,174.00</u>	<u>\$ 15,290,002.00</u>

At December 31, 2017, the Township's deferred outflow of resources and deferred inflows of resources related to OPEB were from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions		\$ 3,952,411.00
Net difference between projected and actual earnings on OPEB plan investments	\$ 6,103.00	
Changes in proportion		3,085,202.00
	<u>\$ 6,103.00</u>	<u>\$ 7,037,613.00</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB would be recognized in OPEB expense as follows, if the financial statements were prepared in accordance with generally accepted accounting principles:

<b>Year ended December 31:</b>	
2019	\$ (2,227,905.00)
2020	(2,227,905.00)
2021	(2,227,905.00)
2022	(2,229,430.00)
2023	(2,231,944.00)
2024	(2,231,944.00)
2025	(1,272,269.00)
2026	<u>(172,526.00)</u>
	<u>\$ (14,821,828.00)</u>



Township of Clark  
Notes to Financial Statements  
Years ended December 31, 2018 and 2017

**8. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)**

*Actuarial Assumptions*

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actual assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increase through 2026	1.65% to 8.98%
	based on age
Thereafter	2.65% to 9.98%
	based on age

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actual assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increase through 2026	1.65% to 8.98%
	based on age
Thereafter	2.65% to 9.98%
	based on age

*Discount Rate*

The discount rate for June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

*Mortality Rates*

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Township of Clark

Notes to Financial Statements

Years ended December 31, 2018 and 2017

**8. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)**

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plan's experience studies for which the members are eligible for coverage under this Plan – PFRS and PERS. The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

*Health Care Trend Assumptions*

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

*Sensitivity of the Township's proportionate share of the net OPEB liability to changes in the discount rate and healthcare cost trend rate*

The following presents the Township's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the Township's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	At 1% Decrease (2.87%)	At current discount rate (3.87%)	At 1% Increase (4.87%)
Township's proportionate share of the net OPEB liability	\$ 32,480,113.00	\$ 27,683,541.00	\$ 23,852,166.00

The following presents the Township's proportionate share of the net OPEB liability as of June 30, 2017 calculated using the discount rate as disclosed above as well as what the Township's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate:

	At 1% Decrease (2.58%)	At current discount rate (3.58%)	At 1% Increase (4.58%)
Township's proportionate share of the net OPEB liability	\$ 42,003,098.00	\$ 35,610,035.00	\$ 30,537,248.00

The following presents the Township's proportionate share of the net OPEB liability as of June 30, 2018 calculated using healthcare cost trend rate that is 1-percentage-point lower (percent) or 1-percentage-point higher (percent) than the current rate:

	At 1% Decrease	At Current Health Care Trend Rate	At 1% Increase
Township's proportionate share of the net OPEB liability	\$ 23,092,512.00	\$ 27,683,541.00	\$ 33,625,015.00

Township of Clark

Notes to Financial Statements

Years ended December 31, 2018 and 2017

**8. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)**

The following presents the Township's proportionate share of the net OPEB liability as of June 30, 2017 calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Health Care Trend Rate</u>	<u>At 1% Increase</u>
Township's proportionate share of the net OPEB liability	\$ 29,592,979.00	\$ 35,610,035.00	\$ 43,444,939.00

**9. Compensated Absences**

As discussed in Note 1 and in accordance with accounting principles prescribed by the Division, the cash basis of accounting is followed for recording the Township's liability related to unused vacation and sick pay. The Township permits certain employees within limits 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. The estimated current cost of such unpaid compensation would approximate \$802,753 at December 31, 2018 and 2017. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements. As of December 31, 2018 and 2017, \$718,471 and \$618,471, respectively, was set aside in a trust fund reserve for the payment of compensated absences. The Township appropriated \$100,000 in its 2019 and 2018 adopted budgets for accrued sick and vacation liabilities.

**10. Tax Appeals**

There are several tax appeals pending before the State Tax Court of New Jersey requesting a reduction of assessments for the year 2018 and prior. Any reduction in assessed valuation will result in a refund of prior years taxes in the year of settlement, which may be funded from tax revenues, through the establishment of a reserve or by the issuance of refunding bonds per N.J.S. 40A:2-51. The Township has made a provision from tax revenues, in the amount of \$700,000 for these appeals in the event that the tax reductions are granted. In accordance with the National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, the Township charges to current fund operations or a reduction of current tax collections, all state board judgments rendered during the year which will be paid from expendable available resources. The Township's share of the County taxes paid on any successful tax appeal would result in appropriate reductions applied against the County tax levy of the following year.

**11. Commitments and Contingencies**

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 the grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2018, the Township estimates that no material liabilities will result from such audits.

Township of Clark

Notes to Financial Statements

Years ended December 31, 2018 and 2017

**11. Commitments and Contingencies – (Continued)**

The Township is involved in certain legal proceedings, the resolution and impact on the financial statements of which, individually or in the aggregate, in the opinion of management as advised by legal counsel, would not be significant to the accompanying financial statements.

**12. Risk Management**

The Township has established a self-insurance program that enables the governing body of the local unit to provide insurance coverage for its exposure to a wide variety of property and liability casualty risks. The Township self-insures for professional liability, general liability and workers' compensation exposures up to \$100,000 per occurrence. The Township participates in a Joint Insurance Fund ("JIF"), which currently serves as administrator of the Township's insurance program. The joint insurance pool is a public utility risk pool currently operating as a common risk management and insurance program for municipalities in New Jersey. The JIF covers all Township claims in excess of \$100,000 per occurrence and is funded by Township budget appropriations to pay for premiums that are assessed annually. The JIF is expected to be self-sustaining through member premiums, of which the Township portion is reported as expenditure in the Township's financial statements. In addition, the Township is not aware of any claims pending that have a demand in excess of these coverages. There have been no settlements, which exceeded insurance coverage for each of the past three fiscal years.

The audit report for the fiscal year ended December 31, 2018 was not available as of the date of this report. Selected, summarized information for the NJMSIJIF as of December 31, 2017 and 2016 (latest information available) is as follows:

	2017	2016
Total Assets	\$ 11,463,725.00	\$ 11,330,881.00
Fund Surplus	\$ 5,139,663.00	\$ 4,154,206.00
Total Revenues	\$ 2,792,342.00	\$ 2,766,071.00
Total Expenses	\$ 1,806,885.00	\$ 1,949,550.00
Net Income for the Year Ended December 31, 2017 and 2016	\$ 985,457.00	\$ 816,521.00

**13. Deferred Compensation**

The Township of Clark offers its employees a Deferred Compensation Plan, created in accordance with the provisions of N.J.S. 43:15B-1 et.seq., and the Internal Revenue Code, Section 457. The plan, available to all municipal employees, permits them to defer of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Township of Clark  
Notes to Financial Statements  
Years ended December 31, 2018 and 2017

**13. Deferred Compensation – (Continued)**

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37.

The "Small Business Job Protective Act of 1996" revised several provisions of Section 457 of the Internal Revenue Code. A provision of the act required that all existing plans be modified to provide that the funds be held for the exclusive benefit of the participating employees and their beneficiaries.

The administrators for the Township of Clark Deferred Compensation Plan are MetLife and Lincoln Financial.

The plan's assets are not the property of the Township and therefore are not presented in the financial statements. As of December 31, 2018 and 2017, the funds held in trust amounted to \$1,965,370.00 and \$2,017,275.00, respectively.

**14. Length of Service Award Program (LOSAP)**

The Township has established a LOSAP in accordance with N.J.A.C. 5:30-14. Annually, the Township appropriates funds and makes contributions into the LOSAP on behalf of its active emergency service volunteers that are tax-deferred income benefits.

In accordance with N.J.A.C 5:30-14, the funds held in the LOSAP remain the assets of the Township until they are distributed and as such are subject to the claims of the Township's general creditors.

As of December 31, 2018 and 2017, there was \$1,387,246.64 and \$1,430,126.27, respectively, held in the LOSAP. The plan is administered by Lincoln Financial Group. The Township also held money in other trust in the amount of \$61,137 and \$38,287 for LOSAP as of December 31, 2018 and 2017, respectively.

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**APPENDIX C**

**PROPOSED FORM OF BOND COUNSEL OPINION**

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STEVEN L. ROGUT  
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DIANE U. DABULAS  
THOMAS J. BACE ††

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†† ALSO ADMITTED IN FL AND DC

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## APPENDIX C

[Proposed Form of Bond Counsel Opinion]

October \_\_\_\_, 2019

Township Council  
Township of Clark  
County of Union, New Jersey

Dear Council Members:

We have acted as bond counsel in connection with the issuance of \$11,200,000 aggregate principal amount of General Improvement Bonds (the "Bonds") by the Township of Clark, in the County of Union, a municipal corporation of the State of New Jersey (the "Township"). The Bonds are dated October 1, 2019 and comprise an issue of registered bonds. The Bonds bear interest from their date, payable on each April 1 and October 1, commencing April 1, 2020 (each, an "Interest Payment Date"), in each year until maturity or prior redemption.

The Bonds are payable in annual installments on October 1 in each year, and bear interest at the rates per annum, as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2020	\$450,000	2.50%	2029	\$800,000	2.50%
2021	450,000	2.50	2030	800,000	2.50
2022	450,000	2.50	2031	800,000	2.50
2023	450,000	2.50	2032	800,000	2.50
2024	450,000	2.50	2033	900,000	2.50
2025	450,000	2.50	2034	900,000	2.50
2026	450,000	2.50	2035	900,000	2.50
2027	450,000	2.50	2036	900,000	2.50
2028	800,000	2.50			

Township Council  
Township of Clark  
County of Union, New Jersey  
October \_\_\_\_, 2019  
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The Bonds maturing on or before October 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after October 1, 2027 are subject to redemption at the option of the Township prior to maturity, in whole on any date or in part on any Interest Payment Date, on or after October 1, 2026, upon notice as set forth in the resolutions referred to below at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

If the Township determines to optionally redeem a portion of the Bonds prior to maturity, such Bonds so redeemed shall be in such maturities as determined by the Township, and within any maturity, by lot.

The Bonds are issued pursuant to the Local Bond Law (Chapter 2 of Title 40A of the New Jersey Statutes, as amended) and pursuant to seven bond ordinances adopted by the Township Council of the Township on March 19, 2018 (Ord. No. 18-07), July 16, 2018 (Ord. No. 18-17), August 20, 2018 (Ord. No. 18-20), March 18, 2019 (Ord. No. 19-05), April 1, 2019 (Ord. No. 19-11), May 6, 2019 (Ord. No. 19-13) and June 3, 2019 (Ord. No. 19-16) and resolutions adopted by the Township Council of the Township on August 19, 2019.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. Such requirements include requirements relating to the use and investment of proceeds of the Bonds and other amounts and to the rebate of certain arbitrage earnings to the United States. Noncompliance by the Township with such requirements may cause interest on the Bonds to be included in gross income of the owners thereof retroactive to the date of issuance of the Bonds, regardless of when such noncompliance occurs.

Township Council  
Township of Clark  
County of Union, New Jersey  
October \_\_\_\_, 2019  
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The Township has covenanted, to the extent permitted by the Constitution and the laws of the State of New Jersey, to do and perform all acts and things permitted by law and necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. The Township's Tax Certificate (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures regarding compliance with the requirements of the Code. The Township, in executing the Tax Certificate, will certify to the effect that the Township expects and intends to comply with the provisions and procedures contained therein.

As bond counsel, we have examined certified copies of the bond ordinances and resolutions referred to above and related proceedings in connection with the issuance of the Bonds. We have also examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate for the purpose of the opinion rendered below, including the Tax Certificate executed by the Director of Revenue and Finance of the Township of even date herewith. We have assumed the accuracy of the factual information and the truthfulness of the expectations set forth in the Tax Certificate and the exhibits thereto. We have also examined the executed and authenticated first numbered Bond and have assumed that all of the other Bonds have been similarly executed and authenticated. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We have not prepared nor have we verified the accuracy, completeness or fairness of (i) the information set forth in the Official Statement prepared by the Township in connection with the sale and issuance of the Bonds, or (ii) other documents of the Township delivered to the purchasers of the Bonds, and we take no responsibility therefor.

Township Council  
Township of Clark  
County of Union, New Jersey  
October \_\_\_\_, 2019  
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Based on the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Township enforceable in accordance with their terms, except as enforcement of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation or other laws relating to or affecting the enforcement of creditors' rights generally now or hereafter in effect to the extent constitutionally applicable, and enforcement may also be subject to the exercise of judicial discretion in certain cases.

2. The Township has pledged its full faith and credit to the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Township is authorized and required by law to levy on all real property taxable by the Township such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon, without limitation as to rate or amount.

3. Assuming compliance by the Township with the Tax Certificate, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code. In addition, under existing law, interest on the Bonds is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals. In addition, under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof, interest on the Bonds and any gain from the sale of the Bonds are not includable in gross income of the holders thereof.

Very truly yours,

Rogut McCarthy LLC