

OFFICIAL STATEMENT DATED NOVEMBER 7, 2019

NEW ISSUE

**RATINGS: Moody's: "Aa2" (Bonds)
"MIG 1" (Note)
(See "RATINGS" herein)**

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Township (as defined herein) with certain tax covenants described herein, under existing law, interest on the Obligations (as defined herein) 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"), and interest on the Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Obligations and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**TOWNSHIP OF PARSIPPANY-TROY HILLS
IN THE COUNTY OF MORRIS, NEW JERSEY**

\$39,880,000
GENERAL OBLIGATION BONDS, SERIES 2019
Consisting of
\$20,885,000 General Improvement Bonds,
\$7,670,000 Water Utility Bonds,
\$9,570,000 Sewer Utility Bonds, and
\$1,755,000 Open Space Bonds
(Book-Entry-Only) (Callable)

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

\$16,000,000
BOND ANTICIPATION NOTE, SERIES 2019
(Book-Entry-Only) (Non-Callable)

Dated: Date of Delivery
Due: November 13, 2020

The \$39,880,000 General Obligation Bonds, Series 2019, consisting of \$20,885,000 General Improvement Bonds (the "General Improvement Bonds"), \$7,670,000 Water Utility Bonds (the "Water Utility Bonds"), \$9,570,000 Sewer Utility Bonds (the "Sewer Utility Bonds") and \$1,755,000 Open Space Bonds (the "Open Space Bonds" and, together with the General Improvement Bonds, the Water Utility Bonds and the Sewer Utility Bonds, the "Bonds"), of the Township of Parsippany-Troy Hills, in the County of Morris, New Jersey (the "Township"), will be issued in the form of one certificate for the aggregate principal amount of the Bonds of each series maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "THE OBLIGATIONS – Book-Entry-Only System" herein.

Interest on the Bonds will be payable semiannually on May 1 and November 1 in each year until maturity or earlier redemption, commencing on May 1, 2020. Principal of and interest due on the Bonds will be paid to DTC by the Township or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding April 15 and October 15 (the "Record Dates" for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

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

The Bonds are valid and legally binding obligations of the Township and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable real property within the Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

The \$16,000,000 Bond Anticipation Note, Series 2019 (the "Note" and, together with the Bonds, the "Obligations") will be issued in the form of one certificate and when issued will be registered in the name of DTC, which will act as securities depository. Interest on the Note will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to the maturity date set forth above. See "THE OBLIGATIONS – Book-Entry-Only System" herein.

The Note is a valid and legally binding obligation of the Township, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the Township without limitation as to rate or amount.

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

Subsequent to publication of the Preliminary Official Statement, dated October 31, 2019, the section herein entitled "**SECONDARY MARKET DISCLOSURE – The Obligations**" has been modified, consisting of modifications to the second paragraph thereof. Purchasers should review this information.

The Obligations are offered when, as and if issued, and delivered to the Underwriters (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Obligations. Delivery is anticipated to be via DTC in New York, New York on or about November 14, 2019.

Hutchinson, Shockey, Erley & Co
(as to the Bonds)

**TOWNSHIP OF PARSIPPANY-TROY HILLS,
IN THE COUNTY OF MORRIS, NEW JERSEY**

\$39,880,000 GENERAL OBLIGATION BONDS, SERIES 2019

Consisting of

**\$20,885,000 General Improvement Bonds,
\$7,670,000 Water Utility Bonds,
\$9,570,000 Sewer Utility Bonds, and
\$1,755,000 Open Space Bonds**

MATURITIES, INTEREST RATES, YIELDS AND CUSIPS

Year (May 1)	General Improvement Bonds Principal Amount	Water Utility Bonds Principal Amount	Sewer Utility Bonds Principal Amount	Open Space Bonds Principal Amount	Combined Principal Amount	Interest Rate	Yield	CUSIP**
2020	\$2,110,000	\$245,000	\$300,000	\$180,000	\$2,835,000	4.00%	1.18%	701859K74
2021	2,105,000	275,000	375,000	175,000	2,930,000	4.00	1.20	701859K82
2022	2,290,000	300,000	385,000	175,000	3,150,000	4.00	1.22	701859K90
2023	2,290,000	325,000	390,000	175,000	3,180,000	4.00	1.24	701859L24
2024	2,290,000	350,000	400,000	175,000	3,215,000	4.00	1.27	701859L32
2025	2,290,000	350,000	410,000	175,000	3,225,000	4.00	1.35	701859L40
2026	2,020,000	350,000	420,000	175,000	2,965,000	4.00	1.48	701859L57
2027	1,830,000	350,000	430,000	175,000	2,785,000	4.00	1.55*	701859L65
2028	1,830,000	350,000	435,000	175,000	2,790,000	4.00	1.64*	701859L73
2029	1,830,000	350,000	450,000	175,000	2,805,000	2.25	2.25	701859L81
2030		350,000	450,000		800,000	2.25	2.35	701859L99
2031		475,000	600,000		1,075,000	2.25	2.45	701859M23
2032		450,000	600,000		1,050,000	2.50	2.55	701859M31
2033		450,000	600,000		1,050,000	2.50	2.60	701859M49
2034		450,000	575,000		1,025,000	2.50	2.68	701859M56
2035		450,000	550,000		1,000,000	2.50	2.75	701859M64
2036		450,000	550,000		1,000,000	2.50	2.85	701859M72
2037		450,000	550,000		1,000,000	3.00	2.85*	701859M80
2038		450,000	550,000		1,000,000	3.00	2.92*	701859M98
2039		450,000	550,000		1,000,000	3.00	3.00	701859N22

\$16,000,000 BOND ANTICIPATION NOTE, SERIES 2019

INTEREST RATE: 2.00%

YIELD: 1.17%

CUSIP: 701859N30**

* Priced at the stated yield to the first optional redemption date of May 1, 2026 at a redemption price of 100%.

** Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bond and Note holders only at the time of issuance of the Obligations and the Township does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Obligations as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Obligations.

**TOWNSHIP OF PARSIPPANY-TROY HILLS,
IN THE COUNTY OF MORRIS, NEW JERSEY**

MAYOR

Michael Soriano

TOWNSHIP COUNCIL MEMBERS

Paul Carifi, Jr., President
Janice McCarthy, Vice President
Michael J. dePierro
Loretta Gragnani
Emily Peterson

TOWNSHIP ADMINISTRATOR

Keith Kazmark

CHIEF FINANCIAL OFFICER

Ann M. Cucci

TOWNSHIP CLERK

Khaled Madin

TOWNSHIP ATTORNEY

Riker, Danzig, Scherer, Hyland & Perretti, LLP
Morristown, New Jersey

AUDITOR

Nisivoccia LLP
Mount Arlington, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Township to give any information or to make any representations with respect to the Obligations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the 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 or warranty by the Underwriters or, as to information from sources other than itself, by the Township. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since 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.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Township from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Obligations described herein that is deemed final as of the date hereof (or of any such supplement or amendment) 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 the affairs of the Township since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Obligations referred to herein and may not be used, in whole or in part, for any other purpose.

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 Obligations in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson 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.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

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OFFICIAL STATEMENT
Relating to the
TOWNSHIP OF PARSIPPANY-TROY HILLS,
IN THE COUNTY OF MORRIS, NEW JERSEY

\$39,880,000 GENERAL OBLIGATION BONDS, SERIES 2019

Consisting of
\$20,885,000 General Improvement Bonds,
\$7,670,000 Water Utility Bonds,
\$9,570,000 Sewer Utility Bonds, and
\$1,755,000 Open Space Bonds

and

\$16,000,000 BOND ANTICIPATION NOTE, SERIES 2019

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Township of Parsippany-Troy Hills (the “Township”), in the County of Morris (the “County”), New Jersey (the “State”), in connection with the sale and the issuance of \$39,880,000 General Obligation Bonds, Series 2019, consisting of \$20,885,000 General Improvement Bonds (the “General Improvement Bonds”), \$7,670,000 Water Utility Bonds (the “Water Utility Bonds”), \$9,570,000 Sewer Utility Bonds (the “Sewer Utility Bonds”) and \$1,755,000 Open Space Bonds (the “Open Space Bonds” and, together with the General Improvement Bonds, the Water Utility Bonds and the Sewer Utility Bonds, the “Bonds”) and a \$16,000,000 Bond Anticipation Note, Series 2019 (the “Note” and, together with the Bonds, the “Obligations”). This Official Statement has been executed by and on behalf of the Township by its Chief Financial Officer and may be distributed in connection with the sale of the Obligations described herein.

This Official Statement contains specific information relating to the Obligations including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety. All financial and other information presented herein has been provided by the Township from its records, except for information expressly attributed to other sources.

THE OBLIGATIONS

General Description

The Bonds will be dated their date of delivery, will mature on May 1 in the years and in the amounts set forth on the inside front cover page hereof, and will bear the interest from their dated date. Interest on the Bonds will be payable semiannually on May 1 and November 1 in each year until maturity or earlier redemption, commencing on May 1, 2020 at the rates set forth on the inside front cover page hereof. Principal of and interest due on the Bonds will be paid to DTC (as defined herein) by the Township or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding April 15 and October 15 (the “Record

Dates” for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the principal amount of \$5,000, or any integral multiple of \$1,000 in excess thereof, through book-entries made on the books and records of The Depository Trust Company, New York, New York (“DTC”) and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Township directly to Cede & Co. (or any successor or assign), as nominee for DTC.

The Note is dated, will mature on the date and in the amount and will bear interest payable at the interest rate as set forth on the inside front cover page hereof. Interest shall be computed on the basis of a 30-day month/360-day year. The Note will be issued in the form of one certificate for the aggregate principal amount of the Note and when issued may be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository. The Note is issuable as a fully registered book-entry note. Interest on the Note will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to maturity.

Book-Entry-Only System¹

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully registered obligations 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. One fully registered Note certificate will be issued for the Note in the aggregate principal amount of the Note 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 Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the

¹ Source: The Depository Trust Company.

Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 Obligations 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 Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations 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 Obligations 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 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such Obligations 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Obligations 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 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, if any, and principal and interest payments on the Obligations 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 shall be the responsibility of such Participant and not of DTC or its nominee, 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 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 shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations 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 securities depository is not obtained, Bond and Note certificates are required to be printed and delivered.

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

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.

THE INFORMATION CONTAINED IN THIS SUBSECTION "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. THE TOWNSHIP MAKES NO REPRESENTATIONS AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

THE TOWNSHIP WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BOND OR NOTE HOLDERS; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST DUE ON THE OBLIGATIONS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS NOMINEE OF DTC AND THE REGISTERED OWNER OF THE OBLIGATIONS. THE RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

Discontinuation of Book-Entry-Only System

If the Township, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Obligations at any time, the Township will attempt to locate another qualified securities depository. If the Township fails to find such a securities depository, or if the Township determines, in its sole discretion, that it is in the best interest of the Township or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Township undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Township shall notify DTC of the termination of the book-entry-only system.

Redemption

The Bonds

The Bonds maturing prior to May 1, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after May 1, 2027 are redeemable at the option of the Township in whole or in part on any date on or after May 1, 2026 at 100% of the principal amount outstanding (the "Redemption Price") plus interest accrued to the date of redemption upon notice as required herein.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Township or a duly appointed Bond registrar. Any failure of the securities depository to advise any of its Participants or any failure of any Participant to notify any Beneficial Owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Township determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Township. The Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Township shall send redemption notices only to Cede & Co.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with unpaid accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

The Note

The Note is not subject to redemption prior to its stated maturity.

AUTHORIZATION AND PURPOSE OF THE OBLIGATIONS

The Bonds

The Bonds have been authorized and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the “Local Bond Law”), the bond ordinances adopted by the Township Council referred to in the chart below and by a resolution adopted by the Township Council on October 15, 2019 (the “Resolution”).

The General Improvement Bonds

Proceeds from the sale and issuance of the General Improvement Bonds will be used by the Township to: (i) currently refund the \$21,800,000 Bond Anticipation Note of the Township, dated and issued on November 15, 2018 and maturing on November 15, 2019; (ii) provide \$1,003,000 in new money to permanently finance various capital improvements in and by the Township as set forth in the chart below; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the General Improvement Bonds.

Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Refunding Amount	New Money Amount	Aggregate Amount Funded by Bond Proceeds
#2013-14	Various capital improvements, finally adopted June 18, 2013.	\$400,000	\$0	\$400,000

Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Refunding Amount	New Money Amount	Aggregate Amount Funded by Bond Proceeds
#2017-11	Various capital improvements, finally adopted July 11, 2017.	9,000,000	654,000	9,654,000
#2017-24	Acquisition and installation of emergency services digital radio system, finally adopted November 9, 2017.	9,880,000	0	9,880,000
#2018-05	Various road and sidewalk improvements, finally adopted April 17, 2018.	2,520,000	349,000	2,869,000
Total:		\$21,800,000	\$1,003,000	\$22,803,000 ¹

The Water Utility Bonds

Proceeds from the sale and issuance of the Water Utility Bonds will be used by the Township to: (i) currently refund the \$2,500,000 Bond Anticipation Note of the Township, dated and issued on November 15, 2018 and maturing on November 15, 2019; (ii) provide \$5,173,000 in new money to permanently finance various capital improvements in and by the Township as set forth in the chart below; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Water Utility Bonds.

Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Refunding Amount	New Money Amount	Aggregate Amount Funded by Bond Proceeds
#2018-18	Various water improvements, finally adopted September 11, 2018.	\$2,500,000	\$225,000	\$2,725,000
#2019-08	Supervisory control and data acquisition communication system upgrades, finally adopted April 16, 2019.	0	350,000	350,000
#2019-13	Various improvements to the water utility, finally adopted June 25, 2019.	0	4,598,000	4,598,000
Total:		\$2,500,000	\$5,173,000	\$7,673,000 ²

The Sewer Utility Bonds

Proceeds from the sale and issuance of the Sewer Utility Bonds will be used by the Township to: (i) currently refund the \$4,500,000 Bond Anticipation Note of the Township, dated and issued on November 15, 2018 and maturing on November 15, 2019; (ii) provide \$5,070,000 in new money to permanently finance various capital improvements in and by the Township as set forth in the chart below;

¹ Represents \$20,885,000 in par amount of the Bonds plus \$1,918,000 in original issue premium.

² Represents \$7,670,000 in par amount of the Bonds plus \$3,000 in original issue premium.

and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Sewer Utility Bonds.

Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Refunding Amount	New Money Amount	Aggregate Amount Funded by Bond Proceeds
#2009-28	Improvements to the wastewater treatment plant, finally adopted June 16, 2009.	\$0	\$2,469,000	\$2,469,000
#2017-12	Various sewer utility improvements, finally adopted July 11, 2017.	0	1,301,000	1,301,000
#2018-04	Upgrade and replacement of generators, finally adopted April 17, 2018.	4,000,000	0	4,000,000
#2018-20	Acquisition of sewer jet vacuum truck, finally adopted September 11, 2018.	500,000	0	500,000
#2019-03	Primary scum pump rehabilitation at the sewer utility, finally adopted March 19, 2019.	0	300,000	300,000
#2019-14	Various improvements to the sewer utility, finally adopted May 14, 2019.	0	1,000,000	1,000,000
Total:		\$4,500,000	\$5,070,000	\$9,570,000

The Open Space Bonds

Proceeds from the sale and issuance of the Open Space Bonds will be used by the Township to: (i) currently refund the \$1,700,000 Bond Anticipation Note of the Township, dated and issued on November 15, 2018 and maturing on November 15, 2019; (ii) provide \$57,000 in new money to permanently finance various capital improvements in and by the Township as set forth in the chart below; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Open Space Bonds.

Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Refunding Amount	New Money Amount	Aggregate Amount Funded by Bond Proceeds
#2017-09	Acquisition of property for open space purposes, finally adopted May 22, 2017.	\$1,700,000	\$57,000	\$1,757,000
Total:		\$1,700,000	\$57,000	\$1,757,000¹

The Golf and Recreation Utility Project

Proceeds from the sale and issuance of the Bonds will be used by the Township to: (i) provide \$458,000 in new money to permanently finance various capital improvements in and by the Township as

¹ Represents \$1,755,000 in par amount of the Bonds plus \$2,000 in original issue premium.

set forth in the chart below; and (ii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Aggregate Amount Funded by Bond Proceeds
#2018-19	Various improvements to the Knoll Utility, finally adopted September 11, 2018.	\$253,000
#2019-12	Various improvements to golf and recreational utility, finally adopted May 14, 2019.	205,000
Total:		\$458,000 ¹

The Note

The Note is issued pursuant to the Local Bond Law and the bond ordinances of the Borough set forth below. Proceeds from the sale and issuance of the Note will be used by the Township to: (i) provide \$16,000,000 in new money to temporarily finance various capital improvements in and by the Township; and (ii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Note.

Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Amount of Note to be Issued
#2018-17	Various capital improvements, finally adopted September 11, 2018.	\$9,000,000
#2019-09	Various capital improvements, finally adopted April 16, 2019.	1,000,000
#2019-11	Various capital improvements, finally adopted May 14, 2019.	6,000,000
Total:		\$16,000,000

SECURITY AND SOURCE OF PAYMENT

The Bonds are valid and legally binding 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 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.

The Note is a valid and legally binding obligation of the Township, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the Township without limitation as to rate or amount.

¹ Represents \$458,000 in original issue premium.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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 subject to a number of exceptions. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Township, as annually determined by the State Director of Taxation is \$8,611,579,620.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

The Township has not exceeded its statutory debt limit. As of December 31, 2018, the statutory net debt as a percentage of average equalized valuation was 1.165%. As noted above, the statutory limit is 3.5%.

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township 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).

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 a 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 creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

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

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

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

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

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

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

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year’s 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 internal review and approval. In a “CAP” budget, no transfers may be made from excluded from “CAP” appropriations to within “CAPS” appropriations nor can transfers be made between excluded from “CAP” appropriations, except that transfers may be made between debt service principal and interest.

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

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010 and applicable to the next local budget year following enactment, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the “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 its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may

contemplate over the next six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

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

Tax bills are typically mailed annually in June or following the adoption of the State budget, at which time state aid is certified, by the Township's Tax Collector. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under State statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State statutes.

Tax Appeals

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

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

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

An independent examination of each local unit'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 unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2018 for the Township is on file with the Clerk and is available for review during business hours.

TAX MATTERS

Exclusion of Interest on the Obligations From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Obligations in order to assure that interest on the Obligations will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Obligations to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Obligations. The Township will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Obligations, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Obligations and has covenanted not to take any action or fail to take any action that would cause interest on the Obligations to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Township with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Obligations from gross income for federal income tax purposes and with respect to the treatment of interest on the Obligations for the purposes of alternative minimum tax.

Assuming the Township observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC ("Bond Counsel") is of the opinion that, under existing law, interest on the Obligations is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Obligations from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about the effect of future changes in (i) the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Obligations ends with the issuance of the Obligations, and, unless separately engaged, Bond Counsel is not obligated to defend the Township or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Obligations, under current IRS procedures, the IRS will treat the Township as the taxpayer and the beneficial owners of the Obligations will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Obligations for audit, or the

course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Obligations.

Payments of interest on tax-exempt obligations, including the Obligations, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Obligations is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the “Discount Bonds”). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

Certain maturities of the Obligations may be sold at an initial offering price in excess of the amount payable at the maturity date (the “Premium Bonds” or “Premium Note”). The excess, if any, of the tax basis of the Premium Bonds or Premium Note to a purchaser (other than a purchaser who holds such Premium Bonds or Premium Note as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner’s tax cost of the Premium Bonds or Premium Note used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds or Premium Note. Accordingly, an owner of a Premium Bond or Premium Note may have taxable gain from the disposition of the Premium Bond or Premium Note, even though the Premium Bond or Premium Note is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Bond or Premium Note. Bond premium amortizes over the term of the Premium Bonds or Premium Note under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds or Premium Note should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds or Premium Note.

Bank-Qualification

The Obligations will not be designated as qualified under Section 265 of the Code by the Township for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

Additional Federal Income Tax Consequences of Holding the Obligations

Prospective purchasers of the Obligations should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Obligations, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Obligations from gross income pursuant to Section 103 of the Code and interest on the Obligations not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Obligations should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Obligations.

Changes in Federal Tax Law Regarding the Obligations

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Obligations. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Obligations will not have an adverse effect on the tax status of interest on the Obligations or the market value or marketability of the Obligations. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Obligations from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Obligations and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE OBLIGATIONS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE OBLIGATIONS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT

TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE OBLIGATIONS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

FINANCIAL STATEMENTS

Appendix “B” contains audited financial statements of the Township for the years ended December 31, 2018, 2017 and 2016. Such audited financial statements of the Township were audited by Nisivoccia LLP, Mount Arlington, New Jersey (the “Auditor”) as stated in their report appearing in Appendix “B” to this Official Statement. These are a summary of the audited financial statements and a full copy of the audited financials statements is on file with the Township. The Auditor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the financial statements appearing in Appendix “B” hereto) and, accordingly, will express no opinion with respect thereto. See “APPENDIX B – Financial Statements of the Township of Parsippany-Troy Hills, in the County of Morris, New Jersey”.

LITIGATION

To the knowledge of the Township Attorney, Riker, Danzig, Scherer, Hyland & Perretti, LLP, Morristown, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Obligations, or the levy or the collection of any taxes to pay the principal of or the interest on the Obligations, or in any manner questioning the authority or the proceedings for the issuance of the Obligations or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

SECONDARY MARKET DISCLOSURE

The Bonds

The Township, pursuant to the Resolution, has covenanted 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 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Township shall provide:

(a) On or prior to September 30 of each year, beginning September 30, 2020, electronically to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Township consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Township and certain financial information and operating data consisting of

(i) the Township and overlapping indebtedness including a schedule of outstanding debt issued by the Township, (ii) the Township's property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law;

(b) in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds (herein "Disclosure Events"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Township, if material, or agreement to covenants events and default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification or terms or other similar events under a Financial Obligation of the Township, if any such event reflects financial difficulties.

The term "Financial Obligation" as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); provided, however, that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(c) in a timely manner to the MSRB, notice of failure of the Township to provide required annual financial information on or before the date specified in the Resolution.

The Note

The Township has covenanted for the benefit of the Noteholders and the beneficial owners of the Note to provide certain secondary market disclosure information pursuant to the Rule. Specifically, for so long as the Note remains outstanding (unless the Note has been wholly defeased), the Township will provide in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any Disclosure Events with respect to the Note.

The Obligations

The undertakings may be amended by the Township from time to time, without the consent of the holders of the Obligations or the beneficial owners of the Obligations, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

Within the five years immediately preceding the date of this Official Statement, the Township previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements, certain operating data for the fiscal years ended December 31, 2014, 2015, 2016, 2017 and 2018. While the Township's financial information and operating data was filed timely in each of the last five years, certain information was not included and/or properly incorporated by reference. Additionally, the Township previously failed to file late filing notices in connection with its untimely filings of its operating data, as described above. Such notices of late filings have since been filed with EMMA. The Township appointed Phoenix Advisors, LLC in August of 2014 to serve as continuing disclosure agent.

There can be no assurance that there will be a secondary market for the sale or purchase of the Obligations. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market and the financial condition of the Township may affect the future liquidity of the Obligations.

MUNICIPAL BANKRUPTCY

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in

the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Obligations are subject to the approval of Bond Counsel to the Township, whose approving legal opinions will be delivered with the Obligations substantially in the forms set forth in Appendix “C” attached hereto. Certain legal matters will be passed on for the Township by its Township Attorney.

UNDERWRITING

The Bonds

The Bonds have been purchased from the Township at a public sale by Hutchinson, Shockey, Erley & Co., Chicago, Illinois (the “Bond Underwriter”) at a price of \$42,266,089.14 (consisting of the par amount of the Bonds plus a bid premium of \$2,386,089.14). The Bond Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement.

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

The Note

The Note has been purchased from the Township at a public sale by Morgan Stanley & Co. LLC, New York, New York (the “Note Underwriter” and, together with the Bond Underwriter, the “Underwriters”) at a price of \$16,127,680.00 (consisting of the par amount of the Note plus a bid premium of \$127,680.00).

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

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

RATINGS

Moody's Investor Services, Inc. (the "Rating Agency") has assigned a rating of "Aa2" to the Bonds and a short-term rating of "MIG 1" to the Note.

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

MUNICIPAL ADVISOR

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

PREPARATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the purchasers of the Obligations by a certificate signed by the Mayor and Chief Financial Officer.

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

Nisivoccia LLP assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

Phoenix Advisors, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Ann M. Cucci, Chief Financial Officer, Township of Parsippany-Troy Hills, 1001 Parsippany Boulevard, Parsippany, New Jersey, 07054, (973) 263-4283 or the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (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 Obligations. 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 Obligations made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Township since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

TOWNSHIP OF PARSIPPANY-TROY HILLS, IN THE COUNTY OF MORRIS, NEW JERSEY

By: /s/ Ann M. Cucci

Ann M. Cucci,
Chief Financial Officer

Dated: November 7, 2019

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APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE TOWNSHIP OF
PARSIPPANY-TROY HILLS IN THE COUNTY OF MORRIS, NEW JERSEY**

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TOWNSHIP OF PARSIPPANY-TROY HILLS
COUNTY OF MORRIS, NEW JERSEY

ECONOMIC AND FINANCIAL INFORMATION

The following material presents certain economic, demographic and financial information on the Township of Parsippany-Troy Hills.

Building Permits

	<u>Number of Permits</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Residential:					
New	24	43	22	65	25
Additions/Alterations	2,005	2,285	2,204	2,785	2,613
Business:					
New	4		4	2	2
Additions/Alterations	364	305	406	551	308
Industrial/Factory:					
New					
Additions/Alterations	3	5		2	4
Mercantile					
New	3		2		3
Additions/Alterations	15	8	7	17	9
Educational / Institutional:					
New					
Additions/Alterations	5	10	12	25	54
Storage/Accessory					
New		4	2	3	1
Additions/Alterations	12	23	7	27	10
Churches, Restaurants, Entertainment					
New	1		5	2	
Additions/Alterations	61	63	58	64	36
Demolitions/Other	<u>223</u>	<u>217</u>	<u>228</u>	<u>246</u>	<u>328</u>
Total	<u>2,720</u>	<u>2,963</u>	<u>2,957</u>	<u>3,791</u>	<u>3,393</u>

Source: Township of Parsippany-Troy Hills Building Department

Employment and Unemployment Comparisons

For the years 2014 to 2018, the New Jersey Department of Labor reported the following annual average employment information for the Township of Parsippany-Troy Hills, County of Morris and the State of New Jersey:

Township of Parsippany-Troy Hills

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2018	27,364	26,472	892	3.3%
2017	28,240	27,197	1,043	3.7%
2016	28,454	27,329	1,125	4.0%
2015	28,737	27,533	1,204	4.2%
2014	28,968	27,520	1,448	5.0%

County of Morris

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2018	252,984	244,696	8,288	3.3%
2017	259,911	250,447	9,464	3.6%
2016	260,506	250,348	10,158	3.9%
2015	263,272	252,145	11,127	4.2%
2014	263,878	250,919	12,959	4.9%

State of New Jersey

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,453,500	4,247,500	205,000	4.5%
2016	4,474,700	4,252,100	222,600	5.0%
2015	4,489,000	4,229,200	259,800	5.8%
2014	4,487,000	4,183,500	303,500	6.8%

Source: New Jersey Department of Labor, Division of Planning and Research, Office of Demographics and Economic Analysis; Bureau of Labor Force Statistics; Local Area Unemployment Statistics

Per Capita Income

<u>Year</u>	<u>Parsippany- Troy Hills</u>	<u>Morris County</u>	<u>New Jersey</u>
2010	\$38,902.00	\$48,252.00	\$35,928.00
2000	32,220.00	36,964.00	27,006.00
1990	22,137.00	25,177.00	18,714.00
1980	9,576.00	9,910.00	8,128.00

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

Population

	<u>2010</u>	<u>2000</u>	<u>1990</u>
Township of Parsippany-Troy Hills	53,238	50,649	48,478
Morris County	492,276	470,212	421,361
State of New Jersey	8,791,894	8,414,350	7,730,180

Source: U.S. Census Bureau

Largest Taxpayers

The ten largest commercial taxpayers in the Township and their 2019 assessed valuation are listed below:

<u>Taxpayer</u>	<u>Land Use</u>	<u>Assessed Value</u>
Knoll Manor Assoc.	Apartment Complex	\$61,015,400
Morris Corporate Ctr HDQ III	Office	58,875,100
Morris Corporate Ctr HDQ I & II	Office	57,660,700
Powder Mill Heights	Apartment Complex	51,831,300
NJ Kimball, LLC	Office	49,544,700
MCC IV Phase I LLC	Office	43,526,900
Troy Hills Village	Apartment Complex	42,906,500
Wells Reit-Multi State	Office	40,677,800
Wyndham Worldwide	Office	39,807,200
Sylvan/Campus Rlty, LLC	Office	<u>39,601,800</u>
Total		<u>\$485,447,400</u>

Source: Township of Parsippany-Troy Hills
Office of the Assessor

Major Employers

The largest employers in the Township of Parsippany-Troy Hills, based upon their estimate of full time employees, are listed below:

Employer	Type of Business	Number of Employee s
United Parcel Service	Package Delivery	2,850
Wyndham Worldwide	Hotel Services	1,500
Tiffany & Co.	Jewelry Sales	1,000
Avis	Auto Rental	900
Common Health	Health Care Services	900
GAF	Roofing Systems	800
NJ Manufacturing Ins.	Auto Insurance	750
Deloitte	Accounting Services	750
Day Pitney	Legal Firm	750
ADP	Payroll Services	400

Source: Township of Parsippany-Troy Hills Planning Department

PROPERTY VALUATIONS

(For Years Ended December 31)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assessed Valuations:					
Real Property*	7,203,493,200	7,188,927,600	7,161,408,200	7,160,158,000	7,166,160,200
Personal Property	<u>418,700</u>	<u>415,750</u>	<u>422,000</u>	<u>422,050</u>	<u>424,700</u>
Total Assessed Valuation	<u>7,203,911,900</u>	<u>7,189,343,350</u>	<u>7,161,830,200</u>	<u>7,160,580,050</u>	<u>7,166,584,900</u>
County Equalized Valuations	<u>8,623,444,165</u>	<u>8,667,016,509</u>	<u>8,506,908,491</u>	<u>8,504,576,218</u>	<u>8,459,057,601</u>
County Equalized Ratio	<u>83.74%</u>	<u>83.15%</u>	<u>84.40%</u>	<u>84.41%</u>	<u>84.94%</u>

* Does not include tax exempt property

Source: Township of Parsippany-Troy Hills
Office of the Assessor

ASSESSED VALUATION OF REAL PROPERTY BY CLASS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Vacant Land	75,139,700	66,696,500	67,209,400	67,577,600	68,028,800
Residential	4,422,342,000	4,412,211,300	4,405,575,800	4,399,306,700	4,391,472,200
Farm	0	335,300	335,300	335,300	330,800
Commercial	2,030,709,600	2,055,900,100	2,039,260,500	2,045,286,500	2,053,077,500
Apartments	417,871,100	408,131,100	407,361,100	403,241,700	403,241,700
Tangible Personal Property	418,700	415,750	422,000	422,050	424,700
Exempt Property	<u>563,604,800</u>	<u>534,875,600</u>	<u>541,694,900</u>	<u>592,396,100</u>	<u>582,012,400</u>
Totals	<u>7,510,085,900</u>	<u>7,478,565,650</u>	<u>7,461,859,000</u>	<u>7,508,565,950</u>	<u>7,498,588,100</u>

Analysis of Tax Rates per \$100

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Apportionment of Tax Rate:					
Municipal	.611	.595	.595	.572	.568
Municipal Library	.039	.039	.039	.040	.039
County	.301	.303	.293	.284	.289
Local School	1.901	1.850	1.811	1.769	1.734
County Open Space	.011	.011	.011	.014	.012
Municipal Open Space	.020	.020	.020	.020	.021
Total Tax Rate	<u>2.883</u>	<u>2.818</u>	<u>2.769</u>	<u>2.699</u>	<u>2.663</u>

Not included in the tax rates above are six local Fire District Levies. The rates and charges for those districts are not uniform throughout the Township, however, the total tax levies shown below in dollars do reflect the Fire District Levies.

Source: Township of Parsippany-Troy Hills
Tax Collector's Department

Comparisons of Tax Levies and Collections

<u>Year</u>	(1) <u>Tax Levy</u>	(1) Collections During <u>Year of Levy</u>	Percentage of <u>Collection</u>
2018	\$212,964,361	\$211,751,826	99.43%
2017	\$207,150,201	\$205,932,406	99.41%
2016	\$202,441,385	\$201,086,010	99.33%
2015	\$197,396,005	\$196,138,497	99.36%
2014	\$194,423,879	\$193,110,200	99.32%

(1) Includes Fire District Levies.

Source: Township of Parsippany-Troy Hills
Tax Collector's Department

**Delinquent Taxes and Tax Title Liens
For the Years Ended December 31**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$471,709	\$1,021,150	\$1,492,859	.70%
2017	\$172,753	\$1,115,322	\$1,288,075	.62%
2016	\$137,241	\$1,271,355	\$1,408,596	.69%
2015	\$119,776	\$1,216,094	\$1,335,870	.68%
2014	\$113,879	\$1,264,732	\$1,378,611	.71%

Source: Township of Parsippany-Troy Hills
Tax Collector's Department

Comparative Schedules of Fund Balances

	<u>Year</u>	<u>Balance December 31</u>	<u>Appropriated in Budgets of Succeeding Year</u>
Current Fund:			
	2018	5,819,086	3,990,000
	2017	5,588,167	3,990,000
	2016	5,986,335	3,700,000
	2015	4,742,128	3,700,000
	2014	5,860,002	3,717,448
Water Utility Operating Fund:			
	2018	4,939,623	1,451,000
	2017	6,301,257	900,000
	2016	6,615,064	700,000
	2015	6,142,770	700,000
	2014	5,339,046	700,000
Sewer Utility Operating Fund:			
	2018	7,892,405	1,500,000
	2017	9,850,483	1,500,000
	2016	9,799,708	1,000,000
	2015	11,340,828	1,000,000
	2014	10,955,141	1,000,000
Golf and Recreation Utility Operating Fund:			
	2018	1,368,015	900,000
	2017	1,561,488	820,000
	2016	1,249,270	200,000
	2015	626,778	-
	2014	170,707	-

Source: Township of Parsippany-Troy Hills
Finance Department

Debt Limit of the Township as of December 31, 2018

Average Equalized Valuation Basis (2016, 2017 & 2018)	<u>\$ 8,611,579,620</u>
Permitted Debt Limitations (3 1/2%)	\$ 301,405,287
Net Debt Issued and Outstanding	\$ 102,032,834
Remaining Borrowing Power	<u>\$ 199,372,453</u>
Percentage of Net Debt to Average Equalized Valuation	<u>1.185%</u>

Township Indebtedness

Debt Statement - December 31, 2018

Total Bonds and Notes for School Purposes	\$29,620,000
Self-Liquidating Indebtedness:	
Bonds Outstanding	21,710,000
New Jersey Environmental Trust 2001A-Water Utility	93,974
New Jersey Environmental Trust-Sewer Utility	11,492,000
Bond Anticipation Notes	7,000,000
Bond Anticipation Notes Authorized but Not Issued	6,576,555
Other Indebtedness:	
Bonds Outstanding	58,730,000
Bond Anticipation Notes	23,500,000
Bond Anticipation Notes Authorized but Not Issued	21,306,085
Total Gross Debt	180,028,614
Less: Self-Liquidating Debt	46,872,529
Less: Deduction for School Debt	29,620,000
Less: Reserve to Pay Debt Service	1,503,251
Total Net Debt	<u>\$ 102,032,834</u>

Source: Township of Parsippany-Troy Hills
Finance Department - 2018 Annual Debt Statement

Direct and Overlapping Debt Issued and Outstanding as of December 31, 2018**DIRECT DEBT**

Bonds and Notes for School Purposes	29,620,000	
Total For School Purposes		\$29,620,000
<hr/>		
Bonds (Issued):		
General Purpose	58,730,000	
Water Utility	5,960,000	
Sewer Utility	8,925,000	
Golf Course and Recreational Utility	6,825,000	
Total Bonds Issued		\$80,440,000
<hr/>		
Bonds Anticipation Notes (Issued):		
General Purpose	23,500,000	
Water Utility	2,500,000	
Sewer Utility	4,500,000	
Total Bond Anticipation Notes Issued		\$30,500,000
<hr/>		
Bonds and Notes Authorized but not issued:		
General Purpose	21,306,085	
Water Utility	225,061	
Sewer Utility	6,097,901	
Golf Course and Recreational Utility	253,593	
Total Bonds and Notes Authorized but not Issued		\$27,882,640
<hr/>		
NJ Environmental Infrastructure Trust 2001A-water utility	93,974	
NJ Environmental Infrastructure Trust-sewer	11,492,000	
Total Loans Outstanding		\$11,585,974

GROSS DIRECT DEBT 180,028,614

OVERLAPPING DEBT

Morris County, Township Share (9.101%)	19,716,618	
Total Overlapping Debt		19,716,618

GROSS DIRECT AND OVERLAPPING DEBT 199,745,232

Less:		
For School Purposes	29,620,000	
Self-Supporting Debt:		
Water Utility	8,779,035	
Sewer Utility	31,014,901	
Golf Course and Recreational Utility	7,078,593	
Reserve to Pay Debt Service	1,503,251	
Total Deductions		77,995,780

NET DIRECT AND OVERLAPPING DEBT \$ 121,749,452

Source: Township of Parsippany-Troy Hills Finance Department – 2018 Annual Debt Statement
County of Morris Finance Department – 2018 Annual Debt Statement & Abstract of Ratables

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APPENDIX B

**FINANCIAL STATEMENTS OF THE TOWNSHIP OF PARSIPPANY-TROY HILLS, IN THE
COUNTY OF MORRIS, NEW JERSEY**

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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Council
Township of Parsippany-Troy Hills
Parsippany, New Jersey

Report on the Financial Statements

We have audited the financial statements – *regulatory basis* - of the various funds of the Township of Parsippany-Troy Hills, in the County of Morris (the "Township") as of and for the years ended December 31, 2018, 2017 and 2016, and the related notes to the financial statements, as listed in the foregoing 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 accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") to demonstrate compliance with the Division's regulatory basis of accounting, and the budget laws of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinions.

The Honorable Mayor and Members
of the Township Council
Township of Parsippany-Troy Hills
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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 accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 the 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 each fund and account group of the Township as of December 31, 2018, 2017 and 2016, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Township of Parsippany Troy Hills as of December 31, 2018, 2017 and 2016, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended on the basis of the accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

Mt Arlington, NJ
May 31, 2019

Nesuvicia LLP

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Regular Fund:			
Cash - Checking	\$ 3,056,516.66	\$ 15,312,133.20	\$ 5,991,881.02
Cash - Investments	10,244,205.25	7,070,787.24	7,035,222.87
	<u>13,300,721.91</u>	<u>22,382,920.44</u>	<u>13,027,103.89</u>
Change Funds	815.00	815.00	815.00
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	60,583.09	60,268.36	34,346.30
	<u>13,362,120.00</u>	<u>22,444,003.80</u>	<u>13,062,265.19</u>
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	1,021,150.10	1,115,322.00	1,271,355.14
Tax Title Liens Receivable	471,709.17	172,752.53	137,240.46
Property Acquired for Taxes at Assessed Valuation	1,428,800.00	1,428,800.00	1,428,800.00
Revenue Accounts Receivable	181,495.15	281,615.94	176,123.95
Other Liens Receivable	189,373.06	189,373.06	189,373.06
Due from:			
Animal Control Fund		25,752.54	
Other Trust Fund	667,988.03	258,433.42	
Water Utility Operating Fund			66.52
Sewer Utility Fund	237.85		107.22
Payroll	4,695.30	28,797.83	
Total Receivables and Other Assets With Full Reserves	<u>3,965,448.66</u>	<u>3,500,847.32</u>	<u>3,203,066.35</u>
Deferred Charges:			
Special Emergency Authorization	1,883,894.60	1,606,459.41	2,463,342.04
Emergency Authorization (40A:4-46)		520,000.00	
	<u>1,883,894.60</u>	<u>2,126,459.41</u>	<u>2,463,342.04</u>
Total Deferred Charges	<u>1,883,894.60</u>	<u>2,126,459.41</u>	<u>2,463,342.04</u>
Total Regular Fund	<u>19,211,463.26</u>	<u>28,071,310.53</u>	<u>18,728,673.58</u>
Federal and State Grant Fund			
Due from Current Fund	596,854.39	639,512.95	549,053.98
Due Other Trust Funds - Open Space		55,612.00	
Federal and State Grant Receivable	303,292.67	320,670.26	64,884.56
	<u>900,147.06</u>	<u>1,015,795.21</u>	<u>613,938.54</u>
Total Federal and State Grant Fund	<u>900,147.06</u>	<u>1,015,795.21</u>	<u>613,938.54</u>
TOTAL ASSETS	<u>\$ 20,111,610.32</u>	<u>\$ 29,087,105.74</u>	<u>\$ 19,342,612.12</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2018	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Liabilities:			
Appropriation Reserves	\$ 3,475,394.83	\$ 4,196,347.38	\$ 4,894,718.62
Accounts Payable	32,362.84	44,813.90	44,551.39
County Taxes Payable	177,797.82	119,841.69	89,190.17
School Taxes Payable	2.00	4.00	
Special Emergency Notes Payable	1,883,000.00	1,606,000.00	764,518.00
Prepaid Taxes	1,349,676.43	10,668,216.87	1,370,907.00
Tax Overpayments	109,739.82	54,200.59	51,520.85
Reserve for Tax Appeals	1,337,234.70	1,471,223.20	1,586,141.70
Prepaid Revenue	96,839.99	82,803.14	75,090.14
Due to State of New Jersey:			
Construction Code Fees	30,778.00	34,066.00	22,486.00
Marriage License Fees	1,300.00	1,475.00	3,100.00
Burial Fees			25.00
Due to:			
Animal Control Fund	2.00		2.43
Other Trust Fund			8,379.41
General Capital Fund	280,725.00		
Water Utility Operating Fund	43.26	2,841.32	
Sewer Utility Operating Fund		5,772.29	
Golf and Recreation Utility Capital Fund			
Federal and State Grant Fund	596,854.39	639,512.95	549,053.98
Payroll			24,409.86
Reserve for:			
Accumulated Revenue Unappropriated	55,178.00	55,178.00	55,178.00
	9,426,929.08	18,982,296.33	9,539,272.55
Reserve for Receivables and Other Assets	3,965,448.66	3,500,847.32	3,203,066.35
Fund Balance	5,819,085.52	5,588,166.88	5,986,334.68
	<u>19,211,463.26</u>	<u>28,071,310.53</u>	<u>18,728,673.58</u>
Total Regular Fund			
Federal and State Grant Fund:			
Due to Current Fund			
Unappropriated Reserves	19,774.94	159,962.22	314,260.07
Appropriated Reserves	880,372.12	855,832.99	299,678.47
	<u>900,147.06</u>	<u>1,015,795.21</u>	<u>613,938.54</u>
Total Federal and State Grant Fund			
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 20,111,610.32</u>	<u>\$ 29,087,105.74</u>	<u>\$ 19,342,612.12</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 3,990,000.00	\$ 3,700,000.00	\$ 3,700,000.00
Miscellaneous Revenue Anticipated	21,206,384.20	20,527,551.18	18,735,707.17
Receipts from:			
Delinquent Taxes	1,043,190.27	1,280,588.43	1,232,504.48
Current Taxes	211,751,825.53	205,932,405.52	201,086,010.11
Nonbudget Revenue	248,136.98	347,741.92	797,030.64
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	1,203,070.31	1,313,478.24	1,299,007.07
Other Liens Receivable Realized			2,553.89
Tax Overpayments Canceled		48,524.42	32,577.93
Accounts Payable Canceled		42,313.52	
Special District Taxes Collected			25,396.92
Prior Year Senior Citizens Deductions Allowed		2,500.00	
Federal and State Grants Appropriated Reserves Canceled	53,469.92	0.35	
Due to State of New Jersey Burial Fees Canceled		25.00	
Interfunds Returned	49,855.07	173.74	1,347,208.15
Total Income	239,545,932.28	233,195,302.32	228,257,996.36
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes	71,091,600.69	70,030,925.48	66,921,002.28
County Taxes	22,580,757.94	22,602,365.16	21,787,023.90
Local School District Taxes	136,901,256.00	132,965,271.00	129,643,891.00
Open Space Taxes	1,452,176.86	1,445,612.05	1,432,366.00
Special District Taxes	3,545,907.00	3,425,391.00	3,305,254.92
Reserve for Pending Tax Appeals			800,000.00
Federal and State Grants Receivable Canceled	45,520.59		
Prior Year Senior Citizens Deductions Disallowed	49,430.54	21,129.45	22,341.80
Interfunds and Other Receivables Advanced	409,792.46	312,983.79	173.74
Refund of Prior Year Revenue	703.75	11,735.56	9,692.04
Total Expenditures	236,077,145.83	230,815,413.49	223,921,745.68
Excess in Revenue	3,468,786.45	2,379,888.83	4,336,250.68
Adjustments to Excess Before Fund Balance			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	752,132.19	921,943.37	607,956.04
Statutory Excess to Fund Balance	4,220,918.64	3,301,832.20	4,944,206.72
<u>Fund Balance</u>			
Balance January 1	\$ 5,588,166.88	\$ 5,986,334.68	\$ 4,742,127.96
	9,809,085.52	9,288,166.88	9,686,334.68
Decreased by:			
Utilized as Anticipated Revenue	3,990,000.00	3,700,000.00	3,700,000.00
Balance December 31	\$ 5,819,085.52	\$ 5,588,166.88	\$ 5,986,334.68

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2018		2017		2016	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Fund Balance Anticipated	\$ 3,990,000.00	\$ 3,990,000.00	\$ 3,700,000.00	\$ 3,700,000.00	\$ 3,700,000.00	\$ 3,700,000.00
Miscellaneous Revenue	20,007,583.35	21,206,384.20	20,033,201.16	20,527,551.18	17,812,197.51	18,735,707.17
Receipts from Delinquent Taxes	1,156,562.12	1,043,190.27	1,278,301.00	1,280,588.43	1,224,885.00	1,232,504.48
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes	44,057,581.03	46,143,985.73	42,778,836.00	44,172,749.31	42,649,736.00	43,989,470.29
Minimum Library Tax	2,861,742.00	2,861,742.00	2,871,017.00	2,871,017.00	2,828,004.00	2,828,004.00
	<u>46,919,323.03</u>	<u>49,005,727.73</u>	<u>45,649,853.00</u>	<u>47,043,766.31</u>	<u>45,477,740.00</u>	<u>46,817,474.29</u>
Budget Totals	72,073,468.50	75,245,302.20	70,661,355.16	72,551,905.92	68,214,822.51	70,485,685.94
Nonbudget Revenue		248,136.98		347,741.92		797,030.64
	<u>\$ 72,073,468.50</u>	<u>\$ 75,493,439.18</u>	<u>\$ 70,661,355.16</u>	<u>\$ 72,899,647.84</u>	<u>\$ 68,214,822.51</u>	<u>\$ 71,282,716.58</u>

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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
CURRENT FUND
COMPARATIVE STATEMENT OF EXPENDITURES - REGULATORY BASIS

	For the Years Ended December 31,								
	2018			2017			2016		
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Operations for Municipal Purposes:									
Salaries and Wages	\$ 29,087,658.00	\$ 28,665,577.04	\$ 422,080.96	\$ 27,326,180.00	\$ 26,631,160.34	\$ 695,019.66	\$ 26,529,793.00	\$ 25,397,939.26	\$ 1,131,853.74
Other Expenses	25,580,306.75	23,790,498.38	1,789,808.37	26,585,808.53	24,594,924.83	1,990,883.70	25,155,399.55	22,562,750.09	2,592,649.46
Capital Improvements	626,153.00	626,153.00		1,028,135.00	1,028,135.00		476,430.00	476,430.00	
Debt Service	8,622,000.00	8,622,000.00		8,395,997.00	8,393,623.95		8,164,437.00	8,162,660.73	
Deferred Charges and Statutory	7,175,482.94	7,175,147.18	335.76	6,697,178.00	6,639,936.94	57,241.06	6,596,719.00	6,397,159.17	199,559.83
Total Operations for Municipal Purposes	71,091,600.69	68,879,375.60	2,212,225.09	70,033,298.53	67,287,781.06	2,743,144.42	66,922,778.55	62,996,939.25	3,924,063.03
Reserve for Uncollected Taxes	1,734,000.00	1,734,000.00		1,550,000.00	1,550,000.00		1,900,000.00	1,900,000.00	
	<u>\$ 72,825,600.69</u>	<u>\$ 70,613,375.60</u>	<u>\$ 2,212,225.09</u>	<u>\$ 71,583,298.53</u>	<u>\$ 68,837,781.06</u>	<u>\$ 2,743,144.42</u>	<u>\$ 68,822,778.55</u>	<u>\$ 64,896,939.25</u>	<u>\$ 3,924,063.03</u>
Adopted Budget	\$ 71,921,606.80			\$ 70,293,454.00			\$ 68,146,222.45		
Emergency Appropriation				520,000.00					
Special Emergency Authorization	752,132.19			401,943.37			607,956.04		
Added by NJSA 40A:4-87	151,861.70			367,901.16			68,600.06		
	<u>\$ 72,825,600.69</u>			<u>\$ 71,583,298.53</u>			<u>\$ 68,822,778.55</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	\$ 75,116.66	\$ 107,982.52	\$ 68,433.41
Change Fund	50.00	50.00	50.00
Due from Current Fund	2.00		2.43
	<u>75,168.66</u>	<u>108,032.52</u>	<u>68,485.84</u>
Other Trust Funds:			
Cash and Cash Equivalents	22,048,571.98	19,811,502.92	17,259,270.34
Assets in the Hands of Plan Administrator:			
Workers' Compensation Plan	106,450.87	87,757.14	105,899.32
Due from Municipal Court	1,553.50	2,302.00	2,280.50
Due from Current Fund			8,379.41
Due from Golf and Recreation Utility Operating Fund	3,890.85		
Due Payroll			2,178.12
Off Duty Police Receivable	65,117.00	75,939.00	58,319.00
Federal Grants Receivable	397,707.53	455,059.93	241,308.45
	<u>22,623,291.73</u>	<u>20,432,560.99</u>	<u>17,677,635.14</u>
TOTAL ASSETS	<u>\$ 22,698,460.39</u>	<u>\$ 20,540,593.51</u>	<u>\$ 17,746,120.98</u>

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:			
Reserve for Animal Control Expenditures	\$ 48,376.08	\$ 58,851.40	\$ 48,931.76
Reserve for Donations	26,601.58	23,382.98	19,541.48
Due to State of NJ	191.00	45.60	12.60
Due to Current Fund		25,752.54	
	<u>\$ 75,168.66</u>	<u>\$ 108,032.52</u>	<u>\$ 68,485.84</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Other Trust Funds:			
Due to Current Fund	\$ 667,988.03	\$ 258,433.42	
Due to General Capital Fund	235,000.00		
Due to Federal and State Grant Fund		55,612.00	
Due to Golf and Recreation Utility Operating Fund		31,610.70	
Reserve for:			
Special Deposits	9,327,379.47	7,760,434.26	\$ 6,641,316.03
Premiums on Tax Sale	736,800.00	816,424.00	729,364.90
Security Deposits	17,096.08	17,067.49	17,043.87
Off Duty Police	50,533.75	35,092.50	27,627.50
Municipal Open Space Preservation Trust Fund	6,225,295.30	6,027,708.97	7,899,862.36
LOSAP	156,938.80		
Workers' Compensation - Self Insurance Fund - Municipal	435,372.95	680,866.11	
Workers' Compensation - Self Insurance Fund - Contractor	106,450.87	87,757.14	102,996.40
Police Explorer Program	5,547.49	12,972.74	15,569.50
State Unemployment Insurance Fund	526,643.77	307,834.09	94,265.60
Employee Health Benefit Fund - Municipal	2,669,351.27	2,459,656.45	942,440.25
Employee Health Benefit Fund - Contractor	2,012.49	386,031.19	253,840.28
Storm Recovery	400,000.00	400,000.00	400,000.00
Accumulated Sick and Vacation Compensation	640,000.00	640,000.00	312,000.00
Grant Trust Fund Expenditures	420,881.46	455,059.93	241,308.45
	<u>22,623,291.73</u>	<u>20,432,560.99</u>	<u>17,677,635.14</u>
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	<u>\$ 22,698,460.39</u>	<u>\$ 20,540,593.51</u>	<u>\$ 17,746,120.98</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 11,915,880.25	\$ 671,612.05	\$ 4,629,601.39
Due from Current Fund	280,725.00		
Due from Open Space Trust Fund	235,000.00		
Federal Emergency Management Agency Grant Receivable		2,123,079.60	4,123,208.90
New Jersey Department of Transportation Grant Receivable	2,176.35	247,176.35	247,176.35
County of Morris Open Space Grant Receivable		1,356,062.25	1,356,062.25
Deferred Charges to Future Taxation:			
Funded	58,730,000.00	65,432,000.00	27,550,455.26
Unfunded	44,806,084.69	29,245,020.69	52,438,261.01
TOTAL ASSETS	\$ 115,969,866.29	\$ 99,074,950.94	\$ 90,344,765.16
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	\$ 49,210,000.00	\$ 54,727,000.00	\$ 13,750,000.00
Refunding Bonds	9,520,000.00	10,705,000.00	13,780,000.00
Green Acres Trust Acquisition Loan Payable			20,455.26
Bond Anticipation Notes Payable	23,500,000.00		38,663,000.00
Improvement Authorizations:			
Funded	985,206.07	5,964,590.03	3,205,586.11
Unfunded	30,478,756.59	25,500,414.54	19,097,924.10
Reserve for:			
Deposit for Regional Contribution Agreement	261,420.19	261,420.19	261,420.19
Developer Contributions	79,652.68	79,652.68	79,652.68
Payment of Debt Service	1,423,598.62	1,575,593.62	25,730.00
Forge Pond Dam			600,000.00
Emergency Preparedness	122,442.50	122,442.50	122,442.50
Capital Improvement Fund	73,158.00	31,008.00	31,008.00
Fund Balance	315,631.64	107,829.38	707,546.32
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 115,969,866.29	\$ 99,074,950.94	\$ 90,344,765.16

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Balance January 1,	\$ 107,829.38	\$ 707,546.32	\$ 781,474.68
Increased by:			
Premium on Note Sale			604,071.64
Reimbursement of Prior Year Expense			69,880.00
Cancellation of Improvement Authorizations	<u>307,802.26</u>	<u>283.06</u>	<u>32,120.00</u>
	415,631.64	707,829.38	1,487,546.32
Decreased by:			
Utilized as Anticipated Revenue in the Current Fund	<u>100,000.00</u>	<u>600,000.00</u>	<u>780,000.00</u>
Balance December 31,	<u>\$ 315,631.64</u>	<u>\$ 107,829.38</u>	<u>\$ 707,546.32</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 5,711,790.26	\$ 6,752,863.43	\$ 7,239,684.34
Due from Current Fund	43.26	2,841.32	
Due from Water Utility Capital Fund		12,867.51	
Receivables and Inventory with Full Reserves:			
Consumer Accounts Receivable	211,765.44	199,377.62	184,367.89
Water Utility Liens Receivable	252.57	252.57	252.57
Inventory	166,305.00	144,435.00	146,962.00
Total Receivables and Inventory with Full Reserves	378,323.01	344,065.19	331,582.46
Total Operating Fund	6,090,156.53	7,112,637.45	7,571,266.80
Capital Fund:			
Cash and Cash Equivalents	4,835,977.35	3,213,648.32	3,085,723.74
Fixed Capital	36,578,448.10	36,578,448.10	35,983,448.10
Fixed Capital Authorized and Uncompleted	9,495,000.00	6,570,000.00	6,090,000.00
Total Capital Fund	50,909,425.45	46,362,096.42	45,159,171.84
<u>TOTAL ASSETS</u>	<u>\$ 56,999,581.98</u>	<u>\$ 53,474,733.87</u>	<u>\$ 52,730,438.64</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2018	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	\$ 664,013.95	\$ 367,646.30	\$ 525,543.90
Reserve for Water Master Plan	24,250.03	24,250.03	24,250.03
Accrued Interest on Bonds	44,826.04	50,054.86	23,607.29
Accrued Interest on Loans	1,104.17	1,416.67	1,729.17
Accrued Interest on Notes	10,381.94		20,245.00
Water Rent Overpayments	27,634.16	23,947.45	29,156.56
Due to Current Fund			66.52
Due to Sewer Utility Operating Fund			21.75
	<u>772,210.29</u>	<u>467,315.31</u>	<u>624,620.22</u>
Reserve for Receivables and Inventory	378,323.01	344,065.19	331,582.46
Fund Balance	<u>4,939,623.23</u>	<u>6,301,256.95</u>	<u>6,615,064.12</u>
Total Operating Fund	<u>6,090,156.53</u>	<u>7,112,637.45</u>	<u>7,571,266.80</u>
Capital Fund:			
Bond Anticipation Notes Payable	2,500,000.00		4,049,000.00
Serial Bonds Payable	5,890,000.00	6,569,000.00	1,825,000.00
Refunding Bonds Payable	70,000.00	105,000.00	570,000.00
N.J. Environmental Infrastructure Loans Payable	93,974.08	120,827.30	148,163.66
Improvement Authorizations:			
Funded	1,708,744.98	2,604,251.61	945,775.50
Unfunded	2,725,000.00	61.00	1,638,480.04
Capital Improvement Fund	314,498.22	314,498.22	314,498.22
Due to Water Utility Operating Fund		12,867.51	
Reserve for:			
Debt Service	192,749.21	192,749.21	192,749.21
Amortization	35,919,413.02	34,392,819.80	33,350,234.44
Deferred Amortization	1,375,000.00	1,960,740.00	2,035,989.00
Preliminary Expense	30,764.17		
Fund Balance	<u>89,281.77</u>	<u>89,281.77</u>	<u>89,281.77</u>
Total Capital Fund	<u>50,909,425.45</u>	<u>46,362,096.42</u>	<u>45,159,171.84</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 56,999,581.98</u>	<u>\$ 53,474,733.87</u>	<u>\$ 52,730,438.64</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS

	Years Ended December 31,		
	2018	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 900,000.00	\$ 700,000.00	\$ 700,000.00
Rents	8,007,043.70	8,316,772.55	8,043,164.66
Interest on Investments	40,897.34	41,591.34	55,225.84
Miscellaneous Revenue	62,981.64	66,507.74	53,377.02
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	59,471.60	164,602.59	205,288.14
Total Income	9,070,394.28	9,289,474.22	9,057,055.66
<u>Expenditures</u>			
Budget Expenditures:			
Operating	7,315,028.00	6,711,681.00	6,248,312.00
Capital Improvements	265,000.00		170,000.00
Debt Service	922,710.10	1,126,740.39	1,111,369.71
Statutory Expenditures	374,289.90	364,860.00	353,000.00
Prior Year Revenue Refunds			2,079.50
Total Expenditures	8,877,028.00	8,203,281.39	7,884,761.21
Excess in Revenue	193,366.28	1,086,192.83	1,172,294.45
<u>Fund Balance</u>			
Balance January 1	6,301,256.95	6,615,064.12	6,142,769.67
	6,494,623.23	7,701,256.95	7,315,064.12
Decreased by:			
Utilized as Anticipated Revenue	900,000.00	700,000.00	700,000.00
Prior Year Fund Balance Appropriated as Revenue -Current Fund	655,000.00	700,000.00	
Balance December 31	\$ 4,939,623.23	\$ 6,301,256.95	\$ 6,615,064.12

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	2018	2017	2016
Balance January 1,	\$ 89,281.77	\$ 89,281.77	\$ 89,281.77
Balance December 31,	<u>\$ 89,281.77</u>	<u>\$ 89,281.77</u>	<u>\$ 89,281.77</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2018		2017		2016	
	Anticipated	Realized	Anticipated	Realized	Anticipated	Realized
Operating Fund Balance Anticipated	\$ 900,000.00	\$ 900,000.00	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00
Water Rents	7,952,028.00	8,007,043.70	7,480,036.00	8,316,772.55	7,200,000.00	8,043,164.66
Interest on Investments	25,000.00	40,897.34	25,000.00	41,591.34	25,000.00	55,225.84
Water Utility Capital Fund Balance						
	8,877,028.00	8,947,941.04	8,205,036.00	9,058,363.89	7,925,000.00	8,798,390.50
Nonbudget Revenue		62,981.64		66,507.74		53,377.02
	<u>\$ 8,877,028.00</u>	<u>\$ 9,010,922.68</u>	<u>\$ 8,205,036.00</u>	<u>\$ 9,124,871.63</u>	<u>\$ 7,925,000.00</u>	<u>\$ 8,851,767.52</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
WATER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES - REGULATORY BASIS

	For The Years Ended December 31,								
	2018			2017			2016		
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Operating:									
Salaries and Wages	\$ 2,393,961.00	\$ 2,392,835.85	\$ 1,125.15	\$ 2,418,993.00	\$ 2,399,912.64	\$ 19,080.36	\$ 2,372,128.00	\$ 2,310,533.53	\$ 61,594.47
Other Expenses	4,931,448.94	4,569,583.01	361,865.93	4,292,688.00	4,112,281.50	180,406.50	3,876,184.00	3,577,067.36	299,116.64
Capital Improvements:									
Capital Improvement Fund	265,000.00	265,000.00					170,000.00	170,000.00	
Debt Service:									
Payment of Bond Principal	714,000.00	714,000.00		840,000.00	840,000.00		825,000.00	825,000.00	
Payment of Bond Anticipation Notes and Capital Notes				100,000.00	100,000.00		100,000.00	100,000.00	
Interest on Bonds	169,758.74	169,758.74		98,197.17	96,442.56		107,610.00	102,890.62	
Interest on Notes				60,492.06	60,492.06		88,668.00	53,105.38	
Environmental Infrastructure Loan	28,569.42	28,569.42		29,805.77	29,805.77		32,410.00	30,373.71	
Deferred Charges:									
Prior Years Bills									
Statutory Expenditures:									
Contribution to:									
Public Employees' Retirement System	196,983.00	196,982.61	0.39	178,965.00	178,964.55	0.45	173,000.00	172,376.84	623.16
Social Security (O.A.S.I.)	177,306.90	130,348.06	46,958.84	185,895.00	185,868.77	26.23	180,000.00	176,831.70	3,168.30
	<u>\$ 8,877,028.00</u>	<u>\$ 8,467,077.69</u>	<u>\$ 409,950.31</u>	<u>\$ 8,205,036.00</u>	<u>\$ 8,003,767.85</u>	<u>\$ 199,513.54</u>	<u>\$ 7,925,000.00</u>	<u>\$ 7,518,179.14</u>	<u>\$ 364,502.57</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 7,027,614.71	\$ 7,911,055.77	\$ 11,629,124.25
Investments	3,060,149.92	3,000,000.00	
Due from Current Fund		5,772.29	
Due from Water Utility Operating Fund			21.75
	<u>10,087,764.63</u>	<u>10,916,828.06</u>	<u>11,629,146.00</u>
Receivables and Inventory With Full Reserves:			
Consumer Accounts Receivable	1,629,659.57	1,376,550.84	1,241,793.45
Sewer Utility Liens Receivable	721.81	721.81	721.81
Inventory	81,831.00	77,549.00	64,068.00
Total Receivables and Inventory with Full Reserves	<u>1,712,212.38</u>	<u>1,454,821.65</u>	<u>1,306,583.26</u>
Deferred Charges:			
Emergency Authorization (40A:4-46)		666,250.00	376,250.00
Total Operating Fund	<u>11,799,977.01</u>	<u>13,037,899.71</u>	<u>13,311,979.26</u>
Capital Fund:			
Cash and Cash Equivalents	11,240,720.37	10,965,855.63	11,767,110.06
NJ Environmental Infrastructure Trust Loan Receivable			469,699.00
Due Sewer Utility Operating Fund		300,000.00	
Fixed Capital	140,340,056.25	140,340,056.25	140,290,056.25
Fixed Capital Authorized and Uncompleted	51,216,000.00	46,201,000.00	49,787,790.00
Total Capital Fund	<u>202,796,776.62</u>	<u>197,806,911.88</u>	<u>202,314,655.31</u>
<u>TOTAL ASSETS</u>	<u>\$ 214,596,753.63</u>	<u>\$ 210,844,811.59</u>	<u>\$ 215,626,634.57</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2018	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	\$ 1,984,645.96	\$ 1,252,731.73	\$ 1,871,821.69
Accrued Interest on Loans	65,534.51	72,579.98	81,114.94
Accrued Interest on Notes	18,687.50		37,051.66
Accrued Interest on Bonds	65,581.25	70,122.92	28,319.79
Sewer Rent Overpayments	31,737.29	34,979.40	45,941.52
Prepaid Sewer Rents	28,934.89	2,180.54	141,330.79
Due to Sewer Utility Capital Fund		300,000.00	
Due to Current Fund	237.85		107.22
	2,195,359.25	1,732,594.57	2,205,687.61
Reserve for Receivables and Inventory	1,712,212.38	1,454,821.65	1,306,583.26
Fund Balance	7,892,405.38	9,850,483.49	9,799,708.39
Total Operating Fund	11,799,977.01	13,037,899.71	13,311,979.26
Capital Fund:			
Bond Anticipation Notes Payable	4,500,000.00		7,410,332.00
Serial Bonds Payable	8,710,000.00	9,532,000.00	2,725,000.00
Refunding Bonds Payable	215,000.00	315,000.00	960,000.00
NJ Environmental Infrastructure Trust Loans Payable #1	101,551.70	110,305.95	119,006.32
NJ Environmental Infrastructure Trust Loans Payable #2	11,390,448.63	12,397,730.48	14,009,664.33
Improvement Authorizations:			
Funded	7,602,447.08	10,454,283.55	8,355,617.64
Unfunded	9,207,938.21	6,081,237.00	12,659,650.34
Due to Sewer Utility Operating Fund			
Capital Improvement Fund	466,000.00	466,000.00	166,000.00
Reserve for:			
Amortization	138,885,916.94	137,963,916.94	136,749,654.94
Deferred Amortization	21,655,238.17	20,124,202.07	18,797,493.85
Fund Balance	62,235.89	362,235.89	362,235.89
Total Capital Fund	202,796,776.62	197,806,911.88	202,314,655.31
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 214,596,753.63</u>	<u>\$ 210,844,811.59</u>	<u>\$ 215,626,634.57</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 1,500,000.00	\$ 1,000,000.00	\$ 1,000,000.00
Sewer Rents	14,592,252.29	14,867,032.71	14,636,082.11
Septage Removal	678,106.61	857,944.16	682,480.72
Interest on Investments	210,948.45	124,071.18	159,679.85
Sewer Utility Capital Fund Balance	300,000.00		
Nonbudget Revenue	736,266.42	855,161.35	144,752.05
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	767,331.11	1,345,468.30	1,093,204.34
Total Income	18,784,904.88	19,049,677.70	17,716,199.07
<u>Expenditures</u>			
Budget Expenditures:			
Operating	12,748,851.00	12,106,306.00	11,316,315.00
Capital Improvements	515,000.00	300,000.00	1,463,250.00
Debt Service	2,378,853.81	2,777,332.60	2,764,704.89
Deferred Charges and Statutory Expenditures	1,300,278.18	605,264.00	584,673.00
Refund of Prior Year Revenue			4,625.41
Total Expenditures	16,942,982.99	15,788,902.60	16,133,568.30
Excess in Revenue	1,841,921.89	3,260,775.10	1,582,630.77
Adjustments to Excess Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year		290,000.00	376,250.00
Statutory Excess to Fund Balance	1,841,921.89	3,550,775.10	1,958,880.77
<u>Fund Balance</u>			
Balance January 1	9,850,483.49	9,799,708.39	11,340,827.62
	11,692,405.38	13,350,483.49	13,299,708.39
Decreased by:			
Utilization as Anticipated Revenue	1,500,000.00	1,000,000.00	1,000,000.00
Prior Year Fund Balance Appropriated as Revenue -			
Current Fund	2,300,000.00	2,500,000.00	2,500,000.00
Balance December 31	\$ 7,892,405.38	\$ 9,850,483.49	\$ 9,799,708.39

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	2018	2017	2016
Balance January 1,	\$ 362,235.89	\$ 362,235.89	\$ 292,235.89
Increased by:			
Improvement Authorizations Cancelled			70,000.00
	362,235.89	362,235.89	362,235.89
Decreased by:			
Utilized as Anticipated Revenue in Sewer Utility Operating Fund	300,000.00		
Balance December 31,	<u>\$ 62,235.89</u>	<u>\$ 362,235.89</u>	<u>\$ 362,235.89</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2018		2017		2016	
	Budget After Modification	Realized	Budget After Modification	Realized	Budget After Modification	Realized
Operating Fund Balance Anticipated	\$ 1,500,000.00	\$ 1,500,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00
Sewer Rents	14,220,851.00	14,592,252.29	13,883,013.00	14,705,149.71	14,330,000.00	14,474,199.11
Interest on Investments	75,000.00	210,948.45	37,000.00	124,071.18	37,000.00	159,679.85
Septage Removal	700,000.00	678,106.61	500,000.00	857,944.16	500,000.00	682,480.72
Other Rents	148,000.00		148,000.00	161,883.00	148,000.00	161,883.00
Sewer Capital Fund Balance	300,000.00	300,000.00				
	16,943,851.00	17,281,307.35	15,568,013.00	16,849,048.05	16,015,000.00	16,478,242.68
Nonbudget Revenue		736,266.42		855,161.35		144,752.05
	<u>\$ 16,943,851.00</u>	<u>\$ 18,017,573.77</u>	<u>\$ 15,568,013.00</u>	<u>\$ 17,704,209.40</u>	<u>\$ 16,015,000.00</u>	<u>\$ 16,622,994.73</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,

	2018			2017			2016		
	Budget After Modi- fication	Paid or Charged	Reserved	Budget After Modi- fication	Paid or Charged	Reserved	Budget After Modi- fication	Paid or Charged	Reserved
Operating:									
Salaries and Wages	\$ 3,846,871.00	\$ 3,677,351.58	\$ 169,519.42	\$ 3,776,533.00	\$ 3,633,953.42	\$ 142,579.58	\$ 3,716,078.00	\$ 3,312,566.44	\$ 403,511.56
Other Expenses	8,920,667.50	7,775,003.02	1,145,664.48	8,329,773.00	7,411,064.91	918,708.09	7,600,237.00	6,315,893.24	1,284,343.76
Capital Improvements:									
Capital Improvement Fund	515,000.00	515,000.00		300,000.00	300,000.00		1,463,250.00	1,463,250.00	
Debt Service:									
Payment of Bond Principal	922,000.00	922,000.00		1,035,000.00	1,035,000.00		1,020,000.00	1,020,000.00	
Payment of Bond Anticipation Notes and Capital Notes				355,035.00	355,035.00		391,000.00	391,000.00	
Interest on Bonds	256,263.00	255,394.99		186,971.83	162,290.58		144,740.00	144,738.54	
Interest on Notes				110,710.36	110,710.36		277,757.00	238,100.54	
Environmental Infrastructure Loan	1,182,771.32	1,182,771.32		1,158,725.81	1,114,296.66		1,193,515.00	970,865.81	
Deferred Charges and Statutory Expenditures:									
Deferred Charges:									
Emergency Authorizations	666,250.00	666,250.00							
Statutory Expenditures:									
Contribution to:									
Public Employees' Retirement System	328,304.00	328,304.00		298,274.25	298,274.25		288,000.00	287,294.74	705.26
Social Security System (O.A.S.I.)	305,724.18	210,165.55	95,558.63	306,989.75	306,691.79	297.96	296,673.00	258,303.49	38,369.51
	<u>\$ 16,943,851.00</u>	<u>\$ 15,532,240.46</u>	<u>\$ 1,410,742.53</u>	<u>\$ 15,858,013.00</u>	<u>\$ 14,727,316.97</u>	<u>\$ 1,061,585.63</u>	<u>\$ 16,391,250.00</u>	<u>\$ 14,402,012.80</u>	<u>\$ 1,726,930.09</u>
 Budget	 \$ 16,943,851.00			 \$ 15,568,013.00			 \$ 16,015,000.00		
Emergency Authorization					290,000.00			376,250.00	
	<u>\$ 16,943,851.00</u>			<u>\$ 15,858,013.00</u>			<u>\$ 16,391,250.00</u>		

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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	\$ 1,934,440.44	\$ 1,781,396.47	\$ 1,720,969.69
Change Funds	<u>1,800.00</u>	<u>1,800.00</u>	<u>1,800.00</u>
	1,936,240.44	1,783,196.47	1,722,769.69
Due from Other Trust Funds - Open Space		31,610.70	
Security Deposit Receivable from Concession Clubhouse	50,000.00		
Receivables and Inventory with Full Reserves:			
Revenue Accounts Receivable	51,915.88	56,370.18	53,281.49
Inventory	<u>60,265.20</u>	<u>48,465.22</u>	<u>51,159.00</u>
Total Receivables and Inventory with Full Receivables	<u>112,181.08</u>	<u>104,835.40</u>	<u>104,440.49</u>
Total Operating Fund	<u>2,098,421.52</u>	<u>1,919,642.57</u>	<u>1,827,210.18</u>
Capital Fund:			
Cash and Cash Equivalents	5,311,149.38	5,647,216.73	1,825,506.16
Fixed Capital	25,413,276.61	25,413,276.61	25,413,276.61
Fixed Capital Authorized and Uncompleted	<u>7,131,437.00</u>	<u>6,878,437.00</u>	<u>4,013,257.00</u>
Total Capital Fund	<u>37,855,862.99</u>	<u>37,938,930.34</u>	<u>31,252,039.77</u>
<u>TOTAL ASSETS</u>	<u>\$ 39,954,284.51</u>	<u>\$ 39,858,572.91</u>	<u>\$ 33,079,249.95</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
(Continued)

	December 31,		
	2018	2017	2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	\$ 558,218.10	\$ 193,550.97	\$ 229,195.24
Sales Tax Payable	264.00	213.96	244.00
Accrued Interest on Bonds	50,852.08	54,569.45	12,293.75
Accrued Interest on Notes			10,665.00
Membership Overpayments		4,985.27	1,101.78
Prepaid Revenue	5,000.00		
Due to Other Trust Funds - Open Space	3,890.85		
Security Deposit			220,000.00
	<u>618,225.03</u>	<u>253,319.65</u>	<u>473,499.77</u>
Reserve for Receivables and Inventory	112,181.08	104,835.40	104,440.49
Fund Balance	<u>1,368,015.41</u>	<u>1,561,487.52</u>	<u>1,249,269.92</u>
Total Operating Fund	<u>2,098,421.52</u>	<u>1,919,642.57</u>	<u>1,827,210.18</u>
Capital Fund:			
Bond Anticipation Notes Payable			2,133,000.00
Serial Bonds Payable	6,825,000.00	7,458,000.00	1,000,000.00
Improvement Authorizations:			
Funded	2,870,130.98	5,428,552.98	61,166.38
Unfunded	75,947.65	593.00	3,259,270.03
Capital Improvement Fund	161,593.05	161,593.05	161,593.05
Reserve for:			
Preliminary Expenses - Miniature Golf Recreation Facility	12,000.00	12,000.00	20,000.00
Payment of Debt Service	2,400,000.00		
Amortization	25,207,351.61	24,574,351.61	24,336,276.61
Deferred Amortization	258,769.00	258,769.00	235,663.00
Fund Balance	<u>45,070.70</u>	<u>45,070.70</u>	<u>45,070.70</u>
Total Capital Fund	<u>37,855,862.99</u>	<u>37,938,930.34</u>	<u>31,252,039.77</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 39,954,284.51</u>	<u>\$ 39,858,572.91</u>	<u>\$ 33,079,249.95</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS CHANGE IN FUND BALANCE - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>Revenue and Other Income Realized</u>			
Fund Balance Anticipated	\$ 820,000.00	\$ 200,000.00	
Golf Fees	2,726,093.79	2,934,449.43	\$ 3,057,868.40
Interest on Investments	48,818.42	24,829.80	18,183.01
Concessions:			
Utilities			33,657.85
Rent	360,000.00	410,000.00	660,000.00
Miscellaneous Revenue	27,016.08	22,812.97	1,184.01
Other Credits to Income:			
Overpayments Cancelled			2,333.57
Unexpended Balance of Appropriation Reserves	125,895.60	141,715.40	101,865.40
	<u>4,107,823.89</u>	<u>3,733,807.60</u>	<u>3,875,092.24</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating	3,315,296.00	3,040,035.00	2,976,254.00
Capital Improvements			5,959.00
Debt Service			86,691.49
Deferred Charges and Statutory Expenditures	166,000.00	181,555.00	182,133.00
Prior Year Revenue Refunds			1,563.00
	<u>3,481,296.00</u>	<u>3,221,590.00</u>	<u>3,252,600.49</u>
Excess in Revenue	626,527.89	512,217.60	622,491.75
<u>Fund Balance</u>			
Balance January 1	1,561,487.52	1,249,269.92	626,778.17
	<u>2,188,015.41</u>	<u>1,761,487.52</u>	<u>1,249,269.92</u>
Decreased by:			
Utilized as Anticipated Revenue	820,000.00	200,000.00	
	<u>820,000.00</u>	<u>200,000.00</u>	
Balance December 31	<u>\$ 1,368,015.41</u>	<u>\$ 1,561,487.52</u>	<u>\$ 1,249,269.92</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	December 31,		
	2018	2017	2016
Balance January 1,	<u>\$ 45,070.70</u>	<u>\$ 45,070.70</u>	<u>\$ 45,070.70</u>
Balance December 31,	<u><u>\$ 45,070.70</u></u>	<u><u>\$ 45,070.70</u></u>	<u><u>\$ 45,070.70</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
 ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE - REGULATORY BASIS

	For the Years Ended December 31,					
	2018		2017		2016	
	Anticipated	Realized	Anticipated	Realized	Anticipated	Realized
Operating Fund Balance Anticipated	\$ 820,000.00	\$ 820,000.00	\$ 200,000.00	\$ 200,000.00		
Golf Fees	2,835,296.00	2,726,093.79	2,603,590.00	2,934,449.43	\$ 2,600,000.00	\$ 3,057,868.40
Room Rentals						
Interest on Investments	16,000.00	48,818.42	8,000.00	24,829.80	8,000.00	18,183.01
Concessions:						
Utilities					10,000.00	33,657.85
Rent	360,000.00	360,000.00	410,000.00	410,000.00	660,000.00	660,000.00
	4,031,296.00	3,954,912.21	3,221,590.00	3,569,279.23	3,278,000.00	3,769,709.26
Nonbudget Revenue		27,016.08		22,812.97		1,184.01
	<u>\$ 4,031,296.00</u>	<u>\$ 3,981,928.29</u>	<u>\$ 3,221,590.00</u>	<u>\$ 3,592,092.20</u>	<u>\$ 3,278,000.00</u>	<u>\$ 3,770,893.27</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
GOLF AND RECREATION UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

	For the Years Ended December 31,									
	2018		2017		2016					
	Budget After Modi- fication	Paid or Charged	Reserved	Unexpended Balance Cancelled	Budget After Modi- fication	Paid or Charged	Reserved	Budget After Modi- fication	Paid or Charged	Reserved
Operating:										
Salaries and Wages	\$ 1,561,177.00	\$ 1,411,918.65	\$ 49,258.35	\$ 100,000.00	\$ 1,595,383.00	\$ 1,536,738.46	\$ 58,644.54	\$ 1,532,666.00	\$ 1,440,922.01	\$ 91,743.99
Other Expenses	2,304,119.00	1,387,820.91	466,298.09	450,000.00	1,444,652.00	1,355,636.71	89,015.29	1,443,588.00	1,383,048.17	60,339.83
Capital Improvements:										
Capital Improvement Fund								5,959.00	5,959.00	
Debt Service:										
Payment of Bond Anticipation Notes								25,000.00	25,000.00	
Interest on Bonds								40,436.00	37,729.17	
Interest on Notes								48,218.00	23,962.32	
Statutory Expenditures:										
Contribution to:										
Public Employees' Retirement System	65,661.00	65,660.87	0.13		59,655.00	59,654.85	0.15	57,500.00	57,458.94	41.06
Social Security (O.A.S.I.)	100,339.00	90,094.00	10,245.00		121,900.00	98,178.83	23,721.17	124,633.00	103,865.62	20,767.38
	<u>\$ 4,031,296.00</u>	<u>\$ 2,955,494.43</u>	<u>\$ 525,801.57</u>	<u>\$ 550,000.00</u>	<u>\$ 3,221,590.00</u>	<u>\$ 3,050,208.85</u>	<u>\$ 171,381.15</u>	<u>\$ 3,278,000.00</u>	<u>\$ 3,077,945.23</u>	<u>\$ 173,092.26</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

		December 31,	
	2018	2017	2016
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 89,159.10	\$ 84,246.04	\$ 81,180.44
<u>TOTAL ASSETS</u>	<u>\$ 89,159.10</u>	<u>\$ 84,246.04</u>	<u>\$ 81,180.44</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Due to Current Fund			
Reserve for Public Assistance	\$ 89,159.10	\$ 84,246.04	\$ 81,180.44
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 89,159.10</u>	<u>\$ 84,246.04</u>	<u>\$ 81,180.44</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWNSHIP OF PARSIPPANY-TROY HILLS
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS

	December 31,		
	2018	2017	2016
<u>ASSETS</u>			
Land	\$ 113,382,397.00	\$ 113,767,957.00	\$ 107,841,072.00
Buildings	34,115,018.00	33,555,366.00	33,555,366.00
Furniture and Equipment	41,433.00	36,353.00	36,353.00
Vehicles and Road Equipment	22,469,710.00	24,313,586.00	19,239,931.00
Other Equipment	5,390,027.00	4,218,149.00	2,481,171.00
<u>TOTAL ASSETS</u>	<u>\$ 175,398,585.00</u>	<u>\$ 175,891,411.00</u>	<u>\$ 163,153,893.00</u>
 <u>RESERVE</u>			
Reserve for Fixed Assets	\$ 175,398,585.00	\$ 175,891,411.00	\$ 163,153,893.00
 <u>TOTAL RESERVE</u>	<u>\$ 175,398,585.00</u>	<u>\$ 175,891,411.00</u>	<u>\$ 163,153,893.00</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

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TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Township of Parsippany-Troy Hills include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Parsippany-Troy Hills, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Parsippany-Troy Hills do not include the operations of the Municipal Library.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Township of Parsippany-Troy Hills conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township of Parsippany-Troy Hills accounts for its financial transactions through the following separate funds:

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

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

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

Water Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned Water Utility.

Sewer Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned Sewer Utility.

Golf and Recreation Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned Golf and Recreation Utility.

Public Assistance Fund - Receipt and disbursement of funds that provide assistance to certain residents of the municipality pursuant to Title 44 of New Jersey Statutes. The operations of the State funded General Assistance Program were transferred to the County of Morris.

General Fixed Assets Account Group – Estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The more significant accounting policies in New Jersey follow.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Other amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are generally charged to operations based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 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.

Had the Township's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when budgeted; inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Township's net OPEB liability and net pension liability and related deferred inflows and outflows would be recorded.

The cash basis of accounting is followed in the Trust and Capital Funds.

- D. Deferred Charges to Future Taxation – The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget, by collecting a grant, by selling bonds, by issuing loans or through capital lease purchase agreements.

- E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost.

Grants Receivable – Grants receivable represent total grant awards less amounts collected to date. Because the amount of grants funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include: (Cont'd)

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed Property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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

Inventories of Supplies - The cost of inventories of supplies for all funds, except the Water, Sewer and Golf and Recreation Utility, is recorded as an expenditure at the time individual items are purchased. The cost of the Water, Sewer, and Golf and Recreation Utility Operating Fund inventory is included on its balance sheet and is offset by a reserve.

General Fixed Assets Account Group – In accordance with N.J.A.C. accounting requirements, the Township has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at cost except for land, which is recorded at estimated historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided on general fixed assets. The total value recorded for general fixed assets is offset by a "Reserve for Fixed Assets". When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, the General Capital Fund and the Utility Funds. The values recorded in the General Fixed Assets Account Group and the Current, General Capital and Utility Funds may not always agree due to differences in valuation methods, timing of recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Water, Sewer and Golf and Recreation Utility Funds are recorded in their respective capital accounts at cost. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital funds represent charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current, Open Space, Water, Sewer and Golf and Recreation Utility Operating Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Township during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bond to finance general Township capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Township are general obligation bonds. The Township's full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

Summary of Municipal Debt

	December 31,		
	2018	2017	2016
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 82,230,000	\$ 65,432,000	\$ 66,213,455
Water Utility:			
Bonds, Loans and Notes	8,553,974	6,794,827	6,592,163
Sewer Utility:			
Bonds, Loans and Notes	24,917,000	22,355,036	25,224,003
Golf and Recreation Utility:			
Bonds and Notes	6,825,000	7,458,000	3,133,000
Total Issued	<u>122,525,974</u>	<u>102,039,863</u>	<u>101,162,621</u>
Less:			
Funds Temporarily Held			
to Pay Bonds and Notes:			
General	1,503,251	1,655,246	105,383
Water Utility	192,749	192,749	192,749
Golf and Recreation Utility	2,400,000		
Total Deductions	<u>4,096,000</u>	<u>1,847,995</u>	<u>298,132</u>
Net Debt Issued	<u>118,429,974</u>	<u>100,191,868</u>	<u>100,864,489</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt (Cont'd)

	December 31,		
	2018	2017	2016
<u>Authorized but not Issued:</u>			
General:			
Bonds, Loans and Notes	\$ 21,306,085	\$ 29,245,021	\$ 13,775,261
Water Utility:			
Bonds, Loans and Notes	225,061	61	95,061
Sewer Utility:			
Bonds, Loans and Notes	6,097,901	6,097,901	9,306,695
Golf and Recreation Utility:			
Bonds and Notes	253,593	593	1,721,594
Total Authorized but not Issued	<u>27,882,640</u>	<u>35,343,576</u>	<u>24,898,611</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 148,712,614</u>	<u>\$ 135,535,444</u>	<u>\$ 125,763,100</u>

Summary of Municipal Debt Issued and Outstanding – Prior Year

	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017
Serial Bonds:				
General Capital Fund	\$ 27,530,000	\$ 43,827,000	\$ 5,925,000	\$ 65,432,000
Water Utility Capital Fund	2,395,000	5,119,000	840,000	6,674,000
Sewer Utility Capital Fund	3,685,000	7,197,000	1,035,000	9,847,000
Golf and Recreation Utility Capital Fund	1,000,000	6,683,000	225,000	7,458,000
Bond Anticipation Notes:				
General Capital Fund	38,663,000		38,663,000	
Water Utility Capital Fund	4,049,000		4,049,000	
Sewer Utility Capital Fund	7,410,332		7,410,332	
Golf and Recreation Utility Capital Fund	2,133,000		2,133,000	
Loans Payable:				
General Capital Fund:				
Green Trust Loans	20,455		20,455	
Water Utility Capital Fund:				
NJ Environmental Infrastructure Loan	148,164		27,337	120,827
Sewer Utility Capital Fund:				
NJ Environmental Infrastructure Loan	14,128,670		1,620,634	12,508,036
Total	<u>\$ 101,162,621</u>	<u>\$ 62,826,000</u>	<u>\$61,948,758</u>	<u>\$ 102,039,863</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt Issued and Outstanding – Current Year

	Balance 12/31/2017	Additions	Retirements	Balance 12/31/2018
Serial Bonds:				
General Capital Fund	\$ 65,432,000		\$ 6,702,000	\$ 58,730,000
Water Utility Capital Fund	6,674,000		714,000	5,960,000
Sewer Utility Capital Fund	9,847,000		922,000	8,925,000
Golf and Recreation Utility Capital Fund	7,458,000		633,000	6,825,000
Bond Anticipation Notes:				
General Capital Fund		\$ 23,500,000		23,500,000
Water Utility Capital Fund		2,500,000		2,500,000
Sewer Utility Capital Fund		4,500,000		4,500,000
Loans Payable:				
Water Utility Capital Fund:				
NJ Environmental Infrastructure Loan	120,827		26,853	93,974
Sewer Utility Capital Fund:				
NJ Environmental Infrastructure Loan	12,508,036		1,016,036	11,492,000
Total	<u>\$ 102,039,863</u>	<u>\$ 30,500,000</u>	<u>\$10,013,889</u>	<u>\$ 122,525,974</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.185%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 29,620,000	\$ 29,620,000	
Water Utility Debt	8,779,035	8,779,035	
Sewer Utility Debt	31,014,901	31,014,901	
Golf and Recreation Utility Debt	7,078,593	7,078,593	
General Debt	103,536,085	1,503,251	\$ 102,032,834
	<u>\$ 180,028,614</u>	<u>\$ 77,995,780</u>	<u>\$ 102,032,834</u>

Net Debt: \$102,032,834 divided by Equalized Valuation basis per N.J.S. 40A:2-2, as amended, of \$8,611,579,620 = 1.185%.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

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

3-1/2% Average Equalized Valuation of Real Property	\$ 301,405,287
Net Debt	<u>102,032,834</u>
Remaining Borrowing Power	<u><u>\$ 199,372,453</u></u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 9,010,923
Deductions:	
Operating and Maintenance Cost	\$ 7,689,318
Debt Service	<u>922,710</u>
	<u>8,612,028</u>
Excess in Revenue	<u><u>\$ 398,895</u></u>

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 18,017,574
Deductions:	
Operating and Maintenance Cost	\$ 14,049,129
Debt Service	<u>2,378,854</u>
	<u>16,427,983</u>
Excess in Revenue	<u><u>\$ 1,589,591</u></u>

Calculation of "Self-Liquidating Purpose", Golf and Recreation Utility Per N.J.S.40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 3,981,928
Deductions:	
Operating and Maintenance Cost	<u>3,481,296</u>
Excess in Revenue	<u><u>\$ 500,632</u></u>

Note: If there is a deficit in revenue, then the utility debt is not deductible to the extent of 20 times such deficit amount.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

Schedule of Annual Debt Service for the Next Five Years and Thereafter for
Bonded Debt and Loans Issued and Outstanding

Year Ended December 31,	General		Water Utility		Sewer Utility		Golf and Recreation Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 6,815,000	\$ 1,710,525	\$ 756,370	\$ 159,888	\$ 1,970,096	\$ 398,758	\$ 635,000	\$ 174,250	\$ 10,176,466	\$ 2,443,421
2020	5,420,000	1,490,950	584,108	138,175	1,909,161	360,058	525,000	157,700	8,438,269	2,146,883
2021	5,450,000	1,345,650	573,496	123,775	1,860,232	324,466	555,000	146,450	8,438,728	1,940,341
2022	5,490,000	1,199,150	550,000	110,275	1,873,309	291,530	580,000	134,550	8,493,309	1,735,505
2023	5,610,000	1,037,650	560,000	97,525	1,887,392	258,066	580,000	122,150	8,637,392	1,515,391
2024-2028	22,935,000	2,882,750	2,130,000	313,050	8,799,434	798,785	2,850,000	394,250	36,714,434	4,388,835
2029-2030	7,010,000	280,500	900,000	36,000	2,117,376	72,200	1,100,000	44,000	11,127,376	432,700
	<u>\$58,730,000</u>	<u>\$ 9,947,175</u>	<u>\$6,053,974</u>	<u>\$ 978,688</u>	<u>\$20,417,000</u>	<u>\$2,503,863</u>	<u>\$6,825,000</u>	<u>\$1,173,350</u>	<u>\$ 92,025,974</u>	<u>\$ 14,603,076</u>

The foregoing debt information is in agreement with the Revised Annual Debt Statement filed by the Chief Financial Officer.

TOWNSHIP OF PARSIPPANY-TROY HILLS
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2018
 (Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2018

General Capital Fund

Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds</u> <u>Outstanding Dec. 31, 2018</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
	<u>Date</u>	<u>Amount</u>		
Refunding Bonds	7/15/2019	\$ 180,000	4.00%	
	7/15/2019	1,035,000	5.00%	
	7/15/2020	1,270,000	4.00%	
	7/15/2021	1,300,000	4.00%	
	7/15/2022	1,340,000	5.00%	
	7/15/2023	1,460,000	5.00%	
	7/15/2024	1,470,000	4.00%	
	7/15/2025	1,465,000	4.00%	\$ 9,520,000
General Improvements	7/1/2019	2,000,000	4.00%	2,000,000
General Improvements	11/1/2019	1,150,000	2.50%	
	11/1/2020	1,150,000	2.75%	
	11/1/21-23	1,150,000	3.00%	5,750,000
General Improvements	9/15/2019	2,450,000	2.00%	
	9/15/2020-23	3,000,000	2.00%	
	9/15/2024-25	4,000,000	2.50%	
	9/15/2026-28	4,000,000	3.00%	
	9/15/2029	3,500,000	3.00%	
	9/15/2030	3,510,000	2.50%	41,460,000
				<u>\$ 58,730,000</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

Water Utility Capital Fund

<u>Serial Bonds</u>	<u>Maturities of Bonds</u>			
	<u>Outstanding Dec. 31, 2018</u>			
<u>Purpose</u>	<u>Date</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Water Improvements	7/1/2019	\$ 200,000	4.00%	\$ 200,000
Water Improvements	11/1/2019	175,000	2.75%	
	11/1/2020	175,000	3.00%	
	11/1/2021	175,000	3.00%	
	11/1/2022	175,000	3.00%	
	11/1/2023	175,000	3.00%	875,000
Water Improvements	9/15/2019	320,000	2.00%	
	9/15/2020	340,000	2.00%	
	9/15/2021	365,000	2.00%	
	9/15/2022	375,000	2.00%	
	9/15/2023	385,000	2.00%	
	9/15/2024	400,000	2.50%	
	9/15/2025	415,000	2.50%	
	9/15/2026	425,000	3.00%	
	9/15/2027	440,000	3.00%	
	9/15/2028-29	450,000	3.00%	
	9/15/2030	450,000	2.50%	4,815,000
Refunding Bonds	7/15/2019	35,000	5.00%	
	7/15/2020	35,000	4.00%	70,000
				<u>\$ 5,960,000</u>

Water Utility Capital Fund

<u>Loan Payable</u>	<u>Final Maturity Date of NJ</u>	<u>Interest</u>	<u>Balance</u>
<u>Purpose</u>	<u>Environmental Infrastructure</u>	<u>Rate</u>	<u>Dec. 31, 2018</u>
	<u>Loan Payable</u>		
Improvement of Water Supply and Distribution System	8/1/2021	4.75% to 5.00%	<u>\$ 93,974</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

Sewer Utility Capital Fund

Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds Outstanding Dec. 31, 2018</u>		<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
	<u>Date</u>	<u>Amount</u>		
Sewer Improvements	7/1/2019	\$ 100,000	4.00%	\$ 100,000
Sewer Improvements	11/1/2019	350,000	2.75%	1,810,000
	11/1/2020	350,000	3.00%	
	11/1/2021	370,000	3.00%	
	11/1/2022	370,000	3.00%	
	11/1/2023	370,000	3.00%	
Sewer Improvements	9/15/2019	400,000	2.00%	6,800,000
	9/15/2020	425,000	2.00%	
	9/15/2021-23	450,000	2.00%	
	9/15/2024-25	650,000	2.50%	
	9/15/2026-27	650,000	3.00%	
	9/15/2028	660,000	3.00%	
	9/15/2029	675,000	3.00%	
	9/15/2030	690,000	2.50%	
Refunding Bonds	7/15/2019	105,000	5.00%	215,000
	7/15/2020	110,000	4.00%	
				<u>\$ 8,925,000</u>

Loan Payable

<u>Purpose</u>	<u>Final Maturity Date of NJ Environmental Infrastructure Loan Payable</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
Sewer Improvements	8/1/2029	3.50% to 5.00%	<u>\$ 11,492,000</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2018

Golf and Recreation Utility Capital Fund

Serial Bonds

<u>Purpose</u>	<u>Maturities of Bonds</u>		<u>Interest</u> <u>Rate</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
	<u>Date</u>	<u>Amount</u>		
General Improvements	7/1/2019	\$ 170,000	4.00%	\$ 170,000
General Improvements	11/1/2019	60,000	2.75%	
	11/1/2020	75,000	3.00%	
	11/1/2021	80,000	3.00%	
	11/1/2022	80,000	3.00%	
	11/1/2023	80,000	3.00%	375,000
General Improvements	9/15/2019	405,000	2.00%	
	9/15/2020	450,000	2.00%	
	9/15/2021	475,000	2.00%	
	9/15/2022-23	500,000	2.00%	
	9/15/2024-25	600,000	2.50%	
	9/15/2026-29	550,000	3.00%	
	9/15/2030	550,000	2.50%	
	11/1/2023	80,000	3.00%	6,280,000
				<u>\$ 6,825,000</u>
Total Debt Issued and Outstanding				<u>\$ 122,525,974</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2: Long-Term Debt (Cont'd)

N.J. Environmental Infrastructure Loan

Loan agreements were entered into by the Township of Parsippany-Troy Hills with the New Jersey Department of Environmental Protection for the purpose of improvements to the water system in 2001 at an interest rate of 4.75% to 5.50% and for the purpose of improvements to the waste water treatment plant in 2010 at an interest rate of 3.5% to 5.00%. Loans payable at December 31, 2018 for the Water Utility Capital Fund and Sewer Utility Capital Fund were \$93,974 and \$11,492,000, respectively.

Refunding Bonds:

On May 15, 2012, the Township issued \$16,115,000 refunding bonds with interest rates ranging from 1.50% to 4.00% to refund \$17,135,000 dated June 1, 2005 with an interest rates ranging from 1.50% to 4.00%. The refunding bonds will mature on July 15, 2012 through July 15, 2025 and constitute an advanced refunding. The refunding met the requirements of an in-substance debt defeasance.

As a result of the advance refunding, the Township reduced its total debt service requirement by \$2,320,284 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt).

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$54,480,632 at June 30, 2018. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$48,145,644 at June 30, 2018. See Note 4 for further information on the PERS and PFRS.

Net OPEB Liability

The Township's Net OPEB Liability related to the Township's OPEB Plan at December 31, 2018 was calculated to be \$225,952,916. The State's proportionate share of the net OPEB liability related to the State Health Benefit Local Government Retired Employees Plan attributable to the Township at June 30, 2018 was \$32,488,672. See Note 16 for further information on this net OPEB liability.

Note 3: Fund Balances Appropriated

Fund Balances at December 31, 2018 which are appropriated and included as anticipated revenue in their own respective funds and other funds for the year ending December 31, 2019 budget were as follows:

Current Fund:	
Current Fund Balance	\$ 3,990,000
Water Utility Operating Fund Balance	\$ 605,000
Sewer Utility Operating Fund Balance	\$ 2,250,000
Water Utility Operating Fund	\$ 1,451,000
Sewer Utility Operating Fund	\$ 1,500,000
Golf and Recreation Utility Operating Fund	\$ 900,000

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 4: Pension Plans

Township employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Township contributions to PERS amounted to \$2,387,541 for 2018.

The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability was \$54,480,632 for its proportionate share of the net pension liability. 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 members, actuarially determined. At June 30, 2018, the Township's proportion was 0.277%, which was an increase of 0.023% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Township recognized actual pension expense in the amount of \$2,387,541.

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 Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. 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 Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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' target asset allocation as of June 30, 2018 are summarized in the following table:

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Management 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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

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 upon the contribution rate in the most recent fiscal year. 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 June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

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

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 collective net pension liability as of June 30, 2018, calculated using the discount rate as disclosed below, 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 or 1-percentage-point higher than the current rate:

	June 30, 2018		
	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	\$ 68,503,118	\$ 54,480,632	\$ 42,716,664

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

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

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after 4 years of service.

The following represents the membership tiers for PFRS:

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of the retirement system, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual amounts over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of the assets.

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2018 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2018 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

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

Special Funding Situation (Cont'd)

Township contributions to PFRS amounted to \$3,060,260 for the year ended December 31, 2018. During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$387,314 to the PFRS for normal pension benefits on behalf of the Township, which is less than the contractually required contribution of \$774,628.

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

Pension Liabilities and Pension Expense

At June 30, 2018, the Township's liability for its proportionate share of the net pension liability was \$48,145,644. 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 members, actuarially determined. At June 30, 2018, the Township's proportion was 0.356%, which was an increase of 0.010% from its proportion measured as of June 30, 2017.

Additionally, the State's proportionate share of the net pension liability attributable to the Township is \$6,539,790 as of June 30, 2018. 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 State's proportionate share of the net pension liability associated with the Township was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the State's proportion was 0.356%, which was an increase of 0.010% from its proportion measured as of June 30, 2017 which is the same proportion as the Township's.

Township's Proportionate Share of the Net Pension Liability	\$ 48,145,644
State's Proportionate Share of the Net Pension Liability Associated with the Township	<u>6,539,790</u>
Total Net Pension Liability	<u>\$ 54,685,434</u>

For the year ended December 31, 2018, the Township recognized total pension expense of \$3,060,260.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

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

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 Increases:	
Through 2026	2.10 - 8.98% based on age
Thereafter	3.10 - 9.98% based on age
Investment Rate of Return	7.00%

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 Conduent modified 2014 projection scale thereafter. For pre-retirement accidental 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 generational basis using Projection Scale AA from base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement 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 of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability retirement rates were based on a custom table with representative rates and no mortality improvement assumed.

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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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 PFRS' target asset allocation as of June 30, 2018 are summarized in the following table:

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Management 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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – PFRS

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 pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 4: Pension Plans (Cont'd)

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

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Township) to Changes in the Discount Rate

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

June 30, 2018			
	At 1% Decrease (5.51%)	At Current Discount Rate (6.51%)	At 1% Increase (7.51%)

Township's proportionate share of the NPL and the

State's proportionate share of the Net Pension

Liability associated with the Township	\$ 73,189,667	\$ 54,685,434	\$ 39,422,812
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Plan Fiduciary Net Position – PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Township recognized pension expense of \$11,228 for the year ended December 31, 2018. Employee contributions to DCRP amounted to \$15,460 for the year ended December 31, 2018.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 5: School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Township of Parsippany-Troy Hills has elected not to defer school taxes.

Note 6: Accrued Sick and Vacation Benefits

The Township permits employees to accrue a limited amount of unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$7,222,810 at December 31, 2018. This amount is not reported either as expenditure or a liability. It is expected that the cost of such unpaid compensation would be included in the Township's budget operating expenditures in the year in which it is used.

The reserve for accumulated sick and vacation compensation of \$640,000 reflected on the Other Trust Funds' balance sheet as of December 31, 2018 represents partial funding of the total estimated amount.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1.

A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid Taxes of the current year may be placed in lien at a tax sale held after December 10.

Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Tax Rate</u>	<u>\$ 2.883</u>	<u>\$ 2.818</u>	<u>\$ 2.769</u>
<u>Apportionment of Tax Rate</u>			
Municipal	0.670	0.654	0.654
County	0.312	0.314	0.304
Local School	1.901	1.850	1.811
<u>Assessed Valuations</u>			
2018	<u>\$ 7,203,911,900</u>		
2017		<u>\$ 7,189,343,350</u>	
2016			<u>\$ 7,161,830,200</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparison of Tax Levies and Collection Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collections</u>
2018	\$ 212,964,361	\$ 211,751,826	99.43%
2017	207,150,201	205,932,406	99.41%
2016	202,441,385	201,086,010	99.33%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost. The Township classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Township in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Township limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following page.

Custodial Credit Risk – The Township's policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits:

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 8: Cash and Cash Equivalents and Investments (Cont'd)

Deposits: (Cont'd)

United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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.

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 8: Cash and Cash Equivalents and Investments (Cont'd)

Investments (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2018, cash and cash equivalents of the Township of Parsippany-Troy Hills consisted of the following:

<u>Fund</u>	<u>Cash and Cash Equivalents</u>		<u>Investments</u>	<u>Total</u>
	<u>Cash on Hand</u>	<u>Checking Accounts</u>	<u>Certificate of Deposits</u>	
Current Fund	\$ 815	\$ 3,056,519	\$ 10,244,205	\$ 13,301,539
Animal Control Trust Fund	50	75,117		75,167
Other Trust Fund		22,048,572		22,048,572
General Capital Fund		11,915,880		11,915,880
Water Utility Operating Fund		5,711,790		5,711,790
Water Utility Capital Fund		4,835,977		4,835,977
Sewer Utility Operating Fund		7,027,615	3,060,150	10,087,765
Sewer Utility Capital Fund		11,240,720		11,240,720
Golf and Recreation Utility Operating Fund	1,800	1,934,440		1,936,240
Golf and Recreation Utility Capital Fund		5,311,149		5,311,149
Public Assistance Fund		89,159		89,159
	<u>\$2,665</u>	<u>\$73,246,938</u>	<u>\$ 13,304,355</u>	<u>\$86,553,958</u>

The carrying amount of the Township's cash and cash equivalents and investments at December 31, 2018, was \$86,553,958 and the bank balance was \$88,462,302.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 9: Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township of Parsippany-Troy Hills is a member of the Garden State Municipal Joint Insurance Fund. This Fund is both an insured and self-administered group of municipalities established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum.

The following coverages are offered by the fund to its members:

- a.) Liability Other Than Motor Vehicles
- b.) Property Damage Other Than Motor Vehicles
- c.) Motor Vehicle
- d.) Public Officials' Liability/Employment Practices Coverage
- e.) Environmental Coverage

As a member of the Fund, the Township could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

The December 31, 2018 audit report for this fund was not filed as of the date of this report. Selected financial information for the Fund as of December 31, 2017 is as follows:

Total Assets	<u>\$ 49,959,759</u>
Net Position	<u>\$ 6,825,455</u>
Total Revenue	<u>\$ 31,024,728</u>
Total Expenses	<u>\$ 29,235,793</u>
Change in Net Position	<u>\$ 1,788,935</u>
Members Dividends	<u>\$ -0-</u>

Financial statements for the fund are available at the Office of the Executive Director:

Garden State Municipal Joint Insurance Fund
900 Route 9 North, Suite 503
Woodbridge, NJ 07095-1003
800-446-7647

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 9: Risk Management (Cont'd)

The Township is self-insured to the extent of the amounts "deductible" from umbrella insurance coverage for Workers' Compensation and Health Benefits.

Health Benefits Insurance

Coverage is provided by an excess risk insurance policy, issued by the American National Insurance Company with coverages detailed as follows:

A. Specific Loss:

The Township will pay the Specific Deductible amount of \$125,000 per policy period per covered person.

B. Aggregate Loss:

The maximum aggregate reimbursement is \$1,000,000 per policy period.

Processing and payment of claims is administered by Meritain Health.

There is a provision included in the financial statements in the Other Trust Fund – Reserve for Employee Health Benefit for claims incurred but not reported as of December 31, 2018 of \$2,669,351, which exceeds the estimated amount for unpaid losses and loss adjustment expenses, provided by the Township Health Insurance Advisor.

A summary of activity in the Other Trust Fund Reserve for Employee Benefit Self Insurance Fund - Contractor fund is detailed as follows:

	<u>2018</u>	<u>2017</u>
Balance, Beginning of the Year	\$ 386,031	\$ 253,840
Provision for Insured Events	<u>12,390,785</u>	<u>11,850,370</u>
	12,776,816	12,104,210
Claims and Claim Adjustment Expenses		
Attributable to Insured Events	<u>12,774,804</u>	<u>11,718,179</u>
Balance, End of the Year	<u>\$ 2,012</u>	<u>\$ 386,031</u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 9: Risk Management (Cont'd)

Workers' Compensation

Umbrella insurance coverage currently in force is carried for excess Workers' Compensation claims with specified limits detailed as follows:

A. Specific Loss:

The Township can pay no more than \$400,000 for each occurrence.

There has been no provision included in the financial statements for loss reserves as of December 31, 2018.

Claims for excess workers' compensation are funded on a cash basis through a loss fund which is administered by D and H Alternative Risk Solutions. A summary of the workers' compensation fund held by the insurance agent is detailed as follows on the next page:

	<u>2018</u>	<u>2017</u>
Balance, Beginning of the Year	\$ 87,757	\$ 102,996
Provisions for Insured Events	<u>1,146,190</u>	<u>772,717</u>
	1,233,947	875,713
Claims and Claim Adjustment Expenses		
Attributable to Insured Events	<u>1,127,496</u>	<u>787,956</u>
Balance, End of the Year	<u>\$ 106,451</u>	<u>\$ 87,757</u>

In addition to the above amount, the Township has also included a reserve on the Trust Fund balance sheet for \$435,373.

Workers' Compensation Loss Reserves

The liability for unpaid losses and loss adjustment expenses represents an estimate of the ultimate net cost of reported losses and loss adjustment expenses as of December 31, 2018. This estimate is based on the estimated ultimate cost of settling the reported claims considering the historical experience, various other industry statistics, including the effects of inflation and other societal or economic factors. The ultimate cost may be more or less than the estimated liability. The unpaid losses are stated net of any recoveries from excess loss insurance and reinsurance coverages. A reserve has been established in the Other Trust Fund Reserve for Workers' Compensation in the amount of \$541,824.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 9: Risk Management (Cont'd)

Workers' Compensation Loss Reserves (Cont'd)

Loss reserves, at December 31, 2018 and 2017, respectively, which have been estimated by the Fund's Actuary and Servicing Agents, are as follows:

	<u>2018</u>	<u>2017</u>
Case Reserves	\$ 4,908,332	\$ 2,059,035
Less: Excess Coverage	<u>3,752,692</u>	<u>939,396</u>
Total Loss Reserves (Expenses)	<u>\$ 1,155,640</u>	<u>\$ 1,119,639</u>

New Jersey Unemployment Compensation Insurance

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

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

<u>Year</u>	<u>Township Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 162,750	\$ 98,027	\$ 41,967	\$ 526,644
2017	250,000	23,585	60,016	307,834
2016		47,028	120,037	94,265

Note 10: Deferred Compensation Plan

The Township of Parsippany-Troy Hills offers its employees three deferred compensation plans (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plans, which are administered by American United Life Insurance Company, Metropolitan Life Insurance Company and Lincoln Financial, are available to all Township employees and permit participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 11: Interfund Receivables and Payables

The following interfund balances remain on the balance sheet at December 31, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 668,226	\$ 877,624
Federal and State Grand Fund	596,854	
Animal Control Fund	2	
Other Trust Funds	3,891	902,988
General Capital Fund	515,725	
Water Utility Operating Fund	43	
Sewer Utility Operating Fund		238
Golf and Recreation Utility Operating Fund		3,891
	<u>\$ 1,784,741</u>	<u>\$ 1,784,741</u>

The Township utilizes the Current Fund as a clearing account for receipts and disbursements of the other funds. The Chief Financial Officer monitors all interfund for these accounts and liquidates them on a monthly basis.

Note 12: Commitments and Contingencies

The Township is periodically involved in various lawsuits arising in the normal course of the Township's operations including claims for property damage, personal injury and various contract disputes. The ultimate effect of such litigation cannot be ascertained at this time since they are currently in various stages of discovery. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Township's financial position and operations as of December 31, 2018.

Amounts received or receivable from grantors, principally the federal and state governments are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Township as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Township officials expect such amounts, if any, to be immaterial.

Various tax appeals on assessed valuations have been filed against the Township and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Township Tax Assessor will aggressively defend the Township's assessments. The Township has established a reserve for this contingency in the amount of \$1,337,235.

The Township bills the Township of East Hanover, and three other municipalities for sewer usage. Currently, the Township is in dispute as to how much the Township of East Hanover owes Parsippány-Troy Hills. The amount recorded as receivable on the Sewer Utility Fund balance sheet at December 31, 2018 is fully reserved, therefore the possible cancellation of part of the receivable will not impact operations, but would reduce the receivable and offsetting reserve.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 13: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, the Township had the following deferred charges:

	Balance Dec. 31, 2018	Required 2019 Budget Appropriation	Balance to Years Subsequent Budgets
Current Fund:			
Special Emergency Appropriation	\$ 1,883,895	\$ 625,123	\$ 1,258,772

The appropriation in the 2019 budget is not less than that required by statute.

Note 14: Economic Dependency

The Township receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Township's programs and activities.

Note 15: Tax Abatements

Governmental Accounting Standards Board requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

As of December 31, 2018, the Township provides a tax abatement to a redeveloper of BT Property, LLC in the Township pursuant to N.J.S.A 40A:20-1 et seq., the Long Term Tax Exemption Law, and a financial agreement between the Township and the redeveloper. The agreement is for a period of 30 years. 2017 was the first year in which the payments under this agreement was effective.

In consideration of the Township granting the redeveloper this tax abatement the developer will be required to pay to the Township an annual service charge as follows: Stage One (years 1-15) – the annual service charge will be the greater of the minimum annual service charge or 10% of gross revenue; Stage Two (years 16-21) – the annual service charge as defined in Stage One or 20% of the amount of taxes otherwise due on the value of the land and improvements, whichever is greater; Stage 3 (years 22-27) - – the annual service charge as defined in Stage One or 40% of the amount of taxes otherwise due on the value of the land and improvements, whichever is greater; Stage 4 (years 28-29) - – the annual service charge as defined in Stage One or 60% of the amount of taxes otherwise due on the value of the land and improvements, whichever is greater; Stage 5 (year 30) - – the annual service charge as defined in Stage One or 80% of the amount of taxes otherwise due on the value of the land and improvements, whichever is greater. The minimum annual service charge per the agreement shall be the amount of total taxes levied against all real property in the area covered under this tax abatement in the last full tax year in which that area was subject to taxation, and

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 15: Tax Abatements (Cont'd)

the minimum annual service charge shall be paid in each year in which the other provisions of the financial agreement would result in less than the minimum annual service charge being paid. In the event that the net profits on the redevelopment property exceed the allowable net profits for such period the redeveloper shall pay such excess net profits to the Township as an additional service charge. Additionally, the Township shall remit to the County of Morris on a quarterly basis, 5% of the Annual Service Charge received from the redeveloper in accordance with N.J.S.A. 40A:20-12b. The Township recognized revenue in the amount of \$388,220 from this annual service charge or payment in lieu of taxes recorded as an anticipated miscellaneous revenue in the Current Fund. The taxes which would have been paid on this property for 2018 without the abatement would have been \$973,269 of which \$206,267 would have been for the local municipal tax and municipal open space tax.

In the event that the redeveloper fails to make the required Annual Service Charge payment within the required period of time which would constitute a breach of the agreement, the Township has the right as one of the allowable remedies to proceed against the redeveloper pursuant to the In-Rem Foreclosure Act. Upon the termination or expiration of this agreement the property under this agreement shall be assessed and taxed as applicable to other taxable property within the Township.

Note 16: Postemployment Benefits Other than Pensions (OPEB)

A. General Information about the Township's OPEB Plan

Plan Description and Benefits Provided

Employees who retire from the Township may be eligible for post-employment medical, prescription drug, dental, and vision benefits based on the number of years of service completed. Police officers and their dependents are eligible for both pre-65 and post-65 subsidized retirement coverage, whereas the remaining units receive pre-65 retirement coverage only.

Retiree medical benefits provided by the Township are fully insured through Aetna Health with three plan offerings; Open Access Plus, OA Plus for Supervisors, and Traditional (Passive) PPO. For pharmacy benefits, 3 copay options are available to retirees based on unit. Two dental plans are available to retirees and is self-funded. Vision benefits are also available to retirees and is fully insured through VSP.

Base plan costs for all benefits for pre-65 and post-65 retirees are based on fully insured premium rates for the 2018 and 2019 plan years. Plan costs are based 100% before retiree contributions and assumed to include all administrative expenses and PPACA fees due at this time. The medical and prescription drug costs reflect a combined active and retiree population (pre-65 and post-65), therefore adjustments were necessary to convert the base plan costs into specific pre-65 and post-65 retiree costs to appropriately reflect Medicare integration and plan morbidity.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 16: Postemployment Benefits Other than Pensions (OPEB) (Cont'd)

A. General Information about the Township's OPEB Plan (Cont'd)

Retiree Contribution Rates

Contribution rates for future retirees will be based on the State of New Jersey's new contribution formula per implementation of Chapter 78. Contributions are calculated using a varying formula based on the retirees' base salary at retirement with a minimum contribution of 1.5% of base salary. Active employees hired prior to implementation of Chapter 78 with less than 20 years of service at implementation had their contribution phased in over a 4-year period. Employees hired on or after June 28, 2011 will have their contribution set at the highest year 4 contribution level. As the 4-year phase in period has expired, all active employees' contribution level is at the highest level.

Contributions for current retirees and future retirees with 20 years of service or more of service at June 28, 2011 are 0%.

Employees Covered by Benefit Terms

As of May 2019, there was a total of 609 active employees and retirees, reflecting the sum of 450 active employees (400 electing coverage and 50 waiving coverage) and 159 retirees including 15 surviving spouses. For valuation purposes, it is assumed that 100% of individuals waiving coverage elect coverage in retirement at the coverage tier indicated in the census. In addition, the current census includes 240 active Police retirees and active employees as opposed to prior valuations, which included 90 and 100 Police retirees and active employees. This change in Police count has a dramatic effect on the Net OPEB liability.

Total OPEB Liability

The Township's OPEB liability of \$225,952,916 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.80%
Salary Increases	3.00% per year

The selected discount rate is based on the prescribed discount interest rate methodology under GASB 74/75 using an average of three 20-year bond indices (e.g. Bond Buyer 20 Bond GO – 4.09%, S&P Municipal Bond 20 Year High Grade Rate Index – 3.64%, and Fidelity GA AA 20 years – 3.71% as of December 31, 2018).

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 16: Postemployment Benefits Other than Pensions (OPEB) (Cont'd)

A. General Information about the Township's OPEB Plan (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

The following assumptions are used for annual healthcare cost inflation (trend):

Health Care Trend Rates	Year	Pre 65	Post 65
Year 1 Trend	January 1, 2020	8.00%	8.00%
Ultimate Trend	2026 & Later	5.00%	5.00%
Grading per Year		0.50%	0.50%

The mortality table used for the current valuation was the RP 2014 Healthy Male and Female Tables based upon the Combined Healthy Table for both pre and post-retirement with mortality improvement using the most current Society of Actuaries Mortality Improvement Scale MP-2018.

The valuation is based on the decrement tables from the New Jersey Public Employees' Retirement System (PERS) and the New Jersey Police and Firemen's Retirement System (PFRS). Decrement tables are based on the July 1, 2017 Annual Report of the Actuary for both PERS and PFRS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2018	\$ 220,901,164
Changes for Year:	
Service Cost	1,827,457
Interest on total OPEB Liability	8,297,847
Benefit Payments	<u>(5,073,552)</u>
Net Changes	<u>5,051,752</u>
Balance at December 31, 2018	<u><u>\$ 225,952,916</u></u>

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 16: Postemployment Benefits Other than Pensions (OPEB) (Cont'd)

A. General Information about the Township's OPEB Plan (Cont'd)

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

The following presents the total OPEB liability of the Township as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage lower (2.80 percent) or 1 percentage higher (4.80 percent) than the current discount rate:

	December 31, 2018		
	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	\$ 282,859,302	\$ 225,952,916	\$ 185,332,496

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

The following presents the total OPEB liability of the Township as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage lower or 1 percentage higher than the valuation healthcare cost trend rates:

	December 31, 2018		
	1% Decrease	Valuation Healthcare Trend Rates	1% Increase
Total OPEB Liability	\$ 180,034,772	\$ 225,952,916	\$ 288,122,952

OPEB Expense

For the year ended December 31, 2018, the Township's OPEB expense was \$10,125,304 as determined by the actuarial valuation.

Actual retiree payments to 159 retired employees in 2018 is estimated to be \$5,073,552.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 16: Postemployment Benefits Other than Pensions (OPEB) (Cont'd)

B. State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 16: Postemployment Benefits Other than Pensions (OPEB) (Cont'd)

B. State Health Benefit Local Government Retired Employees Plan (Cont'd)

Contributions

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

Special Funding Situation

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

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information.

Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2016 through June 30, 2017. Employer and nonemployer allocation percentages were rounded for presentation purposes.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 16: Postemployment Benefits Other than Pensions (OPEB) (Cont'd)

B. State Health Benefit Local Government Retired Employees Plan

OPEB Expense

The total OPEB liability as of June 30, 2018 was not available from the State of New Jersey Division of Pensions and Benefits as of the date of this report. 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.

At June 30, 2017, the State's proportionate share of the net OPEB liability attributable to the Township at June 30, 2017 was \$32,488,672. At June 30, 2017, the State's proportion related to the Township was .373630%. This is the percentage of the total State share of the net OPEB liability of the plan.

For the year ended June 30, 2017, the State of New Jersey's OPEB expense related to the Township was \$2,325,087.

Actuarial Assumptions and Other Inputs

The actuarial 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 Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% to 9.98%

* - Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

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 MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health 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.

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

TOWNSHIP OF PARSIPPANY-TROY HILLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 16: Postemployment Benefits Other than Pensions (OPEB) (Cont'd)

B. State Health Benefit Local Government Retired Employees Plan

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 was 3.58%. The discount rate for June 30, 2016 was 2.85%. This represents the municipal bond 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.

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APPENDIX C

FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL

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November 14, 2019

Township Council of the
Township of Parsippany-Troy Hills, in the
County of Morris, New Jersey

Dear Council Members:

We have acted as bond counsel to the Township of Parsippany-Troy Hills, in the County of Morris, New Jersey (the "Township") in connection with the issuance by the Township of the \$39,880,000 General Obligation Bonds, Series 2019, consisting of \$20,885,000 General Improvement Bonds, \$7,670,000 Water Utility Bonds, \$9,570,000 Sewer Utility Bonds and \$1,755,000 Open Space Bonds (collectively, the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction, and have undertaken such research and analyses as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, resolutions of the Township adopted on October 15, 2019 pursuant to N.J.S.A. 40A:2-26(f), each in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding general obligations of the Township, and the Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable real property within the Township for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in the Certificate, it is our opinion that, 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. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum

tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,

November 14, 2019

Township Council of the
Township of Parsippany-Troy Hills, in the
County of Morris, New Jersey

Dear Council Members:

We have acted as bond counsel to the Township of Parsippany-Troy Hills, in the County of Morris, New Jersey (the "Township") in connection with the issuance by the Township of the \$16,000,000 Bond Anticipation Note, Series 2019, dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction, and have undertaken such research and analyses as we have deemed necessary.

The Note is issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinances of the Township listed in the Certificate of Determination and Award dated the date hereof, each in all respects duly approved and published as required by law. The Note is temporary obligations issued in anticipation of the issuance of bonds.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Note is a valid and legally binding obligation of the Township, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the Township without limitation as to rate or amount.

On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Note in order to preserve the tax-exempt status of the Note pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note. In the event that the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in the Certificate, it is our opinion that, under existing law, interest on the Note is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the

Note. Further, in our opinion, based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,