

## OFFICIAL STATEMENT DATED DECEMBER 7, 2021

### NEW ISSUE

**RATINGS: Moody's: MIG-1 (Tax-Exempt Note)  
MIG-1 (Taxable Note)  
(See "RATINGS" herein)**

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by Princeton (as defined herein) with certain tax covenants described herein, under existing law, interest on the Tax-Exempt Note (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 Tax-Exempt Note 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 Notes 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.*

### **PRINCETON, IN THE COUNTY OF MERCER, NEW JERSEY**

<b>\$8,900,000</b>	<b>\$3,500,000</b>
<b>BOND ANTICIPATION NOTES, SERIES 2021A</b>	<b>BOND ANTICIPATION NOTES, SERIES 2021B</b>
<b>(Book-Entry-Only) (Non-Callable)</b>	<b>(FEDERALLY TAXABLE)</b>
	<b>(Non-Callable)</b>
<b>Interest Rate: 1.25%</b>	<b>Interest Rate: 0.45%</b>
<b>Yield: 0.19%</b>	<b>Yield: 0.45%</b>
<b>CUSIP: 742287DC6</b>	<b>CUSIP: N/A</b>

**Dated:** Date of Delivery

**Due:** December 14, 2022

The \$8,900,000 Bond Anticipation Notes, Series 2021A (the "Tax-Exempt Note") of Princeton, in the County of Mercer, New Jersey ("Princeton"), will be issued in the form of one certificate for the aggregate principal amount of the Tax-Exempt Note, 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 the securities depository. Interest on the Tax-Exempt Note will be credited to the participants of DTC, as listed on its records, as of one business day prior to maturity. See "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the Tax-Exempt Note shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

The \$3,500,000 Bond Anticipation Notes, Series 2021B (Federally Taxable) (the "Taxable Note", together with the Tax-Exempt Note, the "Notes") of Princeton will be issued in the form of one certificate for the aggregate principal amount of the Taxable Note, and when issued, will be registered in the name of the purchaser thereof. Principal of and interest due on the Taxable Note will be credited to the registered owner thereof, as of one business day prior to maturity. Interest on the Taxable Note shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

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

The Notes are valid and legally binding obligations of Princeton and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within Princeton for the payment of the principal thereof and interest thereon 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.**

The Notes will be offered when, as and if issued and delivered to the Purchasers (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 to Princeton in connection with the issuance of the Notes. Delivery of the Taxable Note will be to the purchaser thereof on or about December 14, 2021. Delivery of the Tax-Exempt Note is anticipated to be via DTC in New York, New York, on or about December 14, 2021.

**PIPER | SANDLER**  
(Purchaser with respect to the Tax-Exempt Note)

**PRINCETON,  
IN THE COUNTY OF MERCER, NEW JERSEY**

**MAYOR**

Mark Freda

**PRINCETON COUNCIL MEMBERS**

Leticia Fraga, Council President  
David Cohen  
Eve Niedergang  
Dwayne Williamson  
Mia Sacks  
Michelle Pirone Lambros

**CHIEF FINANCIAL OFFICER**

Sandra Webb

**PRINCETON ATTORNEY**

Trishka Waterbury Cecil, Esquire  
Mason, Griffin & Pierson, P.C.  
Princeton, New Jersey

**AUDITOR**

PKF O'Connor Davies, LLP  
Cranford, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by Princeton to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by Princeton 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 Purchasers or, as to information from sources other than itself, by Princeton. 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 made 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 Princeton 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 Princeton from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Notes described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by Princeton.

"CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence, a part of S&P Global, Inc. The CUSIP number listed on the cover page hereof is being provided solely for the convenience of Tax-Exempt Noteholders only at the time of issuance of the Tax-Exempt Note, and Princeton does not make any representations with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number for the Tax-Exempt Note is subject to being changed after the issuance of the Tax-Exempt Note as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of the Tax-Exempt Note or the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Tax-Exempt Note.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be used, in whole or in part, for any other purpose.

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 NOTES 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 has it verified the accuracy or completeness thereof, and, accordingly, expresses no opinion with respect thereto.

## TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION .....	1
THE NOTES .....	1
General Description .....	1
Redemption .....	2
BOOK-ENTRY-ONLY SYSTEM .....	2
Discontinuation of Book-Entry-Only System .....	4
AUTHORIZATION AND PURPOSE OF THE NOTES .....	4
Tax-Exempt Note .....	4
Taxable Note .....	5
INFECTIOUS DISEASE OUTBREAK – COVID-19 .....	5
SECURITY AND SOURCE OF PAYMENT .....	6
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES .....	6
Local Bond Law (N.J.S.A. 40A:2-1 <u>et seq.</u> ) .....	6
Local Budget Law (N.J.S.A. 40A:4-1 <u>et seq.</u> ) .....	7
Tax Assessment and Collection Procedure .....	10
Tax Appeals .....	10
Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 <u>et seq.</u> ) .....	10
TAX MATTERS .....	11
Tax-Exempt Note .....	11
Taxable Note .....	13
State Taxation .....	15
FINANCIAL STATEMENTS .....	15
LITIGATION .....	15
SECONDARY MARKET DISCLOSURE .....	16
MUNICIPAL BANKRUPTCY .....	17
APPROVAL OF LEGAL PROCEEDINGS .....	17
PURCHASING .....	17
Tax-Exempt Note .....	17
Taxable Note .....	18
RATINGS .....	18
MUNICIPAL ADVISOR .....	18
CLOSING CERTIFICATES .....	18
PREPARATION OF OFFICIAL STATEMENT .....	18
ADDITIONAL INFORMATION .....	19
MISCELLANEOUS .....	19
 CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT PRINCETON, IN THE COUNTY OF MERCER, NEW JERSEY .....	 Appendix A
 EXCERPTS FROM FINANCIAL STATEMENTS OF PRINCETON, IN THE COUNTY OF MERCER, NEW JERSEY .....	 Appendix B
 FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL .....	 Appendix C

**OFFICIAL STATEMENT**  
**Relating to the**  
**PRINCETON,**  
**IN THE COUNTY OF MERCER, NEW JERSEY**  
  
**\$8,900,000**  
**BOND ANTICIPATION NOTES, SERIES 2021A**  
  
**and**  
  
**\$3,500,000**  
**BOND ANTICIPATION NOTES, SERIES 2021B**  
**(FEDERALLY TAXABLE)**

**INTRODUCTION**

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by Princeton (“Princeton”), in the County of Mercer (the “County”), New Jersey (the “State”), in connection with the sale and issuance of \$8,900,000 Bond Anticipation Notes, Series 2021A (the “Tax-Exempt Note”) and \$3,500,000 Bond Anticipation Notes, Series 2021B (Federally Taxable) (the “Taxable Note”, together with the Tax-Exempt Note, the “Notes”). This Official Statement has been executed by and on behalf of Princeton by its Chief Financial Officer and may be distributed in connection with the sale of the Notes described herein.

This Official Statement contains specific information relating to the Notes 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 Princeton from its records, except for information expressly attributed to other sources.

This Official Statement is “deemed final,” as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

**THE NOTES**

**General Description**

The Tax-Exempt Note may be purchased in book-entry-only form in the amount of \$5,000 or any integral multiple 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. The Tax-Exempt Note is dated, will mature on the due date and in the amount and will bear interest payable at the interest rate, as set forth on the cover page hereof. So long as DTC or its nominee, Cede & Co. (or any successor or assignee), is the registered owner of the Tax-Exempt Note, payment of the principal of and interest on the Tax-Exempt Note will be made by Princeton (or its designated paying agent) directly to Cede & Co. (or any successor or assignee), as nominee of DTC. Interest on the Tax-Exempt Note will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to maturity. Interest on the Tax-Exempt Note shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

The Taxable Note will be issued in the form of one certificate for the aggregate principal amount of the Taxable Note and when issued will be registered in the name of the purchaser thereof. The Taxable Note may be purchased in the amount of \$5,000 or any integral multiple in excess thereof. The Taxable Note is dated, will mature on the due date and in the amount and will bear interest payable at the interest rate, as set forth on the cover page hereof. Principal of and interest due on the Taxable Note will be credited to the registered owner thereof as of one business day prior to maturity. Interest on the Taxable Note shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

## **Redemption**

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

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

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Tax-Exempt Note, payment of principal and interest and other payments on the Tax-Exempt Note to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Tax-Exempt Note and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to Princeton. Accordingly, Princeton does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Tax-Exempt Note. The Tax-Exempt Note will be issued as fully registered securities 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 note certificate will be issued for the Tax-Exempt Note, in the aggregate principal amount of the Tax-Exempt 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, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Tax-Exempt Note under the DTC system must be made by or through Direct Participants, which will receive a credit for the Tax-Exempt Note on DTC's records. The ownership

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

To facilitate subsequent transfers, all securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Tax-Exempt Note with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Tax-Exempt Note; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Tax-Exempt Note 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 Tax-Exempt Note unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Princeton or its paying agent, if any, as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Tax-Exempt Note are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, if applicable, and distributions on the Tax-Exempt Note 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 Princeton 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 Princeton, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Princeton 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 Tax-Exempt Note at any time by giving reasonable notice to Princeton or the paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

Princeton may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Tax-Exempt 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 Princeton believes to be reliable, but Princeton takes no responsibility for the accuracy thereof.

THE INFORMATION CONTAINED IN THIS SUBSECTION "BOOK-ENTRY-ONLY SYSTEM" HAS BEEN PROVIDED BY DTC. PRINCETON 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.

PRINCETON 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 HOLDERS OF THE TAX-EXEMPT NOTE; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST DUE ON THE TAX-EXEMPT NOTE; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS NOMINEE OF DTC AND THE REGISTERED OWNER OF THE TAX-EXEMPT NOTE. 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 Princeton, 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 Tax-Exempt Note at any time, Princeton will attempt to locate another qualified securities depository. If Princeton fails to find such a securities depository, or if Princeton determines, in its sole discretion, that it is in the best interest of Princeton or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (Princeton undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), Princeton shall notify DTC of the termination of the book-entry-only system.

#### **AUTHORIZATION AND PURPOSE OF THE NOTES**

The Notes have been authorized by 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"), and the bond ordinances adopted by Princeton Council referred to in the charts below.

#### **Tax-Exempt Note**

Proceeds of the Tax-Exempt Note will be used to: (i) temporarily finance the acquisition of open space in and by Princeton in the amount of \$8,900,000; and (ii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Tax-Exempt Note.



<b>Bond Ordinance Number</b>	<b>Description of Improvement and Date of Adoption of Bond Ordinance</b>	<b>Amount Funded from Tax-Exempt Note Proceeds</b>
#2021-33	Acquisition of Open Space in and by Princeton, finally adopted November 8, 2021.	<u>\$8,900,000</u>
	<b>TOTAL TAX-EXEMPT NOTE PROCEEDS:</b>	<b><u>\$8,900,000</u></b>

### **Taxable Note**

Proceeds of the Taxable Note will be used to: (i) temporarily finance the implementation of an affordable housing project in and by Princeton in the amount of \$3,500,000; and (ii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Taxable Note.

<b>Bond Ordinance Number</b>	<b>Description of Improvement and Date of Adoption of Bond Ordinance</b>	<b>Amount Funded from Taxable Note Proceeds</b>
#2021-30	Implementation of an Affordable Housing Project in and by Princeton, finally adopted October 11, 2021.	<u>\$3,500,000</u>
	<b>TOTAL TAXABLE NOTE PROCEEDS:</b>	<b><u>\$3,500,000</u></b>

### **INFECTIOUS DISEASE OUTBREAK – COVID-19**

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the "Governor") of the State of New Jersey declared a state of emergency and a public health emergency on March 9, 2020, due to the outbreak of COVID-19, which has spread throughout the State and to all counties within the State. The Governor has also instituted mandatory measures via various executive orders to contain the spread of the virus. These measures, which alter the behavior of businesses and people, have had and may continue to have impacts on regional, state and local economies. Throughout the COVID-19 pandemic, the Governor has signed multiple executive orders instituting mitigation protocols limiting certain activities as well as permitting the resumption of certain activities, based on the evolution of the COVID-19 pandemic within this State. On June 4, 2021, the Governor signed legislation enabling the end of the public health emergency and keeping certain executive orders in place until January 1, 2022, though such executive orders may be modified or rescinded prior to that date by the Governor. The declaration of the state of emergency remains in effect as of the date hereof.

As of December 31, 2020, Princeton's finances and operations had certain reduced revenue streams due to the COVID-19 pandemic; however, the overall finances and operations of Princeton have not been materially and adversely affected due to the COVID-19 outbreak. The finances and operations of Princeton may be materially and adversely affected going forward as a result of the COVID-19 pandemic through reduced or delayed revenue streams, which include the collection of property taxes, which is Princeton's primary revenue source for supporting its budget. Princeton cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize

and maintain facilities, or costs to operate remotely and support Princeton's functions and critical government actions during an outbreak, or any resulting impact such costs could have on Princeton's operations. The degree of any such impact to Princeton's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 pandemic, including uncertainties relating to its (i) duration and (ii) severity, as well as with regard to what additional actions may be taken by governmental and other health care authorities to manage the COVID-19 pandemic.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 12, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

The Plan includes various forms of financial relief including up to \$1,400 increase in direct stimulus payments and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as Princeton.

Based on available information as of November 1, 2021, Princeton is expected to receive approximately \$6 million from the Plan. Such funds are expected to be received in two equal payments, one within 60 days of enactment of the Plan and the balance no earlier than 12 months from the initial payment. The deadline to spend the funds is December 31, 2024. Generally, according to the Plan, the allowable use of the funds to be provided to Princeton include the following categories: (a) to respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of Princeton that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; (c) for the provision of government services to the extent of the reduction in revenue due to the public health emergency relative to revenues collected in the most recent full fiscal year of Princeton prior to the emergency; and (d) to make necessary investments in water, sewer or broadband infrastructure.

## **SECURITY AND SOURCE OF PAYMENT**

The Notes are valid and legally binding obligations of Princeton, and Princeton has pledged its full faith and credit for the payment of the principal of and the interest on the Notes. Princeton is required by law to levy *ad valorem* taxes upon all the taxable property within Princeton for the payment of the principal of and the interest on the Notes without limitation as to rate or amount.

## **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 Princeton are general full faith and credit obligations.

The authorized bonded indebtedness of Princeton 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 Princeton, as annually determined by the State Director of Taxation, is shown in Appendix A.

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.

As shown in Appendix A, Princeton has not exceeded its statutory debt limit.

Princeton 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, Princeton 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 Princeton or substantially reduce the ability of Princeton 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 Princeton 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).

Princeton 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 bond 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 bond anticipation notes’ maturity to the end of the tenth fiscal year in which the bond anticipation 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 bond anticipation 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 State 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, revaluation 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.

Under legislation recently enacted to address the COVID-19 emergency, P.L. 2020, c. 74 (A3971), a local unit may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten years. The Director may also promulgate guidelines modifying

the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Emergency Management Agency Community Disaster Loan for which it executed a promissory note in 2013.

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 fiscal year. Appropriation reserves may also be transferred during the first three months of the fiscal 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 "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations, except those 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 year's 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 Princeton to levy *ad valorem* taxes upon all taxable property within Princeton 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 Princeton'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, the 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 mailed annually in June by Princeton. 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. On April 28, 2020, the Governor of the State issued Executive Order 130 pursuant to which the deadline for the payment of taxes due on May 1, 2020, was extended to June 1, 2020.

By State statute, 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, or such lower interest penalty rates as determined by Princeton from time to time. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State statutes. A table detailing tax title liens is included in Appendix "A". Princeton has not taken action to reduce the interest penalty rate.

## **Tax Appeals**

State statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, Princeton 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. On May 28, 2020, legislation was passed that temporarily extends the deadline to file a property tax appeal to July 1, 2020, and the deadline for county boards of taxation to render decisions in tax appeal cases to September 30, 2020. The bill applies retroactively to April 1, 2020.

## **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, 2020, for Princeton is on file with the Clerk and is available for review during business hours.

## **TAX MATTERS**

### **Tax-Exempt Note**

#### *Exclusion of Interest on the Tax-Exempt Note 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 Tax-Exempt Note in order to assure that interest on the Tax-Exempt Note will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of Princeton to comply with such requirements may cause interest on the Tax-Exempt Note to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Tax-Exempt Note. Princeton will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Tax-Exempt Note, as to various tax requirements. Princeton has covenanted to comply with the provisions of the Code applicable to the Tax-Exempt Note and has covenanted not to take any action or fail to take any action that would cause interest on the Tax-Exempt Note 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 Princeton with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Tax-Exempt Note from gross income for federal income tax purposes and with respect to the treatment of interest on the Tax-Exempt Note for the purposes of alternative minimum tax.

Assuming Princeton 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 Tax-Exempt Note 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 Tax-Exempt Note 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 Tax-Exempt Note 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 (i) the effect of future changes in 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 Tax-Exempt Note ends with the issuance of the Tax-Exempt Note, and, unless separately engaged, Bond Counsel is not obligated to defend Princeton or the owners of the Tax-Exempt Note 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 Tax-Exempt Note, under current IRS procedures, the IRS will treat Princeton as the taxpayer and the beneficial owners of the Tax-Exempt Note 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 Tax-Exempt Note 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 Tax-Exempt Note.

Payments of interest on tax-exempt obligations, including the Tax-Exempt Note, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Tax-Exempt Note 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 Premium*

The Tax-Exempt Note was sold at an initial offering price in excess of the amount payable at the maturity date (the “Premium Note”). The excess, if any, of the tax basis of the Premium Note to a purchaser (other than a purchaser who holds such 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 premium, which is not deductible from gross income for federal income tax purposes. Amortizable premium, as it amortizes, will reduce the owner’s tax cost of the 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 Note. Accordingly, an owner of a Premium Note may have taxable gain from the disposition of the Premium Note, even though the Premium Note is sold, or disposed of, for a price equal to the owner’s original cost of acquiring the Premium Note. Premium amortizes over the term of the Premium Note under the “constant yield method” described in regulations interpreting Section 1272 of the Code. Owners of the Premium Note should consult their own tax advisors with respect to the calculation of the amount of 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 Note.

#### *Bank-Qualification*

The Tax-Exempt Note **will** be designated as qualified under Section 265 of the Code by Princeton 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 Tax-Exempt Note*

Prospective purchasers of the Tax-Exempt Note should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Tax-Exempt Note, 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 Tax-Exempt Note from gross income pursuant to Section 103 of the Code and interest on the Tax-Exempt Note not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Tax-Exempt Note should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Tax-Exempt Note.

### *Changes in Federal Tax Law Regarding the Tax-Exempt Note*

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Tax-Exempt Note. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Tax-Exempt Note will not have an adverse effect on the tax status of interest on the Tax-Exempt Note or the market value or marketability of the Tax-Exempt Note. 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 Tax-Exempt Note from gross income for federal or state income tax purposes for all or certain taxpayers.

## **Taxable Note**

### *General*

Interest on the Taxable Note is includable in gross income for federal income tax purposes.

The following is a summary of certain United States federal income tax consequences of the ownership of the Taxable Note as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Taxable Note generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, this summary is addressed only to original purchasers of the Taxable Note that are "U.S. holders" (as defined below), deals only with the Taxable Note held as a capital asset within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in the Taxable Note.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of the Taxable Note. A "non-U.S. investor" is a holder (or beneficial owner) of the Taxable Note that is not a U.S. person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury Regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration, and (ii) one or more U.S. persons have the authority to control all of the trust's substantial decisions.

### *Sale or Redemption of the Taxable Note*

An owner's tax basis for the Taxable Note is the price such owner pays for the Taxable Note plus amounts of any original issue discount included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized premium. Gain or loss recognized on a sale, exchange or redemption of the Taxable Note, measured by the difference between the amount realized and the Taxable Note's basis as so adjusted, will generally give rise to capital gain or loss if the Taxable Note is held as a capital asset.

### *Possible Recognition of Taxable Gain or Loss Upon Defeasance of the Taxable Note*

Defeasance of any Taxable Note may result in a deemed exchange under Section 1001 of the Code, in which event the holder of such Taxable Note will recognize taxable gain or loss in an amount equal to the difference between the amount realized from the deemed exchange (less any accrued qualified stated interest that will be taxable as such) and the holder's adjusted basis in such Taxable Note.

### *Backup Withholding*

A Taxable Note owner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 24%, but may change in the future) with respect to interest or original issue discount on the Taxable Note. This withholding generally applies if the owner of the Taxable Note (a) fails to furnish Princeton or its paying agent with its taxpayer identification number; (b) furnishes Princeton or its paying agent an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide Princeton or its paying agent with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to note owners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Taxable Note should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Taxable Note will be reported to the note owners and to the IRS.

### *Foreign Taxable Note Owners*

Under the Code, interest and original issue discount income with respect to the Taxable Note held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if Princeton or its paying agent (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Taxable Note is a Nonresident. The withholding tax may be reduced or eliminated by an applicable tax treaty, if any. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident owner of the Taxable Note, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

## *ERISA*

The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA (an “ERISA Plan”) and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of ERISA Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Taxable Note.

In all events, all investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Taxable Note.

## **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Notes 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 NOTES ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL DECISIONS AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE NOTES, 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 NOTES 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 certain audited financial data of Princeton for the fiscal year ended December 31, 2020. The audited financial data was extracted from the report prepared by PKF O’Connor Davies, LLP, Cranford, New Jersey (the “Auditor”), to the extent and for the period set forth in their report appearing in Appendix “B” to this Official Statement. 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 audited financial data appearing in Appendix “B” hereto) and, accordingly, will express no opinion with respect thereto. See “APPENDIX B – EXCERPTS FROM FINANCIAL STATEMENTS OF PRINCETON, IN THE COUNTY OF MERCER, NEW JERSEY”.

## **LITIGATION**

To the knowledge of the Princeton Attorney, Trishka Waterbury Cecil, Esquire, of Mason, Griffin & Pierson, P.C., Princeton, New Jersey (the “Princeton Attorney”), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes, or the levy or the collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of Princeton or the title of any of the present officers. Moreover, to the knowledge of the Princeton Attorney, no litigation is presently pending or threatened that, in the opinion of the Princeton Attorney, would have a material adverse impact on the financial condition of Princeton if adversely decided.

## SECONDARY MARKET DISCLOSURE

Princeton has covenanted for the benefit of the holders and beneficial owners of the Notes to provide certain secondary market disclosure information pursuant to the Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Specifically, for so long as the Notes remain outstanding (unless the Notes have been wholly defeased), Princeton will provide in a timely manner not in excess of ten business days after the occurrence of the event, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA"), notice of any of the following events with respect to the Notes:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (7) Modifications to rights of holders of the Notes, if material;
- (8) Note calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Notes, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of Princeton;
- (13) The consummation of a merger, consolidation or acquisition involving Princeton or the sale of all or substantially all of the assets of Princeton, 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 Princeton, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Notes, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of Princeton, if any such event reflects financial difficulties.

The term "Financial Obligation" as used in subparagraphs (15) and (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.

The continuing disclosure undertaking may be amended by Princeton from time to time, without the consent of the holders or beneficial owners of the Notes, 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.

Princeton has previously entered into continuing disclosure undertakings under the Rule in respect of its own obligations. Princeton appointed Phoenix Advisors, LLC, Bordentown, New Jersey, in November of 2015 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

## **MUNICIPAL BANKRUPTCY**

The undertakings of Princeton 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 said 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, issuance, sale and delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for Princeton by the Princeton Attorney.

## **PURCHASING**

### **Tax-Exempt Note**

The Tax-Exempt Note has been purchased from Princeton, pursuant to the terms of Princeton's notice of sale, by Piper Sandler & Co., New York, New York (the "Tax-Exempt Note Purchaser") at a purchase price of \$8,992,204.00, reflecting the par amount of the Tax-Exempt Note in the amount of \$8,900,000.00, plus a bid premium in the amount of \$92,204.00.

The Tax-Exempt Note Purchaser may offer and sell the Tax-Exempt Note to certain dealers (including dealers depositing the Tax-Exempt Note into investment trusts) at a yield higher than the public offering yield stated on the cover page of this Official Statement.

## **Taxable Note**

The Taxable Note has been purchased from Princeton, pursuant to the terms of Princeton's notice of sale, by the Municipal Excess Liability Joint Insurance Fund, Parsippany, New Jersey (the "Taxable Note Purchaser", together with the Tax-Exempt Note Purchaser, the "Purchasers") at a purchase price of \$3,500,000.00, reflecting the par amount of the Taxable Note.

The Taxable Note is not being reoffered.

## **RATINGS**

Moody's Investors Service, Inc. (the "Rating Agency") has assigned short-term ratings of "MIG-1" to the Tax-Exempt Note and "MIG-1" to the Taxable Note based upon the creditworthiness of Princeton.

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. Princeton furnished to the Rating Agency certain information and materials concerning the Notes and Princeton. 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 Notes.

## **MUNICIPAL ADVISOR**

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

## **CLOSING CERTIFICATES**

The Purchasers will be furnished, at the time the Notes are delivered, certificates in form satisfactory to Bond Counsel evidencing (a) the proper execution and delivery of the Notes, (b) receipt of payment therefor and (c) the absence of litigation now pending or, to the knowledge of the officers signing the Notes, threatened to restrain or enjoin the issuance or delivery of the Notes.

## **PREPARATION OF OFFICIAL STATEMENT**

Princeton hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm to the Purchasers, by certificates signed by the Chief Financial Officer of Princeton, that to such officer's knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

Neither Bond Counsel nor the Municipal Advisor have 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, express no opinion with respect thereto.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Sandra Webb, Chief Financial Officer, Princeton, 400 Witherspoon Street, Princeton, New Jersey 08540-3284, (609) 924-9183, or to 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 among Princeton, the Purchasers and the holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Notes made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of Princeton since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

### **PRINCETON, IN THE COUNTY OF MERCER, NEW JERSEY**

By: /s/ Sandra Webb  
Sandra Webb,  
Chief Financial Officer

**Dated:** December 7, 2021

[ THIS PAGE INTENTIONALLY LEFT BLANK ]



## **APPENDIX A**

### **CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT PRINCETON, IN THE COUNTY OF MERCER, NEW JERSEY**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

## **INFORMATION REGARDING PRINCETON**

The following material presents certain economic and demographic information of Princeton ("Princeton"), in the County of Mercer (the "County"), New Jersey (the "State").

### **Municipal Consolidation**

Following an extensive consolidation and shared services study over the course of two years, the Borough of Princeton (the "Borough") and the Township of Princeton (the "Township") conducted a referendum on November 8, 2011, which allowed residents to vote on consolidating the Borough and the Township into one municipality. The referendum was successful and beginning January 1, 2013, the Borough and the Township became one municipality known as Princeton and as a result the obligations as to the prior bonds issued by the Borough and the Township are vested in Princeton as the new municipality.

### **General Information**

Princeton covers approximately 18.4 square miles of total area and is in the northern region of the County, located in the west-central portion of the State. It is adjacent to both Monmouth and Middlesex County and with its centralized location in the State, it is roughly at equal distances from the major metropolitan areas of New York City and Philadelphia.

### **Transportation**

Princeton is traversed primarily by five roadways: U.S. Route 206, New Jersey Route 27, County Route 583, County Route 571, and County Route 533. Other major roads such as U.S. Route 1, Interstate 295, and the New Jersey Turnpike are easily accessible in neighboring municipalities. Additionally, public bus and train services are available in Princeton. New Jersey Transit offers bus services to the State capital (Trenton) and rail services to New York City. Train services are also available to Philadelphia via the SEPTA Regional Rail. Air travel can be accessed via the closest commercial airport, Trenton-Mercer Airport in Ewing Township or through nearby major airports like Newark Liberty International Airport and Philadelphia International Airport.

### **Form of Government**

Princeton is governed by a Mayor and a six-member Council. The Mayor was elected at large for a four-year term and the Council members are elected at large for staggered three-year terms. The President of the Council, who presides in the absence of the Mayor, was elected annually by the Council from among their membership for a one-year term. The professional staff is headed by an appointed, non-partisan Administrator, a position established by ordinance.

## **Education**

### *Higher Education*

Located in the central region of the State, Princeton has the advantage of having the following universities and colleges located within close proximity:

Princeton University  
Rutgers University  
Rider College  
The College of New Jersey  
Mercer County Community College  
Princeton Theological Seminary

### *Public and Private Schools*

The Princeton Public School District is a pre-kindergarten through high school system. The School District operates 4 elementary schools, one middle school and one high school. Mercer County operates Mercer County Vocational Technical School and the Princeton Charter School operates under a charter granted by the Commissioner of the New Jersey Department of Education.

In addition to its public facilities, the following private schools are located in Princeton:

The Lewis School of Princeton  
Princeton Day School  
Princeton Friends School  
Hun School of Princeton  
Princeton International School of Mathematics and Sciences  
St. Paul's Catholic School  
Princeton Academy of Sacred Heart  
Stuart Country Day School of the Sacred Heart

## **Pension and Retirement Systems**

Substantially all eligible employees participate in the Public Employees' Retirement System, the Police and Firemen's Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the "Division"). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625 or is available online at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

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

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

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

*[Remainder of page intentionally left blank]*

## **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Princeton</u></b>				
2020	16,842	16,150	692	4.1%
2019	16,711	16,353	358	1.9%
2018	16,561	16,127	434	2.1%
2017	16,488	16,036	452	2.6%
2016	15,522	15,019	503	2.7%
<b><u>County</u></b>				
2020	204,792	189,433	15,358	7.5%
2019	198,876	191,729	7,147	3.2%
2018	197,039	188,988	8,051	3.6%
2017	198,103	189,516	8,587	4.1%
2016	197,409	187,578	9,831	4.3%
<b><u>State</u></b>				
2020	4,495,167	4,055,261	439,906	9.8%
2019	4,432,520	4,250,795	181,725	3.6%
2018	4,454,681	4,248,741	205,940	4.1%
2017	4,473,780	4,251,209	222,571	4.6%
2016	4,487,309	4,227,640	259,669	5.0%

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

## **Income (as of 2019)**

	<b><u>Princeton</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$137,672	\$81,057	\$82,545
Median Family Income	208,438	105,309	102,260
Per Capita Income	77,436	43,086	42,745

Source: US Bureau of the Census, 2019 American Community Survey 5-Year Estimates

## **Population**

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

<b><u>Year</u></b>	<b><u>Princeton</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2020	30,681	7.38%	387,340	5.68%	9,288,994	5.65%
2010	28,572	-5.48	366,513	4.49	8,791,894	4.49
2000	30,230	19.89	350,761	7.65	8,414,350	8.85
1990	25,214	-1.95	325,824	5.83	7,730,188	4.96
1980	25,715	-0.95	307,863	1.23	7,365,001	2.75

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

## **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2021</u></b>	<b><u>% of Total</u></b>
	<b><u>Assessed Valuation</u></b>	<b><u>Assessed Valuation</u></b>
Trustees of Princeton University	\$397,137,233	5.51%
PSN Partners	81,753,200	1.13%
Avalon Bay	65,212,000	0.90%
Princeton (Edens) LLC	52,917,400	0.73%
Palmer Sq. Ltd. Partners	35,310,000	0.49%
Institute For Advanced Study	31,789,100	0.44%
Jasna Polna Golf Club	31,500,000	0.44%
Fountain Ridge	28,170,100	0.39%
NILP (Nassau Inn)	26,030,000	0.36%
Princeton Theological Seminary	<u>18,551,000</u>	<u>0.26%</u>
<b>Total</b>	<b><u>\$768,370,033</u></b>	<b><u>10.66%</u></b>

Source: School District CAFR & Municipal Tax Assessor

*[Remainder of page intentionally left blank]*

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

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year % of Collection</u></b>
2020	\$174,452,129	\$173,260,605	99.32%
2019	170,643,329	169,201,490	99.16%
2018	166,955,691	165,751,218	99.28%
2017	161,754,825	160,707,370	99.35%
2016	156,620,488	155,890,976	99.53%

Source: Annual Audit Reports of Princeton

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

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2020	\$154,900	\$1,185,297	\$1,340,197	0.77%
2019	147,809	1,406,592	1,554,401	0.91%
2018	133,327	1,193,063	1,326,390	0.79%
2017	128,688	1,034,987	1,163,675	0.72%
2016	117,206	1,135,276	1,252,482	0.80%

Source: Annual Audit Reports of Princeton

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

The value of property acquired by liquidation of tax title lines on December 31, the basis of the last assessed valuation of such properties was as follows:

<b><u>Year</u></b>	<b><u>Amount</u></b>
2020	\$634,400
2019	634,400
2018	634,400
2017	634,400
2016	634,400

Source: Annual Audit Reports of Princeton



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

		<b>Local</b>		
<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>School</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
2021	\$0.511	\$1.200	\$0.728	\$2.439
2020	0.510	1.183	0.727	2.420
2019	0.510	1.151	0.711	2.372
2018	0.502	1.119	0.711	2.332
2017	0.502	1.101	0.696	2.299

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

### **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2021	\$7,201,842,852	\$8,902,154,329	80.90%	\$8,343,297	\$8,910,497,626
2020	7,191,166,300	8,734,563,707	82.33	8,343,297	8,742,907,004
2019	7,174,701,400	8,648,386,451	82.96	8,602,343	8,656,988,794
2018	7,139,214,600	8,270,637,859	86.32	8,583,276	8,279,221,135
2017	6,990,951,700	8,007,045,814	87.31	8,823,569	8,015,869,383

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

### **Classification of Ratables**

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

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2021	\$84,122,000	\$5,951,440,700	\$31,803,900	\$791,287,800	\$11,759,700	\$331,428,752	\$7,201,842,852
2020	89,572,800	5,934,547,400	31,888,500	794,814,300	11,759,700	328,583,600	7,191,166,300
2019	91,957,500	5,912,086,600	32,405,600	800,016,900	11,759,700	326,475,100	7,174,701,400
2018	95,025,100	5,861,854,100	32,386,800	811,414,900	11,759,700	326,774,000	7,139,214,600
2017	87,865,000	5,779,425,700	36,947,600	779,781,900	11,759,700	295,171,800	6,990,951,700

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

## **Financial Operations**

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

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

<b><u>Anticipated Revenues</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>
Fund Balance Utilized	\$6,230,000	\$8,980,000	\$7,600,000	\$6,900,000	\$11,098,442
Miscellaneous Revenues	21,035,237	20,357,413	20,063,580	20,589,820	19,372,087
Receipts from Delinquent Taxes	1,144,000	1,000,000	1,000,000	1,300,000	1,191,000
Amount to be Raised by Taxation	<u>33,926,760</u>	<u>34,667,890</u>	<u>35,350,317</u>	<u>36,104,510</u>	<u>35,551,737</u>
Total Revenue:	<u>\$62,335,997</u>	<u>\$65,005,303</u>	<u>\$64,013,897</u>	<u>\$64,894,330</u>	<u>\$67,213,266</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$34,001,191	\$34,382,622	\$35,710,997	\$36,023,276	\$42,156,790
Operations (Excluded from CAPS)	8,923,498	8,846,457	9,136,425	9,450,505	10,199,402
Deferred Charges and Statutory Expenditures	4,770,016	6,477,000	4,522,500	6,436,000	200,000
Capital Improvement Fund	350,000	500,000	400,000	500,000	500,000
Municipal Debt Service	11,376,157	11,885,000	11,305,000	9,480,000	11,150,000
Reserve for Uncollected Taxes	<u>2,915,135</u>	<u>2,914,224</u>	<u>2,938,975</u>	<u>3,004,549</u>	<u>3,007,074</u>
Total Appropriations:	<u>\$62,335,997</u>	<u>\$65,005,303</u>	<u>\$64,013,897</u>	<u>\$64,894,330</u>	<u>\$67,213,266</u>

Source: Annual Adopted Budgets of Princeton

## **Fund Balance**

### **Current Fund**

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

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

	<b>Balance</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2020	\$18,962,704	\$11,098,442
2019	16,806,032	6,900,000
2018	17,265,577	7,600,000
2017	18,898,479	8,980,000
2016	17,290,952	6,230,000

Source: Annual Audit Reports of Princeton

Parking Utility Operating Fund

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

<b>Fund Balance -</b>		
<b><u>Parking Utility Operating Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance</u></b> <b><u>12/31</u></b>	<b><u>Utilized in Budget</u></b> <b><u>of Succeeding Year</u></b>
2020	\$1,611,445	\$770,000
2019	1,596,690	400,000
2018	916,096	400,000
2017	914,829	186,114
2016	963,755	181,881

Source: Annual Audit Reports of Princeton

Affordable Housing Utility Operating Fund

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

<b>Fund Balance -</b>		
<b><u>Affordable Housing Utility Operating Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance</u></b> <b><u>12/31</u></b>	<b><u>Utilized in Budget</u></b> <b><u>of Succeeding Year</u></b>
2020	\$868,062	\$0
2019	704,813	0
2018	614,839	0
2017	530,682	0
2016	428,651	0

Source: Annual Audit Reports of Princeton

*[Remainder of page intentionally left blank]*

## **Princeton's Indebtedness as of December 31, 2020**

### **General Purpose Debt**

Serial Bonds	\$73,225,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	16,767,014
Other Bonds, Notes and Loans	3,479,246
Total:	<u>\$93,471,260</u>

### **Local School District Debt**

Serial Bonds	\$38,748,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$38,748,000</u>

### **Parking Utility Debt**

Serial Bonds	\$6,645,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	1,155,000
Total:	<u>\$7,800,000</u>

### **Affordable Housing Utility Debt**

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

### **TOTAL GROSS DEBT**

**\$140,019,260**

Less: Statutory Deductions	
General Purpose Debt	\$1,781,113
Local School District Debt	38,748,000
Parking Utility Debt	7,800,000
Affordable Housing Utility	0
Total:	<u>\$48,329,113</u>

### **TOTAL NET DEBT**

**\$91,690,147**

Source: Annual Debt Statement of Princeton

**Overlapping Debt (as of December 31, 2020)<sup>1</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Princeton Percentage</u></b>	<b><u>Princeton Share</u></b>
Local School District	\$38,748,000	100.00%	\$38,748,000
Stony Brook Reg. Sewerage Authority	18,793,584	33.18%	6,235,711
County Improvement Authority	181,315,825	18.68%	33,871,036
County	679,684,642	18.68%	<u>126,969,739</u>
Net Indirect Debt			\$205,824,486
Net Direct Debt			<u>91,690,147</u>
Total Net Direct and Indirect Debt			<b><u>\$297,514,633</u></b>
Percentage of Net Indirect Debt to Average Equalized Valuation			2.41%
Percentage of Net Direct Debt to Average Equalized Valuation			1.07%

**Debt Limit**

Average Equalized Valuation Basis (2018, 2019, 2020)	\$8,551,196,006
Permitted Debt Limitation (3 1/2%)	299,291,860
Less: Net Debt	<u>91,690,147</u>
Remaining Borrowing Power	<u>\$207,601,713</u>
Percentage of Net Debt to Average Equalized Valuation	1.072%
Gross Debt Per Capita based on 2020 population of 30,681	\$4,564
Net Debt Per Capita based on 2020 population of 30,681	\$2,988

Source: Annual Debt Statement of Princeton

---

<sup>1</sup> Princeton's percentage of County and County Improvement Authority debt is based on Princeton's share of total equalized valuation in the County. Princeton's utilities authority debt is based on Princeton's portion of total flow from each respective authority.

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

**APPENDIX B**

**EXCERPTS FROM FINANCIAL STATEMENTS OF PRINCETON,  
IN THE COUNTY OF MERCER, NEW JERSEY**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]





**PRINCETON  
COUNTY OF MERCER  
NEW JERSEY**

**REGULATORY BASIS FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019**

WITH REPORT OF INDEPENDENT AUDITORS'



**PRINCETON  
MERCER COUNTY, NEW JERSEY**

---

**PART I  
REPORT ON AUDIT OF THE REGULATORY BASIS FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 and 2019**

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members  
of the Princeton Council  
Municipality of Princeton  
Princeton, New Jersey

### **Report on the Regulatory Basis Financial Statements**

We have audited the accompanying regulatory basis financial statements of the various funds and the governmental fixed assets of the Municipality of Princeton, County of Mercer, New Jersey, (the "Municipality") which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and changes in fund balance for the years then ended, the statements of changes in fund balance, the statements of revenues, and the statements of expenditures for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Municipality as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the audit requirements prescribed by the Division. Those standards and requirements prescribed by the Division require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 entity'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 Municipality's internal control. Accordingly, we express no such opinion.

Honorable Mayor and Members  
of the Princeton Council  
Municipality of Princeton  
Page 2

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.

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

As described in Note 2, the financial statements are prepared by the Municipality on the basis of the financial reporting provisions of the Division to demonstrate compliance with the Division's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United State of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America although not reasonably determinable, are presumed to be material.

***Adverse Opinions on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Municipality as of December 31, 2020 and 2019, the changes in its financial position, and, where applicable, its cash flows for the years then ended.

***Unmodified Opinions 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 governmental fixed assets of the Municipality as of December 31, 2020 and 2019, and the respective results of operations and changes in fund balance for the years then ended, the statements of changes in fund balance, the statements of revenues and the statements of expenditures of the various funds for the year ended December 31, 2020 and the related notes to the financial statements in accordance with the financial reporting provisions of the Division, as described in Note 2 to the financial statements.

*PKF O'Connor Davies, LLP*  
Cranford, New Jersey  
September 21, 2021

*David J. Gannon*

David J. Gannon  
Registered Municipal Accountant, No. 520

PRINCETON  
MERCER COUNTY, NEW JERSEY

CURRENT AND GRANT FUNDS  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
DECEMBER 31, 2020 AND 2019

A

Current Fund:

Assets	REF	2020	2019	Liabilities, Reserves, and Fund Balance	REF	2020	2019
Cash and Equivalents - Treasurer	A-4	\$ 30,688,863.43	\$ 27,316,833.95	Liabilities:			
Change Fund		1,515.00	1,515.00	Appropriation Reserves	A-3, A-13	\$ 6,176,264.56	\$ 5,443,785.83
NJ Senior Cit./Veterans Deductions	A-6	1,085.61	404.11	Reserve for Encumbrances	A-14	1,249,665.79	1,780,818.90
		<u>30,691,464.04</u>	<u>27,318,753.06</u>				
Receivables and Other Assets With Full Reserves:				Accounts Payable	A-15	80,284.20	47,907.01
Taxes Receivable	A-5	1,185,297.47	1,406,591.90	Due to State of NJ - Various Fees	A-22	26,448.00	38,872.00
Tax Title Liens Receivable	A-7	154,899.81	147,808.55	County Taxes Payable	A-16	169,561.45	154,179.63
Sewer Charges Receivable	A-8	47,846.62	41,987.92	Tax Overpayments	A-21	19,894.84	4,225.21
				Prepaid Taxes/Sewer Charges	A-18	1,806,033.38	1,682,782.34
Delinquent Interest & Penalty	A-10	37,756.27	49,904.49	Miscellaneous Accounts Payable	A-19	82,987.68	90,255.18
Property Acquired for Taxes at Assessed Value	A-11	634,400.00	634,400.00	Premium on Tax Sale Certificates	A-20	1,691,900.00	789,400.00
Interfund Receivables	A-12	229.63	745.29	Other Reserves	A-17	417,663.57	472,895.57
		<u>2,060,429.80</u>	<u>2,281,438.15</u>	Interfund Payables	A-12	8,057.00	7,599.50
						11,728,760.47	10,512,721.17
				Reserve for Receivables/Other Assets	Reserve	2,060,429.80	2,281,438.15
				Fund Balance	A-1	18,962,703.57	16,806,031.89
Total Current Fund		<u>32,751,893.84</u>	<u>29,600,191.21</u>	Total Current Fund		<u>32,751,893.84</u>	<u>29,600,191.21</u>
Grant Fund:							
Cash and Investments - Treasurer	A-4	1,232,073.36	1,267,654.78	Reserve for Encumbrances	A-14	14,626.62	20,839.35
State & Federal Grants Receivable	A-23	103,627.65	26,393.94	Interfund Payable			318.16
				Reserve for State & Federal Grants:			
				Appropriated	A-24	1,287,936.21	1,173,599.41
				Unappropriated	A-25	33,138.18	99,291.80
Total Grant Fund		<u>1,335,701.01</u>	<u>1,294,048.72</u>	Total Grant Fund		<u>1,335,701.01</u>	<u>1,294,048.72</u>
		<u>\$ 34,087,594.85</u>	<u>\$ 30,894,239.93</u>			<u>\$ 34,087,594.85</u>	<u>\$ 30,894,239.93</u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN  
FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

A-1

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>2020</u>	<u>2019</u>
Fund Balance Utilized	A-2	\$ 7,200,000.00	\$ 7,600,000.00
Miscellaneous Revenues Anticipated	A-2	18,268,242.83	20,969,554.77
Receipts from Delinquent Taxes	A-2	1,386,110.91	1,174,004.13
Receipts from Current Taxes	A-2	173,260,304.55	169,201,489.61
Non-Budget Revenue	A-2	1,274,187.08	862,671.23
Other Credits to Operations:			
Unexpended Balance of Approp.			
Reserves Lapsed	A-13	5,791,329.25	3,534,019.36
Other Reserves Cancelled	A-17	50,232.00	120,158.59
Refund of Prior Year Expended			29,110.82
Interfund Loan Returned	A-12	745.29	432.54
Due to State of NJ - Cancelled			7,514.39
Cancelled Accounts Payable			115,704.64
		<u>207,231,151.91</u>	<u>203,614,660.08</u>
Total Revenues and Other Income			
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operations:			
Salaries and Wages	A-3	17,864,466.85	18,698,111.85
Other Expenses	A-3	27,472,060.08	26,354,401.80
Deferred Charges and Statutory			
Expenditures	A-3	4,411,000.00	4,522,500.00
Capital Improvements	A-3	279,000.00	400,000.00
Municipal Debt Service	A-3	9,009,916.87	11,162,939.83
County Taxes	A-2, A-16	52,464,701.64	51,136,146.45
Local District School Taxes	A-2, A-16	85,123,968.00	82,707,290.00
Municipal Open Space Tax	A-2, A-16	1,224,292.00	1,214,106.00
Other Charges to Operations:			
Refund of Prior Year Revenue	A-4	24,845.16	2,500.00
Cancellation of Grants Receivable (Net)			275,209.68
Prior Year Sr. Cit. Deductions Cancelled			1,000.00
Interfund Loans Advanced	A-12	<u>229.63</u>	
Total Expenditures and Other Charges		<u>197,874,480.23</u>	<u>196,474,205.61</u>
Excess in Revenues Over Expenditures/ Statutory Excess to Fund Balance		9,356,671.68	7,140,454.47
<u>FUND BALANCE</u>			
Balance - January 1	A	<u>16,806,031.89</u>	<u>17,265,577.42</u>
		26,162,703.57	24,406,031.89
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>7,200,000.00</u>	<u>7,600,000.00</u>
Balance - December 31	A	<u>\$ 18,962,703.57</u>	<u>\$ 16,806,031.89</u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 2  
Page 1 of 3

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	REF	ANTICIPATED		REALIZED	(DEFICIT) OR EXCESS
		2020 BUDGET	N.J.S.A. 40A:4-87		
Surplus Anticipated	A-1	\$ 7,200,000.00		\$ 7,200,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-9	62,000.00		61,757.00	\$ (243.00)
Other	A-9	90,000.00		83,184.00	(6,816.00)
Fees and Permits:					
Other	A-9	350,000.00		356,063.26	6,063.26
Fines and Costs:					
Municipal Court	A-9	600,000.00		467,266.53	(132,733.47)
Interest and Costs on Taxes	A-9	375,000.00		534,911.34	159,911.34
Interest on Investments and Deposits	A-9	201,334.81		199,654.39	(1,680.42)
Anticipated Utility Operating Surplus	E-4	1,800,000.00			(1,800,000.00)
Sewer Rentals	A-8	6,850,000.00		6,710,840.49	(139,159.51)
PILOT- Institute for Advanced Study	A-9	250,000.00		250,000.00	-
PILOT-Tenacre Foundation	A-9	500,000.00		500,000.00	-
PILOT-Princeton Community Village	A-9	350,000.00		383,091.00	33,091.00
Princeton University Fair Share	A-9	3,480,000.00		3,480,000.00	
Life Hazard Use Fees	A-9	115,000.00		119,764.48	4,764.48
Fire and Housing Inspection Fees	A-9	225,000.00		161,687.46	(63,312.54)
Energy Receipts Tax	A-9	2,452,421.00		2,452,421.00	
Consolidated Municipal Property Tax Relief Aid	A-9	7,489.00		4,855.00	(2,634.00)
UCC Administrative Fee	A-9	255,777.00		255,777.00	
Special Items:					
Mercer County Bilingual Clinician	A-23	65,000.00		65,000.00	
Corner House Foundation	A-9	200,000.00		200,000.00	
Corner House - Client Fees	A-23	28,000.00		28,000.00	
Princeton University Prospect St. Lighting	A-23	7,654.00		7,654.00	
Princeton University Fire Equipment	A-23	20,000.00		20,000.00	
Bonner Foundation	A-23	21,500.00		21,500.00	
Bonner Foundation-Unappropriated	A-23	5,325.49		5,325.49	
Body Armor Grant	A-23	5,452.14		5,452.14	
Princeton Area Community Foundation	A-23		\$ 31,070.16	31,070.16	
Alcohol Education Rehabilitation Enforcement Fund	A-23		2,417.26	2,417.26	
Montgomery Township Health Department	A-23		4,400.00	4,400.00	
NJ Association of County & City Health Officials	A-23		24,775.38	24,775.38	
Clean Communities	A-23		58,083.19	58,083.19	
Recycling Tonnage Grant	A-23	77,145.16		77,145.16	
Medicaid Reimbursement	A-23	158,821.15		158,821.15	
Princeton Regional - NJMSPLI	A-23	1,000.00		1,000.00	
Princeton Regional Star Program	A-23	8,500.00		8,500.00	
Princeton Regional Academic Success	A-23	10,000.00		10,000.00	
State of NJ Vicinage Program	A-23	31,000.00		31,000.00	
NJ Division of Addiction Services	A-23	33,000.00		33,000.00	
Municipal Alliance on Alcoholism and Drug Abuse	A-23	28,056.00		28,056.00	
Theological Seminary	A-9	222,363.00		222,363.00	
PILOT - Elm Court	A-9	80,000.00		99,879.53	19,879.53
Chamber St. Land Lease	A-9	141,000.00		141,630.00	630.00
Reserve for Debt Service - Other	A-9	81,615.00		81,615.00	

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 2  
Page 2 of 3

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	REF	ANTICIPATED		REALIZED	(DEFICIT) OR EXCESS
		2020 BUDGET	N.J.S.A. 40A:4-87		
Miscellaneous Revenues (Cont'd.):					
Special Items (Cont'd.)					
Cable TV	A-9	\$ 250,000.00		\$ 250,000.00	
Stony Brook Industrial User Fees	A-9	25,000.00		20,384.82	\$ (4,615.18)
Hotel/Motel Tax	A-9	328,000.00		209,897.60	(118,102.40)
Reserve for Premium on Bonds	A-9	200,000.00		200,000.00	
General Capital Fund - Fund Balance	A-9	200,000.00		200,000.00	
Total Miscellaneous Revenues	A-1	20,192,453.75	\$ 120,745.99	18,268,242.83	(2,044,956.91)
Receipts from Delinquent Taxes	A-1	1,300,000.00		1,386,110.91	86,110.91
Amount to be Raised by Taxation for Support of Municipal Budget:					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	32,605,857.53		34,555,873.25	1,950,015.72
Minimum Library Tax	A-2, A-5	2,885,660.05		2,885,660.05	
Total Municipal Tax		35,491,517.58	-	37,441,533.30	1,950,015.72
Budget Totals	A-3	64,183,971.33	120,745.99	64,295,887.04	(8,830.28)
Non-Budget Revenues	A-2			1,274,187.08	1,274,187.08
		\$ 64,183,971.33	\$ 120,745.99	\$ 65,570,074.12	\$ 1,265,356.80
	REF	A-3	A-3	A-1	

See Accompanying Notes to Financial Statements



PRINCETON  
MERCER COUNTY, NEW JERSEY

Exhibit A - 2  
Page 3 of 3

CURRENT FUND  
STATEMENT OF REVENUES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:

	<u>REF</u>	
2020 Collections	A-5	\$ 171,563,663.92
Prepaid Taxes Applied	A-5	1,638,396.79
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-5	<u>58,243.84</u>
	A-1	\$ 173,260,304.55
Allocated to:		
Regional School Tax	A-1, A-16	85,123,968.00
County Taxes	A-1, A-16	52,372,759.65
Added County Taxes	A-1, A-16	91,941.99
Local Open Space Tax	A-1, A-16	<u>1,224,292.00</u>
		<u>138,812,961.64</u>
		34,447,342.91
Add: Reserve for Uncollected Taxes	A-3	<u>2,994,190.39</u>
Amount for Support of Municipal Budget	A-2	<u><u>\$ 37,441,533.30</u></u>
<u>Miscellaneous Revenue Not Anticipated:</u>		
Revenue Realize	A-9	\$ 1,263,228.82
Add: Other Miscellaneous Revenues (Net)		<u>10,958.26</u>
	A-1	<u><u>\$ 1,274,187.08</u></u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Within "CAPS"</u>						
<u>GENERAL GOVERNMENT:</u>						
General Administration						
Salaries and Wages	\$ 294,497.00	\$ 294,497.00	\$ 291,721.90		\$ 2,775.10	\$
Other Expenses	1,853,052.00	1,666,052.00	779,978.20	\$ 264,265.47	621,808.33	
Information Technology						
Salaries and Wages	135,000.00	135,000.00	123,596.33		11,403.67	
Other Expenses	663,932.00	793,932.00	581,278.29	150,213.25	62,440.46	
Human Resources (Personnel)						
Other Expenses	265,650.00	265,650.00	115,264.30	15,970.16	134,415.54	
Mayor and Council						
Salaries and Wages	80,000.00	80,000.00	80,000.00			
Other Expenses	22,150.00	22,150.00	19,728.34	1,052.00	1,369.66	
Municipal Clerk						
Salaries and Wages	306,365.00	306,365.00	282,877.06		23,487.94	
Other Expenses	42,750.00	42,750.00	26,328.66	2,115.70	14,305.64	
Elections						
Salaries and Wages	6,000.00	6,000.00	4,048.86		1,951.14	
Other Expenses	20,700.00	20,700.00	6,313.31		14,386.69	
Financial Administration (Treasury)						
Salaries and Wages	644,703.00	644,703.00	543,351.06		101,351.94	
Other Expenses	30,000.00	30,000.00	16,785.60	2,275.35	10,939.05	
Audit Services	54,200.00	54,200.00		54,200.00		
Revenue Administration (Tax Collection)						
Salaries and Wages	140,418.00	140,418.00	117,377.48		23,040.52	
Other Expenses	14,720.00	14,720.00	12,588.24	2,131.11	0.65	

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<b><u>Operations Within "CAPS" (Cont'd.)</u></b>						
<b><u>GENERAL GOVERNMENT:</u></b>						
Tax Assessment Administration						
Salaries and Wages	\$ 168,389.00	\$ 182,389.00	\$ 175,652.07		\$ 6,736.93	
Other Expenses	89,000.00	89,000.00	82,158.12	\$ 4,727.18	2,114.70	
Legal Services						
Other Expenses	435,000.00	435,000.00	331,409.84	97,784.40	5,805.76	
Defense of Tax Appeals	45,000.00	45,000.00	15,457.00	43.00	29,500.00	
Call Center						
Salaries and Wages	84,273.00	84,273.00	82,620.98		1,652.02	
Other Expenses	10,400.00	10,400.00	5,473.23		4,926.77	
Engineering Services						
Salaries and Wages	1,010,124.00	1,010,124.00	818,906.79		191,217.21	
Other Expenses	43,000.00	43,000.00	10,782.01	877.09	31,340.90	
Historical Site Office						
Salaries and Wages	3,000.00	3,000.00			3,000.00	
Other Expenses	46,345.00	46,345.00	29,962.79	132.83	16,249.38	
<b><u>LAND USE ADMINISTRATION:</u></b>						
Planning Board						
Salaries and Wages	356,803.00	356,803.00	313,104.38		43,698.62	
Other Expenses	88,900.00	88,900.00	35,658.74	5,257.26	47,984.00	
<b><u>Operations Within "CAPS" (Cont'd.)</u></b>						
Zoning Board of Adjustment						
Salaries and Wages	164,528.00	164,528.00	159,284.50		5,243.50	
Other Expenses	25,250.00	25,250.00	8,238.66	3,369.27	13,642.07	

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>PUBLIC SAFETY FUNCTIONS:</u>						
Police						
Salaries and Wages	\$ 7,475,975.00	\$ 7,475,975.00	\$ 7,194,539.17		\$ 281,435.83	
Other Expenses	319,900.00	319,900.00	113,310.10	\$ 27,875.62	178,714.28	
Police Dispatch/911						
Other Expenses	864,840.00	864,840.00	864,840.00			
Office of Emergency Management						
Salaries and Wages	183,160.00	191,160.00	183,381.50		7,778.50	
Other Expenses	33,321.15	33,321.15	11,014.61	900.00	21,406.54	
Fire Department						
Salaries and Wages	515,561.00	515,561.00	400,308.05		115,252.95	
Other Expenses - Including						
LOSAP Alternative	376,000.00	376,000.00	244,003.79	66,608.80	65,387.41	
Other Expenses - Fire Facilities	126,500.00	126,500.00	79,683.46	9,432.64	37,383.90	
Fire Prevention						
Salaries and Wages	439,234.00	439,234.00	297,708.31		141,525.69	
Other Expenses	28,450.00	28,450.00	17,779.29	6,792.38	3,878.33	
Fire Hydrant Service	675,000.00	675,000.00	607,196.60		67,803.40	
Municipal Prosecutor's Office						
Other Expenses	71,400.00	71,400.00	71,400.00			

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>PUBLIC WORKS FUNCTIONS:</u>						
Streets and Roads Maintenance						
Salaries and Wages	\$ 1,667,902.00	\$ 1,667,902.00	\$ 1,338,306.27		\$ 329,595.73	
Other Expenses	579,400.00	579,400.00	291,782.78	\$ 100,338.83	187,278.39	
Sustainable Princeton	31,620.00	31,620.00	23,715.00	7,905.00		
Buildings and Grounds						
Salaries and Wages	769,153.00	769,153.00	640,429.02		128,723.98	
Other Expenses	420,050.00	420,050.00	212,115.78	97,007.65	110,926.57	
Vehicle Maintenance (Including Police Vehicles)						
Salaries and Wages	357,070.00	357,070.00	255,434.10		101,635.90	
Other Expenses	321,000.00	321,000.00	199,424.67	47,036.75	74,538.58	
Community Service Act (Condominium Community Costs)						
Other Expenses	250,000.00	250,000.00			250,000.00	
<u>HEALTH &amp; HUMAN SERVICES FUNCTIONS:</u>						
Regional Health Commission-Proportionate Share						
Salaries and Wages	253,367.00	253,367.00	245,189.15		8,177.85	
Other Expenses	128,908.00	138,908.00	79,489.22	28,900.49	30,518.29	
Contribution to Senior Resource Center						
Salaries and Wages	10,000.00	10,000.00	10,000.00			
Other Expenses	252,960.00	252,960.00	166,963.70	4,657.40	81,338.90	

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>HEALTH &amp; HUMAN SERVICES FUNCTIONS:</u>						
Environmental Commission						
Salaries and Wages	\$ 3,600.00	\$ 3,600.00	\$ 3,116.25		\$ 483.75	
Other Expenses	3,000.00	3,000.00	751.60		2,248.40	
Animal Control						
Salaries and Wages	72,279.00	72,279.00	63,999.00		8,280.00	
Other Expenses	9,450.00	4,450.00	1,592.52		2,857.48	
Save Boarding		5,000.00	3,099.00	\$ 1,901.00	-	
Deer Management Program						
Salaries and Wages	35,000.00	35,000.00	29,173.67		5,826.33	
Other Expenses	120,000.00	120,000.00	97,376.99	12,423.01	10,200.00	
Human Services Commission						
Salaries and Wages	166,044.00	176,044.00	136,766.48		39,277.52	
Other Expenses	18,700.00	18,700.00	5,406.43	3,997.37	9,296.20	
Joint Drug Abuse Prevention Program						
Salaries and Wages	310,496.85	310,496.85	275,503.77		34,993.08	
Other Expenses	142,488.00	142,488.00	72,468.91	5,168.77	64,850.32	
<u>PARKS &amp; RECREATION FUNCTIONS:</u>						
Joint Recreation Board						
Salaries and Wages	849,514.00	849,514.00	789,843.34		59,670.66	
Other Expenses	58,950.00	58,950.00	55,370.47	1,743.70	1,835.83	
Maintenance of Parks and Playgrounds						
Other Expenses	104,250.00	104,250.00	90,467.40	11,537.33	2,245.27	
Celebration of Public Events	3,500.00	3,500.00	140.00	259.62	3,100.38	

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>UTILITY EXPENSES &amp; BULK PURCHASES:</u>						
Electricity	\$ 300,000.00	\$ 300,000.00	\$ 237,738.55		\$ 62,261.45	
Telephone ( excluding equipment)	240,000.00	255,000.00	232,473.49	\$ 6,495.13	16,031.38	
Water	21,000.00	21,000.00	20,869.21		130.79	
Gas (natural or propane)	100,000.00	100,000.00	61,080.39		38,919.61	
Fuel Oil	305,000.00	305,000.00	98,520.17	17,364.95	189,114.88	
Street Lighting	300,000.00	300,000.00	286,070.54		13,929.46	
Sewer System						
Salaries and Wages	745,105.00	745,105.00	521,905.45		223,199.55	
Other Expenses	362,000.00	362,000.00	130,453.53	49,514.93	182,031.54	
<u>UNCLASSIFIED:</u>						
Garbage and Trash Removal						
Other Expenses	1,749,500.00	1,749,500.00	1,373,216.01	74,143.99	302,140.00	
Municipal Court						
Salaries and Wages	380,060.00	380,060.00	370,071.22		9,988.78	
Other Expenses	27,780.00	27,780.00	12,503.52	4,709.12	10,567.36	
Public Defender						
Other Expenses	57,500.00	57,500.00	50,413.00	7,087.00		
Rental Housing						
Salaries and Wages	204,846.00	204,846.00	198,563.29		6,282.71	
Accumulated Leave Compensation	100,000.00	100,000.00	18,527.04		81,472.96	
Liability Insurance	823,657.00	823,657.00	789,437.59		34,219.41	

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>UNCLASSIFIED:</u>						
Workers Compensation Insurance	\$ 424,227.00	\$ 424,227.00	\$ 424,226.00		\$ 1.00	
Group Insurance	4,177,230.00	4,177,230.00	3,579,682.87	\$ 1,495.00	596,052.13	
Health Benefit Waiver	130,000.00	130,000.00	123,902.66		6,097.34	
Transportation of Local Pupils by Board of Education (NJSA18A:39-1.2)						
Other Expenses	200,000.00	200,000.00	144,500.00		55,500.00	
Total Operations Within "CAPS"	35,840,097.00	35,840,097.00	28,917,191.67	1,199,710.55	5,723,194.78	
<u>DETAIL:</u>						
Salaries and Wages	17,832,466.85	17,864,466.85	15,946,779.45		1,917,687.40	
Other Expenses (Including Contingent)	18,007,630.15	17,975,630.15	12,970,412.22	1,199,710.55	3,805,507.38	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"						
<u>STATUTORY EXPENDITURES:</u>						
Contribution to:						
Public Employees' Retirement System	1,430,000.00	1,430,000.00	1,406,880.00		23,120.00	
Social Security System (O.A.S.I.)	1,050,000.00	1,050,000.00	788,255.08		261,744.92	
Consolidated Police & Firemen's Pension Fund	21,000.00	21,000.00	75.85		20,924.15	
Defined Contribution Retirement Program	25,000.00	25,000.00	19,354.16		5,645.84	
Unemployment Insurance	25,000.00	25,000.00	553.72		24,446.28	
Police and Firemen's Retirement System of N.J.	1,860,000.00	1,860,000.00	1,844,078.00		15,922.00	
Total Deferred Charges and Statutory Expend. Municipal Within "CAPS"	4,411,000.00	4,411,000.00	4,059,196.81		351,803.19	
Total General Appropriations for Municipal Purposes Within "CAPS"	40,251,097.00	40,251,097.00	32,976,388.48	1,199,710.55	6,074,997.97	



PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Excluded from "CAPS"</u>						
Affordable Housing Agency						
Contribution-Other Expenses	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00			
Maintenance of Joint Public Library	4,448,230.00	4,448,230.00	4,448,230.00			
<u>INTERLOCAL SERVICE AGREEMENTS:</u>						
Stonybrook Regional Sewerage Authority						
Other Expenses	4,150,000.00	4,150,000.00	4,135,835.23		\$ 14,164.77	
Industrial User Fee	25,000.00	25,000.00	13,421.95		11,578.05	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:</u>						
Corner House Foundation-Mercer Reg. Drug Treatment Program S&W	200,000.00	200,000.00	134,476.23		65,523.77	
Drug Program-State of NJ Addiction Services	33,000.00	33,000.00	33,000.00			
Academic Success Today	10,000.00	10,000.00	10,000.00			
Medicaid	158,821.15	158,821.15	158,821.15			
Bonner Foundation	21,500.00	21,500.00	21,500.00			
Bonner Foundation-Unappropriated	5,325.49	5,325.49	5,325.49			
Princeton University Fire Equipment	20,000.00	20,000.00	20,000.00			
Princeton U.-Prospect Ave. St. Lighting	7,654.00	7,654.00	7,654.00			
Drug Program NJMSPLI	1,000.00	1,000.00	1,000.00			
Drug Program STAR	8,500.00	8,500.00	8,500.00			
State of NJ Vicinage Program	31,000.00	31,000.00	31,000.00			
Corner House-Client Fees	28,000.00	28,000.00	28,000.00			
Princeton Regional Municipal Alliance	28,056.00	28,056.00	28,056.00			
Body Armor	5,452.14	5,452.14	5,452.14			
Mercer County Bilingual Clinician	65,000.00	65,000.00	65,000.00			

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Excluded from "CAPS"(Cont'd.)</u>						
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:						
Recycling Tonnage	\$ 77,145.16	\$ 77,145.16	\$ 77,145.16			
Princeton Area Community Foundation		31,070.16	31,070.16			
Alcohol Education Rehabilitation Enforcement Fund		2,417.26	2,417.26			
Montgomery Township Health Department		4,400.00	4,400.00			
NJ Association of County & City Health Officials		24,775.38	24,775.38			
Clean Communities		58,083.19	58,083.19			
Matching Funds for Grants	10,000.00	10,000.00			\$ 10,000.00	
Total Operations - Excluded from "CAPS"	9,433,683.94	9,554,429.93	9,453,163.34		101,266.59	
DETAIL:						
Salaries and Wages	450,377.15					
Other Expenses	8,983,306.79	9,554,429.93	9,453,163.34		101,266.59	
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	500,000.00	500,000.00	221,000.00			\$ 279,000.00
Total Capital Improvements - Excluded from "CAPS"	500,000.00	500,000.00	221,000.00			279,000.00
<u>Municipal Debt Service - Excluded from "CAPS"</u>						
Payment of Bond Principal	6,570,000.00	6,570,000.00	6,570,000.00			
Interest on Bonds	1,500,000.00	1,500,000.00	1,493,012.50			6,987.50
Interest on Notes	200,000.00	200,000.00				200,000.00
NJ Environmental Infrastructure Loan	1,110,000.00	1,110,000.00	946,904.37			163,095.63
Total Municipal Debt Service - Excluded from "CAPS"	9,380,000.00	9,380,000.00	9,009,916.87			370,083.13

PRINCETON  
MERCER COUNTY, NEW JERSEY

A - 3

CURRENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELLED</u>
				<u>ENCUMBERED</u>	<u>RESERVED</u>	
Deferred Charges - Municipal - Excluded from "CAPS"						
Deferred Charges to Future Taxation	\$ 1,625,000.00	\$ 1,625,000.00				\$ 1,625,000.00
Total Deferred Charges - Municipal - Excluded from "CAPS"	1,625,000.00	1,625,000.00				1,625,000.00
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	20,938,683.94	21,059,429.93	\$ 18,684,080.21		\$ 101,266.59	2,274,083.13
Subtotal General Appropriations	61,189,780.94	61,310,526.93	51,660,468.69	\$ 1,199,710.55	6,176,264.56	2,274,083.13
Reserve for Uncollected Taxes	2,994,190.39	2,994,190.39	2,994,190.39			
Total General Appropriations	\$ 64,183,971.33	\$ 64,304,717.32	\$ 54,654,659.08	\$ 1,199,710.55	\$ 6,176,264.56	\$ 2,274,083.13

	<u>REF</u>	A-2	Below	Below	A-14	A
Adopted Budget	A-2		\$ 64,183,971.33			
Approp. by N.J.S.A. 40A:4-87	A-2		120,745.99			
	Above		\$ 64,304,717.32			
Disbursed	A-4			\$ 51,039,268.76		
State and Federal Grants Approp.	A-24			621,199.93		
Reserve for Uncollected Taxes	A-2			2,994,190.39		
	Above			\$ 54,654,659.08		

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

B  
Page 1 of 2

TRUST FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF</u>	<u>2020</u>	<u>2019</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF</u>	<u>2020</u>	<u>2019</u>
Assessment Fund:				Assessment Fund:			
Cash and Equivalents	B-5	\$ 406,980.53	\$ 379,861.23	Res. For Prospective Assessments	Reserve	\$ 848,527.10	\$ 848,527.10
Assessments Receivable	B-7	160,570.89	207,690.19	Res. for Assessments, Liens and			
Prospective Assessments Funded	B-8	<u>848,527.10</u>	<u>848,527.10</u>	Interest and Costs	B-12	160,570.89	207,690.19
				Assessment Serial Bonds			20,000.00
				Fund Balance	B-1	<u>406,980.53</u>	<u>359,861.23</u>
Total Assessment Fund		<u>1,416,078.52</u>	<u>1,436,078.52</u>	Total Assessment Fund		<u>1,416,078.52</u>	<u>1,436,078.52</u>
Animal Control Fund:				Animal Control Fund:			
Cash and Equivalents	B-5	36,424.60	36,895.50	Reserve for Encumbrances	B-2	8,057.00	7,828.50
Due from Current Fund	B-9	<u>8,057.00</u>	<u>7,599.50</u>	Fund Balance	B-2	<u>36,424.60</u>	<u>36,666.50</u>
Total Animal Control Fund		<u>44,481.60</u>	<u>44,495.00</u>	Total Animal Control Fund		<u>44,481.60</u>	<u>44,495.00</u>
Open Space Trust Fund:				Open Space Trust Fund:			
Cash and Equivalents	B-5	<u>1,842,897.48</u>	<u>1,679,917.89</u>	Reserve for Open Space	B-14	<u>1,842,897.48</u>	<u>1,679,917.89</u>
Total Open Space Trust Fund		<u>1,842,897.48</u>	<u>1,679,917.89</u>	Total Open Space Trust Fund		<u>1,842,897.48</u>	<u>1,679,917.89</u>
Unemployment Fund:				Unemployment Fund:			
Cash and Equivalents	B-5	<u>624,791.24</u>	<u>609,669.08</u>	Reserve for Unemployment Claims	B-15	<u>624,791.24</u>	<u>609,669.08</u>
Total Unemployment Fund		<u>624,791.24</u>	<u>609,669.08</u>	Total Unemployment Fund		<u>624,791.24</u>	<u>609,669.08</u>
Escrow Trust Fund:				Escrow Trust Fund:			
Cash and Equivalents	B-5	<u>3,159,857.20</u>	<u>2,486,614.65</u>	Due to Current Fund	B-10	229.63	427.13
				Reserve for Encumbrances	B-17	121,089.56	69,606.90
				Various Escrow Reserves	B-17	<u>3,038,538.01</u>	<u>2,416,580.62</u>
Total Escrow Trust Fund		<u>3,159,857.20</u>	<u>2,486,614.65</u>	Total Escrow Trust Fund		<u>3,159,857.20</u>	<u>2,486,614.65</u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

Exhibit - B  
Page 2 of 2

TRUST FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF</u>	<u>BALANCE</u> <u>2020</u>	<u>BALANCE</u> <u>2019</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>REF</u>	<u>BALANCE</u> <u>2020</u>	<u>BALANCE</u> <u>2019</u>
Payroll Fund:				Payroll Fund:			
Cash and Equivalents	B-5	\$ 248,410.71	\$ 245,056.50	Payroll Deductions Payable	B-18	\$ 248,410.71	\$ 245,056.50
Total Payroll Fund		<u>248,410.71</u>	<u>245,056.50</u>	Total Payroll Fund		<u>248,410.71</u>	<u>245,056.50</u>
Other Trust Funds:				Other Trust Funds:			
Cash and Equivalents	B-5	10,656,427.84	8,934,061.37	Various Reserves and Deposits	B-16	10,644,267.84	9,116,810.37
Due from General Capital			200,000.00	Reserve for Encumbrances	B-16	12,160.00	17,251.00
Total Other Trust Funds		<u>10,656,427.84</u>	<u>9,134,061.37</u>	Total Other Trust Funds		<u>10,656,427.84</u>	<u>9,134,061.37</u>
Flexible Spending Trust				Flexible Spending Trust			
Cash and Equivalents	B-5	9,591.46	9,033.55	Reserve for Flexible Spending	B-19	9,591.46	9,033.55
Total Flexible Spending Account		<u>9,591.46</u>	<u>9,033.55</u>	Total Flexible Spending Account		<u>9,591.46</u>	<u>9,033.55</u>
Landfill Closure Fund				Landfill Closure Fund			
Cash and Equivalents	B-5	24,006.37	23,938.98	Reserve for Landfill Closure	B-20	24,006.37	23,938.98
Total Landfill Account		<u>24,006.37</u>	<u>23,938.98</u>	Total Landfill Account		<u>24,006.37</u>	<u>23,938.98</u>
Law Enforcement Trust Fund				Law Enforcement Trust Fund			
Cash and Equivalents	B-5	1,400.30	4,812.51	Reserve for Law Enforcement Trust	B-21	1,400.30	4,812.51
Total Law Enforcement Account		<u>1,400.30</u>	<u>4,812.51</u>	Total Law Enforcement Account		<u>1,400.30</u>	<u>4,812.51</u>
Grand Total All Trust Funds		<u>\$ 18,027,942.72</u>	<u>\$ 15,673,678.05</u>	Grand Total All Trust Funds		<u>\$ 18,027,942.72</u>	<u>\$ 15,673,678.05</u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

B-1

TRUST ASSESSMENT FUND  
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN  
FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>YEAR 2020</u>	<u>YEAR 2019</u>
Assessment Cash	B-3	\$ 20,000.00	\$ 20,000.00
Collection of Unpledged Assessments	B-12	<u>47,119.30</u>	<u>50,626.30</u>
		<u>67,119.30</u>	<u>70,626.30</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Payment of Bond Principal	B-4	<u>20,000.00</u>	<u>20,000.00</u>
		<u>20,000.00</u>	<u>20,000.00</u>
Statutory Excess to Fund Balance		47,119.30	50,626.30
<u>FUND BALANCE</u>			
Balance - January 1	B	<u>359,861.23</u>	<u>309,234.93</u>
Balance - December 31	B	<u>\$ 406,980.53</u>	<u>\$ 359,861.23</u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

B -2

ANIMAL CONTROL FUND  
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN  
FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>YEAR 2020</u>	<u>YEAR 2019</u>
License Fees	B-5	\$ 15,624.80	\$ 18,332.50
Late Fees	B-5	130.00	338.00
Boarding & Miscellaneous Fees	B-5	<u>20,405.00</u>	<u>14,722.00</u>
		<u>36,159.80</u>	<u>33,392.50</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Animal Control Expenditures:			
Paid or Charged	B-5	2,503.00	9,971.50
Reserve for Encumbrances	B	228.50	7,828.50
Other Charges:			
Statutory Excess Fund Balance			
Transferred to Current Fund	B-9	<u>33,670.20</u>	<u>17,014.80</u>
		<u>36,401.70</u>	<u>34,814.80</u>
Statutory (Deficit) to Fund Balance		(241.90)	(1,422.30)
<u>FUND BALANCE</u>			
Balance - January 1, 2020	B	<u>36,666.50</u>	<u>38,088.80</u>
Balance - December 31, 2020	B	<u>\$ 36,424.60</u>	<u>\$ 36,666.50</u>
License Fees Collected:			
2017		\$ 18,574.40	
2018		\$ 18,092.10	18,092.10
2019		<u>18,332.50</u>	
		<u>\$ 36,424.60</u>	<u>\$ 36,666.50</u>

Note: R.S. 4:19-15.11

... there shall be transferred from such special account to the general funds of the municipality any amount then in such special account which is in excess of the total amount paid into such special account during the last two fiscal years preceding."

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

B-3

TRUST ASSESSMENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>REVENUE</u>	2020 <u>BUDGET</u>	<u>REALIZED</u>
Assessment Cash	\$ 20,000.00	\$ 20,000.00
	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>
<u>REF</u>	B-4	B-1, B-6

B-4

TRUST ASSESSMENT FUND  
STATEMENT OF EXPENDITURES-REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

<u>APPROPRIATION</u>	2020 <u>BUDGET</u>	<u>EXPENDED PAID OR CHARGED</u>
Payment of Bond Principal	\$ 20,000.00	\$ 20,000.00
	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>
<u>REF</u>	B-3	B-5, B-13

See Accompanying Notes to Financial Statements



PRINCETON  
MERCER COUNTY, NEW JERSEY

C

GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
DECEMBER 31, 2020 AND 2019

<u>Assets</u>	<u>REF</u>	<u>2020</u>	<u>2019</u>
Cash and Equivalents - Treasurer	C-3	\$ 18,143,854.25	\$ 6,483.32
Public and Private Funding Receivable	C-6	2,190,209.75	2,130,209.75
Deferred Charges to Future Taxation:			
Funded	C-5	76,704,245.87	61,153,217.38
Unfunded	C-4	16,767,014.13	35,658,707.27
Total Assets		<u>\$ 113,805,324.00</u>	<u>\$ 98,948,617.72</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds	C-9	\$ 73,225,000.00	\$ 56,830,000.00
Infrastructure Loan Payable	C-10	3,479,245.87	4,323,217.38
Reserve for Encumbrances	C-8	6,966,179.89	6,146,156.91
Interfund Loans Payable			200,000.00
Improvement Authorizations:			
Funded	C-8	13,237,103.72	2,020,615.91
Unfunded	C-8	13,932,435.57	26,765,950.04
Reserve For:			
Capital Improvement Fund	C-11	137,033.39	61,283.39
Future Debt Service Costs	C-12	1,791,449.28	1,372,022.56
Reserve for Roads	C-13	545,180.00	545,180.00
Grants Receivable	Reserve	250,000.00	250,000.00
Fund Balance	C-1	241,696.28	434,191.53
Total Liabilities, Reserves and Fund Balance		<u>\$ 113,805,324.00</u>	<u>\$ 98,948,617.72</u>

At December 31, 2020 and 2019, there were Bonds and Notes Authorized but not Issued in the amounts of \$16,767,014.13 and \$35,658,707.27, respectively. (See Exhibit C-14)

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

C-1

GENERAL CAPITAL FUND  
COMPARATIVE STATEMENTS OF  
FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>2020</u>	<u>2019</u>
Cancellation of Improvement Authorizations	C-8	\$ 7,504.75	\$ 50,275.57
<u>EXPENDITURES</u>			
Utilized as Current Fund Revenue	C-3	<u>200,000.00</u>	<u>675,000.00</u>
Statutory (Deficit) to Fund Balance		(192,495.25)	(624,724.43)
<u>FUND BALANCE</u>			
Balance - January 1	C	<u>434,191.53</u>	<u>1,058,915.96</u>
Balance - December 31	C	<u>\$ 241,696.28</u>	<u>\$ 434,191.53</u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

D

AFFORDABLE HOUSING UTILITY FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>REF</u>	<u>DEC. 31, 2020</u>	<u>DEC. 31, 2019</u>	<u>LIABILITIES, RESERVES AND FUND BALANCES</u>	<u>REF</u>	<u>DEC. 31, 2020</u>	<u>DEC. 31, 2019</u>
Operating Fund:				Operating Fund:			
Cash and Equivalents - Treasurer	D-5	\$ 5,179,564.93	\$ 4,751,707.38	Reserves:			
		<u>5,179,564.93</u>	<u>4,751,707.38</u>	Program Reserves	D-8	\$ 4,311,502.80	\$ 4,046,893.95
Receivable With						<u>4,311,502.80</u>	<u>4,046,893.95</u>
Full Reserve:							
Program Accounts Receivable	D-7	367,251.71	378,442.77				
		<u>367,251.71</u>	<u>378,442.77</u>	Reserve for Receivables	Reserve	367,251.71	378,442.77
				Fund Balance	D-1	<u>868,062.13</u>	<u>704,813.43</u>
Total Operating Fund		<u>5,546,816.64</u>	<u>5,130,150.15</u>	Total Operating Fund		<u>5,546,816.64</u>	<u>5,130,150.15</u>
Capital Fund:				Capital Fund:			
Cash	D-5	118,969.04	118,969.04	Improvement Authorizations:			
		<u>118,969.04</u>	<u>118,969.04</u>	Funded	D-9	67,702.05	67,702.05
				Fund Balance	D-2	<u>51,266.99</u>	<u>51,266.99</u>
Total Capital Fund		<u>118,969.04</u>	<u>118,969.04</u>	Total Capital Fund		<u>118,969.04</u>	<u>118,969.04</u>
		<u>\$ 5,665,785.68</u>	<u>\$ 5,249,119.19</u>			<u>\$ 5,665,785.68</u>	<u>\$ 5,249,119.19</u>

There were no Bonds and Notes Authorized but not Issued at December 31, 2020 and 2019.

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

D-1

AFFORDABLE HOUSING UTILITY OPERATING FUND  
COMPARATIVE STATEMENTS OF OPERATIONS AND  
CHANGES IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>2020</u>	<u>2019</u>
Miscellaneous Revenues Anticipated	D-3	\$ 496,339.00	\$ 496,832.00
Non-Budget Revenue	D-5	16,558.93	45,111.19
Other Credits to Income:			
Encumbrances Cancelled	D-8	89.51	890.61
		<hr/>	<hr/>
Total Revenues		512,987.44	542,833.80
		<hr/>	<hr/>
<u>EXPENDITURES</u>			
Budget Expenditures:			
Salaries and Wages	D-4	91,213.62	89,601.83
Other Expenses	D-4	258,525.12	363,257.90
		<hr/>	<hr/>
Total Expenditures		349,738.74	452,859.73
		<hr/>	<hr/>
Excess in Revenues		163,248.70	89,974.07
<u>FUND BALANCE</u>			
Balance - January 1	D	704,813.43	614,839.36
		<hr/>	<hr/>
Balance - December 31	D	\$ 868,062.13	\$ 704,813.43
		<hr/>	<hr/>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

D-2

AFFORDABLE HOUSING UTILITY CAPITAL FUND  
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>REF.</u>	<u>YEAR 2020</u>	<u>YEAR 2019</u>
<u>FUND BALANCE</u>			
Balance - January 1	D	\$ <u>51,266.99</u>	\$ <u>51,266.99</u>
Balance - December 31	D	\$ <u><u>51,266.99</u></u>	\$ <u><u>51,266.99</u></u>

See Accompany Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

D - 3

AFFORDABLE HOUSING UTILITY OPERATING FUND  
 STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF.</u>	2020 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Affordable Housing Fees	D-8	\$ 153,461.00	\$ 153,461.00	\$
Municipal Contribution	D-5	100,000.00	100,000.00	-
Affordable Housing Reserve Sec1. 0B:340	D-8	<u>242,878.00</u>	<u>242,878.00</u>	<u>-</u>
		<u>\$ 496,339.00</u>	<u>\$ 496,339.00</u>	<u>\$ -</u>
	<u>REF</u>	D-4	D-1	

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

D - 4

AFFORDABLE HOUSING UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u> <u>BUDGET</u>	<u>BUDGET AFTER</u> <u>MODIFICATION</u>	<u>EXPENDED</u> <u>PAID OR</u> <u>CHARGED</u>	<u>CANCELLED</u>
Operating:				
Salaries and Wages	\$ 105,506.00	\$ 105,506.00	\$ 91,213.62	\$ 14,292.38
Other Expenses	<u>390,833.00</u>	<u>390,833.00</u>	<u>258,525.12</u>	<u>132,307.88</u>
	<u>\$ 496,339.00</u>	<u>\$ 496,339.00</u>	<u>\$ 349,738.74</u>	<u>\$ 146,600.26</u>

REF

D-3

Cash Disbursed	D-5	\$ 285,947.76
Reserve for Rehabilitation	D-8	50,000.00
Reserve for Aff. Hsg.	D-8	<u>13,790.98</u>
		<u>\$ 349,738.74</u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

E

PARKING UTILITY FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
DECEMBER 31, 2020 AND 2019

<u>Assets:</u>	<u>REF</u>	<u>2020</u>	<u>2019</u>	<u>Liabilities and Fund Balance</u>	<u>REF</u>	<u>2020</u>	<u>2019</u>
Operating Fund:				Operating Fund:			
Cash and Equivalents - Treasurer	E-6	\$ 2,551,203.20	\$ 1,939,400.67	Reserve for Encumbrances	E-8	\$ 161,500.07	\$ 70,535.12
				Appropriation Reserves	E-4, E-7	662,559.45	146,330.81
				Accounts Payable	E-9	8,228.80	1,500.00
				Accrued Interest on Bonds	E-10	103,303.13	120,178.13
				Reserve for Security Deposits	E-16	4,166.66	4,166.66
				Fund Balance	E-1	1,611,445.09	1,596,689.95
Total Operating Fund		<u>2,551,203.20</u>	<u>1,939,400.67</u>	Total Operating Fund		<u>2,551,203.20</u>	<u>1,939,400.67</u>
Capital Fund:				Capital Fund:			
Cash and Equivalents - Treasurer	E-6	21,110.82	86,700.22	Serial Bonds Payable	E-17	6,645,000.00	7,370,000.00
Fixed Capital	E-12	15,827,014.85	15,827,014.85	Improvement Authorizations			
Fixed Capital Authorized & Uncompleted	E-13	<u>1,063,688.11</u>	<u>1,063,688.11</u>	Funded	E-11	343,053.51	424,695.57
				Unfunded	E-11	583,905.68	585,321.49
				Reserve for Encumbrances	E-8	1,960.60	53,671.05
				Reserve for:			
				Amortization	E-14	8,665,456.53	7,940,456.53
				Deferred Amortization	E-15	425,246.43	425,246.43
				Fund Balance	E-2	<u>247,191.03</u>	<u>178,012.11</u>
Total Capital Fund		<u>16,911,813.78</u>	<u>16,977,403.18</u>	Total Capital Fund		<u>16,911,813.78</u>	<u>16,977,403.18</u>
		<u>\$ 19,463,016.98</u>	<u>\$ 18,916,803.85</u>			<u>\$ 19,463,016.98</u>	<u>\$ 18,916,803.85</u>

There were Bonds and Notes Authorized but not Issued at December 31, 2020 and 2019 in the amount of \$1,155,000.00 (See Exhibit E-18).

See Accompanying Notes to Financial Statements



PRINCETON  
MERCER COUNTY, NEW JERSEY

E-1

PARKING UTILITY OPERATING FUND  
COMPARATIVE STATEMENTS OF OPERATIONS AND  
CHANGES IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>2020</u>	<u>2019</u>
Operating Fund Balance	E-2	\$ 400,000.00	\$ 400,000.00
Miscellaneous Revenues Anticipated	E-2	2,909,065.97	5,215,589.14
Miscellaneous Revenues Not Anticipated	E-6	2,575.00	11,641.68
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	E-7	164,999.17	196,801.10
Total Revenues		<u>3,476,640.14</u>	<u>5,824,031.92</u>
<u>EXPENDITURES</u>			
Budget Expenditures:			
Salaries and Wages	E-4	753,310.00	712,113.00
Other Expenses	E-4	1,294,475.00	1,077,475.00
Debt Service	E-4	1,014,100.00	953,850.00
Deferred Charges			500,000.00
Surplus - General Budget			1,500,000.00
Total Expenditures		<u>3,061,885.00</u>	<u>4,743,438.00</u>
Excess in Revenues		414,755.14	1,080,593.92
<u>FUND BALANCE</u>			
Balance - January 1	E	<u>1,596,689.95</u>	<u>916,096.03</u>
		2,011,445.09	1,996,689.95
Decreased by:			
Utilized as Anticipated Revenue	E-3	<u>400,000.00</u>	<u>400,000.00</u>
Balance -December 31	E	<u><u>\$ 1,611,445.09</u></u>	<u><u>\$ 1,596,689.95</u></u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

E-2

PARKING UTILITY CAPITAL FUND  
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>REF</u>	<u>YEAR 2020</u>	<u>YEAR 2019</u>
<u>FUND BALANCE</u>			
Increased by:			
Funded Ordinances Cancelled	E-11	\$ 69,178.92	
Balance - January 1	E	<u>178,012.11</u>	<u>\$ 178,012.11</u>
Balance - December 31	E	<u>\$ 247,191.03</u>	<u>\$ 178,012.11</u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

E - 3

PARKING UTILITY OPERATING FUND  
 STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>REF</u>	2020 <u>BUDGET</u>	<u>REALIZED</u>	(DEFICIT)/ <u>EXCESS</u>
Fund Balance Utilized	E-1	\$ 400,000.00	\$ 400,000.00	\$
Parking Fees	E-6	4,480,460.00	2,436,173.74	(2,044,286.26)
Annual Service Charge	E-6	126,000.00	130,628.27	4,628.27
Lease Agreements	E-6	363,000.00	329,184.78	(33,815.22)
Interest	E-6	<u>9,300.00</u>	<u>13,079.18</u>	<u>3,779.18</u>
		<u>\$ 5,378,760.00</u>	<u>\$ 3,309,065.97</u>	<u>\$ (2,069,694.03)</u>
	<u>REF</u>	<u>E-4</u>	<u>E-1</u>	

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

E - 4

PARKING UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED		
Operating:						
Salaries and Wages	\$ 753,310.00	\$ 753,310.00	\$ 478,663.92		\$ 274,646.08	
Other Expenses	1,294,475.00	1,294,475.00	745,061.56	\$ 161,500.07	387,913.37	
Debt Service:						
Payment of Bond Principal	725,000.00	725,000.00	725,000.00			
Interest on Bonds	305,975.00	305,975.00	289,100.00			\$ 16,875.00
Deferred Charges:						
Ord. 18-09	500,000.00	500,000.00				500,000.00
Surplus - General Budget	<u>1,800,000.00</u>	<u>1,800,000.00</u>				<u>1,800,000.00</u>
	<u>\$ 5,378,760.00</u>	<u>\$ 5,378,760.00</u>	<u>\$ 2,237,825.48</u>	<u>\$ 161,500.07</u>	<u>\$ 662,559.45</u>	<u>\$ 2,316,875.00</u>
	REF E-3		E-1	E-1, E-8	E	
Disbursed	E-6		\$ 1,948,725.48			
Accrued Interest on Bonds	E-10		<u>289,100.00</u>			
			<u>\$ 2,237,825.48</u>			

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

F

PUBLIC ASSISTANCE FUND  
 COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
DECEMBER 31, 2020 AND 2019

	<u>REF</u>	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>			
Cash and Equivalents:			
Treasurer	F-1	\$ 112,843.38	\$ 100,224.93
		<u>\$ 112,843.38</u>	<u>\$ 100,224.93</u>
 <u>RESERVES AND FUND BALANCE</u>			
Reserves:			
SSI Due to Clients	F-5	\$ 1,238.31	\$ 1,238.31
Reserve for Public Assistance	F-5	98,044.48	85,426.03
Advanced State Aid	F-5	<u>13,560.59</u>	<u>13,560.59</u>
		<u>\$ 112,843.38</u>	<u>\$ 100,224.93</u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

G

GOVERNMENTAL FIXED ASSETS  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
DECEMBER 31, 2020 AND 2019

	<u>BALANCE</u> <u>DEC. 31, 2020</u>	<u>BALANCE</u> <u>DEC. 31, 2019</u>
Governmental Fixed Assets:		
Land/Buildings	\$ 179,241,200.00	\$ 179,241,200.00
Equipment	8,724,722.00	8,097,866.00
Vehicles	<u>14,773,103.00</u>	<u>14,091,136.00</u>
Total Governmental Fixed Assets	<u><u>\$ 202,739,025.00</u></u>	<u><u>\$ 201,430,202.00</u></u>
 Investment in Governmental Fixed Assets	 <u><u>\$ 202,739,025.00</u></u>	 <u><u>\$ 201,430,202.00</u></u>

See Accompanying Notes to Financial Statements

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 1: FORM OF GOVERNMENT

On January 1, 2013, the Township of Princeton and the Borough of Princeton consolidated to become one municipality, Princeton. Princeton operates under the legislative authority of N.J.S.A. 40A:60-1 et seq., which provides for the election of a mayor to serve a term of four years, and a council of six members serving three-year terms. The mayor is the head of the executive branch of municipal government and the council is the legislative body. Princeton has adopted an administrative code, which provides in part for the delegation of a portion of executive responsibilities to an administrator and for the organization of the council into standing committees to oversee various municipal activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of Princeton include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by Princeton, as required by N.J.S.A. 40A: 5-5. Accordingly, the financial statements of Princeton do not include the operations of the municipal library, the board of education, recreation commission, first aid organizations or volunteer fire companies.

B. Description of Funds

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

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

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purposes for which each reserve was created. Pursuant to the provisions of N.J.S.A. 40A: 4-39, the financial transactions of the following funds and accounts are also reported within the Trust Fund:

Assessment Trust Fund	Construction Code Fees
Animal Control Trust Fund	Municipal Public Defender Fees
Unemployment Compensation	Disposal of Forfeited Property
Insurance Trust Fund	Dedicated Donations (Parks, Public Safety,
Developer's Escrow Fund	Shade Trees, etc.)
Open Space Trust Fund	Uniform Fire Safety Act Penalties
Payroll & Payroll Agency Fund	Electronic Receipts Fees
Police Off-Duty Pay	Snow Removal Trust Fund
Mountain Lakes Nature Preserve	Accumulated Absences Fund
Donations	Parking Adjudication Act

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

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

B. Description of Funds (Cont'd.)

Affordable Housing Utility Fund - resources and expenditures relating to the maintenance and expansion of affordable housing units within the municipality, including state, federal and private grants in aid of construction/acquisition of such units, and the status of bonds and notes authorized for said purposes.

Parking Utility Fund – revenues and expenditures for the operations of the municipally-owned parking utility and resources, including federal and state grants in aid of construction, and expenditures for the acquisition of parking utility capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Public Assistance Fund - receipt and disbursement of funds that provide assistance to certain residents of Princeton pursuant to Title 44 of New Jersey Statutes.

Governmental Fixed Assets – The Governmental Fixed Assets is used to account for fixed assets used in municipal operations, for control purposes. Infrastructure assets such as roads, sidewalks, wastewater collection and transmission systems, etc. are not capitalized. General fixed assets acquired prior to 1985 are valued at historical cost or estimated historical cost if actual historical cost was not available. Assets acquired or constructed subsequent to 1985 are valued at historical cost. Contributed capital is valued at the estimated fair market value of the asset at the date of the contribution. No depreciation is recorded on general fixed assets.

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

C. Basis of Accounting and Measurement Focus

The basis of accounting ("regulatory basis") as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the GAAP basis reporting of consolidated entity-wide financial statements on a full accrual basis, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Revenues – Revenues are recorded as received in cash except for statutory reimbursements and grant funds that are due from other governmental units. State and Federal grants, entitlements and shared revenues received for operating purposes are realized as revenues when anticipated in the budget. Receivables for property taxes and affordable housing charges and parking fees are recorded with offsetting reserves within the Current Fund, Affordable Housing Utility Fund, and Parking Utility Fund respectively.



PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

Other amounts that are due to Princeton, which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to Princeton's "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for un-liquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP. Expenditures for the costs of pensions and post-employment benefits other than pensions (other post-employment benefits or "OPEB") are recorded in the accounting period in which the payments are made. GAAP requires recognition in the "entity-wide" financial statements of the actuarially determined estimated pension and OPEB costs during the employment period of each employee, during which any OPEB benefit is earned. See Note 10 for pension disclosures required by GASB 68. See Note 11 for OPEB disclosure required by GASB 75.

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

The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) requires that certain operating transfers between funds, transfers of anticipated operating surpluses among the Current Fund, Affordable Housing Utility and Parking Utility Fund transfers from utility operating funds to capital funds (to finance capital projects) and transfers from the Current Fund to the Trust Funds or General Capital Fund are required to be included in Princeton's annual budgets as budget appropriations. Expenditures are recorded upon the adoption of the budget for legally required transfers, and upon the determination of availability of funds for any discretionary transfers. Under GAAP, operating transfers are not recognized as expenditures.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

New Jersey statutes require municipalities to provide annual funding to Free Public Libraries through the Current Fund Budget. Amounts paid on behalf of the Free Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of Princeton, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized, as a "component unit" of Princeton, and discrete reporting of the Library's financial position and operating results would be incorporated in Princeton's financial statements.

Compensated Absences - Princeton records expenditures for payments of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available financial resources, and that expenditures be recorded in the enterprise (Affordable Housing Utility and Parking Utility Fund) fund on a full accrual basis. New Jersey statutes permit the establishment of a dedicated trust fund to accumulate resources for future payments of earned and unused sick and vacation pay. The use of this funding vehicle is discretionary. Note 12 provides additional disclosures relating to accrued and unrecorded compensated absence liabilities and current reserve funding status.

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

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

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

Governmental Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded within the respective funds as expenditures at the time of purchase and are not capitalized. Contributions in aid of construction are not capitalized within the various funds of the municipality. Depreciation on general fixed assets is not recorded as an operating expense within the funds or in the combined financial statements. GAAP does not require recognition of depreciation of these assets as an operating expense of the funds, but does require the recognition of depreciation of governmental fixed assets as a governmental operating expense in the entity-wide financial statements. New Jersey Administrative Code 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985. All non-infrastructure fixed assets acquired by Princeton are recorded at cost, if available or by other acceptable methods when historical cost data was not available.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

Utility Fixed Assets - Property and equipment purchased by the Parking Utility Fund and Affordable Housing Utility Fund are recorded as expenditures and are also capitalized within the utility capital fund at cost with an offsetting reserve for amortization, and are adjusted for disposition and abandonment. The amounts shown as utility fixed capital do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. GAAP does not require the establishment of a reserve for amortization for utility fixed assets, but does require the recognition of depreciation of these assets as an operating expense of the utility. The provisions of New Jersey Administrative Code 5:30-5.6 also established a mandate for utility fund fixed asset accounting by municipalities. All non-infrastructure utility fixed assets acquired or constructed with utility financial resources are recorded at cost, if available or by other acceptable methods when historical cost data was not available.

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

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

**Net Pension Liability and Pension Related Deferred Outflows of Resources and Deferred Inflows of Resources and Pension Expense** - the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* require governmental entities to record their distributive shares of net pension liability, deferred outflows of resources, deferred inflows of resources and total pension related expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of these amounts. The audited financial information related to pensions is released annually by the State's Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Due to delays in the availability of the information needed for disclosure, the Division issued Local Finance Notice 2021-10 on May 26, 2021. To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the Division discretion to permit the most recent available audited GASB 68 financial information to be incorporated into the audited financial statements and only requires one year to be disclosed. Refer to Note 10 for these disclosures.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

**Other Post-Employment Benefits Other Than Pensions** - The requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* that is provided by other entities require governmental entities to record in their financial statements a share of the other governments net OPEB liability, deferred outflows of resources, deferred inflows of resources and total OPEB expense. Accounting principles applicable to municipalities, which have been prescribed by the Division, do not require the recording of these liabilities, deferrals and expenses, but do require the disclosure of the amounts. Since the Princeton does not follow generally accepted accounting principles, the GASB did not result in a change in Princeton's assets, liabilities and contribution requirements. However, it did result in additional note disclosures as required by the GASBs. Princeton maintains a sole-employer OPEB Plan. However, Princeton also participates in a special funding situation with the State of New Jersey multiple-employer plan. As it relates to the State of New Jersey multiple-employer plan, the audited financial information related to OPEBs is released annually by the State's Division of Pensions and Benefits and is required to be included as note disclosures in the financial statements. Due to delays in the availability of the information needed for disclosure, the Division issued Local Finance Notice 2021-10 on May 26, 2021. To ensure the timely filing of county and municipal audits, Local Finance Board regulations allow the Division discretion to permit the most recent available audited GASB 75 financial information to be incorporated into the audited financial statements and only requires one year to be disclosed. As a result, the latest available audited information is presented in Note 11.

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

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 3: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

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

A. Summary of Municipal Debt for Capital Projects

	<u>2020</u>	<u>2019</u>
<u>Issued:</u>		
General:		
Bonds and Notes	\$ 73,225,000.00	\$ 56,830,000.00
Infrastructure Loan	3,479,245.87	4,323,217.38
Assessment Fund:		
Bonds and Notes	-	20,000.00
Parking Utility Fund:		
Bonds and Notes	<u>6,645,000.00</u>	<u>7,370,000.00</u>
Total Issued	<u>83,349,245.87</u>	<u>68,543,217.38</u>
 <u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	16,767,014.13	35,658,707.27
Parking Utility:		
Bonds and Notes	<u>1,155,000.00</u>	<u>1,155,000.00</u>
Total Authorized But Not Issued	<u>17,922,014.13</u>	<u>36,813,707.27</u>
 Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 101,271,260.00</u>	<u>\$ 105,356,924.65</u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

Summarized below are Princeton's individual bond and loan issues which were outstanding at December 31, 2019 and 2020:

	<u>2020</u>	<u>2019</u>
<u>General Debt:</u>		
\$6,600,000, General Improvement Bonds Series 2011, due in annual installments of \$650,000 through September 2022, interest at 3.00%	\$1,300,000.00	\$1,950,000.00
\$8,000,000, General Improvement Bonds Series 2011, due in annual installments of \$650,000 through December 2026, interest at 2.00% to 2.75%	3,900,000.00	4,550,000.00
\$12,589,000, General Improvement Bonds Series 2010, paid in one final installment of \$1,000,000 in June 2020.		1,000,000.00
\$19,195,000, General Improvement Refunding Bonds Series 2013, due in annual installments of \$1,530,000 to \$1,760,000 through January 2026, interest at 2.00% to 3.00%.	9,860,000.00	11,355,000.00
\$9,950,000, General Improvement Bonds Series 2014, due in annual installments of \$975,000 to \$1,000,000 through September 2026, interest at 2.00% to 4.00%.	5,975,000.00	6,925,000.00

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	<u>2020</u>	<u>2019</u>
<u>General Debt (cont'd.):</u>		
\$12,305,000 General Improvement Refunding Bonds Series 2016, due in annual installments of \$995,000 to \$1,575,000 through January 2026, interest at 3.0%	\$ 8,260,000.00	\$ 8,850,000.00
\$24,200,000 General Improvement Bonds Series 2017, due in annual installments of \$1,000,000 to \$2,000,000 through September 2032, interest at 2.00% to 3.00% .	20,700,000.00	22,200,000.00
\$23,230,000 General Improvement Bonds Series 2020, due in annual installments of \$1,690,000 to \$2,130,000 through December 2032, interest at 2.00%.	23,230,000.00	-
<u>Program Loans:</u>		
\$1,810,000, Infrastructure Water Loan, due in annual installments of \$80,000 to \$140,000 through Nov. 1, 2027, interest at 4.25% to 5.00%	670,811.21	775,541.89
\$1,778,284, Infrastructure Water Loan - Principal Only, due in semi-annual installments of \$90,000 to 94,000 through Oct. 23, 2026	218,184.12	312,152.42
\$1,740,000, Infrastructure Water Loan, due in annual installments of \$70,000 to \$130,000 through Aug. 1, 2027, interest at 4.25% to 5.00%	410,000.00	458,000.00
\$1,696,442, Infrastructure Water Loan - Principal Only, due in semi-annual installments of \$84,510 to 91,490 through Aug. 1, 2027	122,903.60	202,068.24
\$2,070,000, Infrastructure Water Loan, due in annual installments of \$80,000 to \$160,000 through Aug. 1, 2028, interest at 5.00%	254,000.00	358,000.00
\$1,400,000, Infrastructure Water Loan - annual installments of \$55,000 to \$105,000 through Aug. 1, 2028, interest from 3.00% to 5.00%	465,000.00	531,000.00

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	<u>2020</u>	<u>2019</u>
<u>Program Loans (cont'd.):</u>		
\$4,293,898, Infrastructure Water Loan - Principal Only, due in semi-annual installments of \$218,334 through Aug. 1, 2029	\$ 605,581.12	\$ 823,915.03
\$1,170,000, Infrastructure Water Loan - due in semi-annual installments of \$40,000 to 85,000 through Aug. 1, 2031	202,765.82	277,539.80
\$1,273,893, Infrastructure Water Loan - Principal Only, due in semi-annual installments of \$64,774 through Aug. 1, 2031	<u>530,000.00</u>	<u>585,000.00</u>
Total General Debt	<u>76,704,245.87</u>	<u>61,153,217.38</u>
<u>Assessment Trust Debt</u>		
\$212,000, Assessment Bonds Series 2010, paid in a final annual installment of \$20,000 on June 1, 2020, interest at 4.00%	<u>-</u>	<u>20,000.00</u>
Total Assessment Debt	<u>-</u>	<u>20,000.00</u>
<u>Parking Utility Debt</u>		
\$10,905,000, Parking Utility Refunding Bonds Series 2011, due in annual installments of \$120,000 to \$865,000 through August 15, 2028, interest at 3.00% to 5.00%	<u>6,645,000.00</u>	<u>7,370,000.00</u>
Total Parking Utility Debt	<u>6,645,000.00</u>	<u>7,370,000.00</u>
Total Debt Issued and Outstanding	<u><u>\$ 83,349,245.87</u></u>	<u><u>\$ 68,543,217.38</u></u>



PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

<u>2019</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 43,718,000.00	\$ 43,718,000.00	\$ -
Parking Utility Debt	8,525,000.00	8,525,000.00	
General Debt	<u>96,811,924.65</u>	<u>1,322,272.87</u>	<u>95,489,651.78</u>
	<u>\$ 149,054,924.65</u>	<u>\$ 53,565,272.87</u>	<u>\$ 95,489,651.78</u>

Net Debt \$95,489,651.78 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$8,308,690,041.33 = 1.15%

<u>2020</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 38,748,000.00	\$ 38,748,000.00	\$ -
Parking Utility Debt	7,800,000.00	7,800,000.00	
General Debt	<u>93,471,260.00</u>	<u>1,781,113.22</u>	<u>91,690,146.78</u>
	<u>\$ 140,019,260.00</u>	<u>\$ 48,329,113.22</u>	<u>\$ 91,690,146.78</u>

Net Debt \$91,690,146.78 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$8,551,196,005.67 = 1.07%

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

	<u>2019</u>	<u>2020</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	<u>\$ 290,804,151.45</u> <u>95,489,651.78</u>	<u>\$ 299,291,860.20</u> <u>91,690,146.78</u>
Remaining Borrowing Power	<u>\$ 195,314,499.67</u>	<u>\$ 207,601,713.42</u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

B. Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd)

Calculation of "Self-Liquidating Purpose"

Parking Utility Per N.J.S.A. 40A:2-45

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

	<u>2020</u>	<u>2019</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 3,311,640.97	\$ 5,627,230.82
Deductions:		
Operating and Maintenance Cost	2,047,785.00	1,789,588.00
Debt Service	<u>1,014,100.00</u>	<u>953,850.00</u>
Total Deductions	<u>3,061,885.00</u>	<u>2,743,438.00</u>
Excess in Revenues	<u><u>\$ 249,755.97</u></u>	<u><u>\$ 2,883,792.82</u></u>

Deductions of Self-Liquidating Utility Debt for  
Statutory Net Debt - Parking Utility Per N.J.S.A. 40A:2-45

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

	<u>2020</u>	<u>2019</u>
Excess in Revenues - Cash Basis (E-1)	\$ 414,755.14	\$ 1,080,593.92
Add: Deferred Charges		500,000.00
Surplus Transfer to General Budget		<u>1,500,000.00</u>
	<u>414,755.14</u>	<u>2,000,000.00</u>
Less: Other Credits to Income	164,999.17	196,801.10
	<u>164,999.17</u>	<u>196,801.10</u>
Excess in Revenues	<u><u>\$ 249,755.97</u></u>	<u><u>\$ 2,883,792.82</u></u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

C. Schedule of Annual Debt Service for Principal and Interest for the  
Bonded Debt Issued and Outstanding

Year	<u>GENERAL</u>		<u>PARKING UTILITY</u>		<u>TOTAL</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2021	\$8,570,000.00	\$1,829,962.50	\$720,000.00	\$273,675.00	\$9,290,000.00	\$2,103,637.50
2022	8,750,000.00	1,577,512.50	770,000.00	241,875.00	9,520,000.00	1,819,387.50
2023	8,240,000.00	1,303,612.50	825,000.00	203,375.00	9,065,000.00	1,506,987.50
2024	8,375,000.00	1,078,400.00	875,000.00	152,000.00	9,250,000.00	1,230,400.00
2025	7,930,000.00	878,575.00	860,000.00	133,875.00	8,790,000.00	1,012,450.00
	<u>41,865,000.00</u>	<u>6,668,062.50</u>	<u>4,050,000.00</u>	<u>1,004,800.00</u>	<u>45,915,000.00</u>	<u>7,672,862.50</u>
2026	8,070,000.00	685,225.00	865,000.00	99,475.00	8,935,000.00	784,700.00
2027	4,130,000.00	507,800.00	865,000.00	64,875.00	4,995,000.00	572,675.00
2028	4,130,000.00	425,200.00	865,000.00	30,275.00	4,995,000.00	455,475.00
2029	4,130,000.00	342,600.00			4,130,000.00	342,600.00
2030	4,130,000.00	260,000.00			4,130,000.00	260,000.00
	<u>24,590,000.00</u>	<u>2,220,825.00</u>	<u>2,595,000.00</u>	<u>194,625.00</u>	<u>27,185,000.00</u>	<u>2,415,450.00</u>
2031	3,830,000.00	157,400.00			3,830,000.00	157,400.00
2032	2,940,000.00	63,800.00			2,940,000.00	63,800.00
	<u>6,770,000.00</u>	<u>221,200.00</u>			<u>6,770,000.00</u>	<u>221,200.00</u>
TOTAL	<u>\$ 73,225,000.00</u>	<u>\$ 9,110,087.50</u>	<u>\$ 6,645,000.00</u>	<u>\$ 1,199,425.00</u>	<u>\$ 79,870,000.00</u>	<u>\$ 10,309,512.50</u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

D. Loan Agreements

Department of Environmental Protection - Environmental Infrastructure Loans

Princeton, during 2007 entered into a loan agreement with the State of New Jersey, Department of Environmental Protection, pursuant to the 2006 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of \$1,810,000 to be repaid over a twenty-year period at interest rates ranging from 4.00% to 5.00%, and a Fund Loan Agreement of \$1,778,284 to be repaid over a twenty-year period at no interest. During 2016, \$168,189.19 of the prior Trust Loan balance was deobligated/defeased. Principal of \$104,730.58 was paid in 2020, leaving a balance of \$670,811.31 at December 31, 2020.

Debt service on the outstanding balance of the 2006 NJ Environmental Infrastructure Trust Loan at December 31, 2020 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 104,782.78	\$ 23,304.25
2022	104,701.94	19,113.38
2023	114,024.26	14,925.74
2024	91,684.29	10,365.19
2025	123,222.14	10,224.76
2026	<u>132,395.90</u>	<u>5,295.84</u>
Totals	<u>\$ 670,811.31</u>	<u>\$ 83,229.16</u>

Debt service on the outstanding balance of the 2006 NJ Environmental Infrastructure Fund Loan at December 31, 2020 is as follows:

<u>Year</u>	<u>Principal</u>
2021	\$ 91,137.00
2022	88,218.00
2023	<u>38,829.00</u>
Totals	<u>\$ 218,184.00</u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

D. Loan Agreements (cont'd)

Department of Environmental Protection Environmental Infrastructure Loans (cont'd)

In addition, Princeton, during 2007, entered into a loan agreement with the State of New Jersey, Department of Environmental Protection, pursuant to the 2007 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of \$1,740,000 to be repaid over a twenty-year period at interest rates ranging from 3.40% to 5.00% and a zero interest Fund Loan Agreement in the amount of \$1,696,442 to be repaid over a twenty-year period. The proceeds of this loan are to refurbish the sewer system. During 2016, \$596,000 of the prior Trust Loan balance was deobligated/defeased. \$48,000 of principal was paid during 2020, resulting in a year-end balance of \$410,000.

Debt service on the outstanding balance of the 2007 NJ Environmental Infrastructure Trust Loan at December 31, 2020 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 50,000.00	\$ 20,500.00
2022	54,000.00	18,000.00
2023	54,000.00	15,300.00
2024	60,000.00	12,600.00
2025	60,000.00	9,600.00
2026-2027	<u>132,000.00</u>	<u>9,900.00</u>
Totals	<u>\$ 410,000.00</u>	<u>\$ 85,900.00</u>

Debt service on the outstanding balance of the 2007 NJ Environmental Infrastructure Fund Loan at December 31, 2020 is as follows:

<u>Year</u>	<u>Principal</u>
2021	\$ 86,641.00
2022	<u>26,262.00</u>
Totals	<u>\$ 112,903.00</u>

Princeton entered into a loan agreement in November 2008 with the State of New Jersey, Department of Environmental Protection, pursuant to the 2008 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of \$2,070,000 to be repaid over a twenty-year period at an interest rate of 5.00%, and a zero interest Fund Loan Agreement of \$2,068,454 to be repaid over a twenty-year period. During 2016, \$850,000 of the prior Trust Loan balance was deobligated/defeased. During 2018, an additional \$26,000 of the loan balance was deobligated/defeased. During 2020, \$104,000 of principal was paid, resulting in a year-end balance of \$254,000.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

D. Loan Agreements (cont'd)

Debt service on the outstanding balance of the 2008 NJ Environmental Infrastructure Trust Loan at December 31, 2020 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 114,000.00	\$ 11,820.00
2022	112,000.00	6,450.00
2023	<u>28,000.00</u>	<u>1,290.00</u>
Totals	<u>\$ 254,000.00</u>	<u>\$ 19,560.00</u>

Princeton entered into a loan agreement in 2010 with the State of New Jersey, Department of Environmental Protection, pursuant to the 2010 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of \$1,400,000 to be repaid over a twenty-year period at interest rates ranging from 3.00% to 5.50%, and a zero interest Fund Loan Agreement of \$4,293,898 to be repaid over a twenty-year period. During 2016, \$750,000 of the prior Trust Loan balance was deobligated/defeased. During 2018, an additional \$112,000 of Trust Loan Principal was defeased.

Debt service on the outstanding balance of the 2010 NJ Environmental Infrastructure Trust Loan at December 31, 2020 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 64,000.00	\$ 18,600.00
2022	66,000.00	16,040.00
2023	74,000.00	13,400.00
2024	74,000.00	10,440.00
2025	45,000.00	7,480.00
2026-2029	<u>142,000.00</u>	<u>14,440.00</u>
Totals	<u>\$ 465,000.00</u>	<u>\$ 80,400.00</u>

Debt service on the outstanding balance of the 2010 NJ Environmental Infrastructure Fund Loan at December 31, 2020 is as follows:

<u>Year</u>	<u>Principal</u>
2021	\$ 218,334.00
2022	218,334.00
2023	124,686.00
2024	<u>44,228.00</u>
Totals	<u>\$ 605,582.00</u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

D. Loan Agreements (cont'd)

Department of Environmental Protection Environmental Infrastructure Loans (cont'd)

Princeton entered into a loan agreement in 2012 with the State of New Jersey, Department of Environmental Protection, pursuant to the 2012 New Jersey Environmental Infrastructure Trust Financing Program. The loan consists of two agreements, a Trust Loan Agreement of \$1,170,000 to be repaid over a twenty-year period at interest rates ranging from 3.00% to 5.50%, and a zero interest Fund Loan Agreement of \$1,273,893 to be repaid over a twenty-year period. During 2016, \$366,165 of the prior Trust Loan balance was deobligated/defeased. \$55,000 of Trust Loan principal was paid in 2020, resulting in a year-end balance of \$530,000. In addition, during 2016, \$528,137 of the Fund Loan balance was deobligated/defeased. \$74,774 of principal was paid in 2020, resulting in a year-end Fund Loan balance of \$212,766.

Debt service on the outstanding balance of the 2012 NJ Environmental Infrastructure Trust Loan at December 31, 2020 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 55,000.00	\$ 23,700.00
2022	60,000.00	20,950.00
2023	65,000.00	17,950.00
2024	65,000.00	14,700.00
2025	70,000.00	11,450.00
2026-2028	<u>215,000.00</u>	<u>14,100.00</u>
Totals	<u>\$ 530,000.00</u>	<u>\$ 102,850.00</u>

Debt service on the outstanding balance of the 2012 NJ Environmental Infrastructure Fund Loan at December 31, 2020 is as follows:

<u>Year</u>	<u>Principal</u>
2021	\$ 64,774.00
2022	48,983.00
2023	33,801.00
2024	33,801.00
2025	<u>31,407.00</u>
Totals	<u>\$ 212,766.00</u>

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

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 4: FUND BALANCES APPROPRIATED

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

	Balance <u>Dec. 31, 2020</u>	Utilized in <u>2021 Budget</u>
Current Fund	\$ 18,962,703.57	\$ 11,098,442.01
Affordable Housing		
Operating Fund	868,062.13	-
Parking Operating Fund	1,611,445.09	770,000.00

Note 5: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2020 and 2019, Princeton reported no deferred charges on the balance sheets of the various funds.

Note 6: GENERAL FIXED ASSETS

Changes in the carrying values of Princeton's general fixed assets for the year ended December 31, 2020 and 2019 were as follows:

	Balance <u>Dec. 31, 2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>Dec. 31, 2020</u>
Land/Buildings	\$ 179,241,200.00			\$ 179,241,200.00
Equipment	8,097,866.00	\$1,160,353.00	\$ 533,497.00	8,724,722.00
Vehicles	14,091,136.00	1,842,186.00	1,160,219.00	14,773,103.00
	<u>\$ 201,430,202.00</u>	<u>\$ 3,002,539.00</u>	<u>\$ 1,693,716.00</u>	<u>\$ 202,739,025.00</u>

  

	Balance <u>Dec. 31, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>Dec. 31, 2019</u>
Land/Buildings	\$ 179,241,200.00			\$ 179,241,200.00
Equipment	7,551,660.00	\$ 547,321.00	\$ 1,115.00	8,097,866.00
Vehicles	14,091,136.00			14,091,136.00
	<u>\$ 200,883,996.00</u>	<u>\$ 547,321.00</u>	<u>\$ 1,115.00</u>	<u>\$ 201,430,202.00</u>

The General Fixed Asset Account Group is used to account for fixed assets used in municipal operations for control purposes. Infrastructure assets such as roads, sidewalks, wastewater collection and transmission systems, etc. are not capitalized. General fixed assets acquired prior to 1985 are valued at historical cost or estimated historical cost if actual historical cost was not available. Assets acquired or constructed subsequent to 1985 are valued at historical cost. Contributed capital is valued at the estimated fair market value of the asset at the date of the contribution. No depreciation is recorded on general fixed assets.



PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 7: UTILITY FIXED ASSETS

Changes in the carrying values of Princeton's Parking Utility fixed assets for the year ended December 31, 2020 and 2019 were as follows:

	Balance <u>Dec. 31, 2019</u>	<u>Increases</u>	Balance <u>Dec. 31, 2020</u>
Land/Buildings	\$ 14,913,820.97		\$ 14,913,820.97
Equipment	117,571.68		117,571.68
Vehicles	<u>795,622.20</u>		<u>795,622.20</u>
	<u>\$ 15,827,014.85</u>	<u>\$ -</u>	<u>\$ 15,827,014.85</u>

  

	Balance <u>Dec. 31, 2018</u>	<u>Increases</u>	Balance <u>Dec. 31, 2019</u>
Land/Buildings	\$ 14,426,623.06	\$ 487,197.91	\$ 14,913,820.97
Equipment	117,571.68		117,571.68
Vehicles	<u>795,622.20</u>		<u>795,622.20</u>
	<u>\$ 15,339,816.94</u>	<u>\$ 487,197.91</u>	<u>\$ 15,827,014.85</u>

Parking Utility assets acquired or constructed are valued at cost. The amounts shown as utility fixed capital do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. No depreciation is recorded on general fixed assets.

Note 8: DEPOSITS AND INVESTMENTS

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

Deposits

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

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 8: DEPOSITS AND INVESTMENTS (CONT'D.)

Deposits (Cont'd.)

All public depositories must pledge collateral, having a market value at least equal to five (5) percent of the average daily balance of collected public funds; or if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent, to secure the deposits of governmental units.

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

At December 31, 2020 and 2019, the cash and cash equivalents and investments of Princeton on deposit and on-hand consisted of the following:

	<u>2019</u>	<u>2020</u>
Cash (Demand Accts.)	\$ 49,321,564.79	\$75,483,469.76
Change Fund (On Hand)	<u>1,515.00</u>	<u>1,515.00</u>
	<u>\$ 49,323,079.79</u>	<u>\$75,484,984.76</u>

Based upon GASB criteria, Princeton considers change funds, cash in banks, investments in short-term certificates of deposit and State of New Jersey Cash Management Fund as cash and cash equivalents. At December 31, 2020, the carrying amount of Princeton's deposits was \$75,483,469.76 and the book balance was \$75,103,684.72. Of the bank balance, \$1,061,052.19 was covered by Federal depository insurance and \$74,153,986.82 was covered under the provisions of NJGUDPA.

At December 31, 2019, the carrying amount of Princeton's deposits was \$49,321,564.79 and the book balance was \$50,147,216.51. Of the bank balance, \$1,230,151.01 was covered by Federal depository insurance and \$47,705,997.25 was covered under the provisions of NJGUDPA.

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

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

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 8: DEPOSITS AND INVESTMENTS (CONT'D.)

Deposits (Cont'd.)

The investment risk is that, in the event of the failure of the counterparty to a transaction, Princeton will not be able to recover the value of the investment or collateral securities that are in possession of an outside party.

- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Princeton has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, Princeton does not have an investment policy regarding Credit Risk except to the extent outlined under Princeton's investment policy. The New Jersey Cash Management Fund is not rated.
- (d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. Princeton does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

As of December 31, 2020 and 2019, based upon the insured balances provided by the FDIC and NJGUDPA coverage, no amounts of Princeton's bank balance were considered exposed to custodial credit risk, except for amounts not covered by GUDPA in the amounts of \$268,43.75 and \$385,416.53, respectively.

Investments

New Jersey statutes establish the following securities as eligible for the investment Princeton's funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of Princeton or bonds or other obligations of school districts of which Princeton is a part and within which the school district is located;

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 8: DEPOSITS AND INVESTMENTS (CONT'D.)

Investments (Cont'd.)

5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;
6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
  - b. the custody of collateral is transferred to a third party;
  - c. the maturity of the agreement is more than 30 days; and
  - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

Princeton is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risks for its deposits and investments. At December 31, 2020, Princeton did not have any investments.

Note 9: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

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

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

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 10: PENSION AND RETIREMENT PLANS

Substantially all of the Princeton's non-seasonal employees participate in one of the following contributory public employee retirement systems which have been established by State statute: the defined benefit plan entitled Public Employees' Retirement System (PERS), the defined benefit plan entitled Police and Firemen's Retirement System (PFRS), or the defined contribution plan entitled Defined Contribution Retirement Plan (DCRP). These systems are sponsored and administered by the New Jersey Division of Pensions and Benefits. The PERS and PFRS are considered cost sharing multiple-employer plans.

Description of Plans – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey.

Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30 year projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions), or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) (Cont'd)

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

*Plan Membership and Contributing Employers* - Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2020:

Inactive plan members or beneficiaries currently receiving benefits	182,492
Inactive plan members entitled to but not yet receiving benefits	942
Active plan members	<u>249,045</u>
Total	<u>432,479</u>

Contributing Employers – 1,691

*Significant Legislation:*

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

For the year ended December 31, 2020, Princeton's total payroll for all employees was \$18,781,194. Total PERS covered payroll was \$9,332,397. Covered payroll refers to pensionable compensation, rather than total compensation, paid by Princeton to active employees covered by the Plan.

*Specific Contribution Requirements and benefit provisions* – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.5%, commencing July 1, 2018. The most recent increase completed the phase-in referred to above. Employers contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

Employers' contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Town contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contributions requirements were calculated.

In accordance with Chapter 98, P.L. 2017, PERS receives 21.02% of the proceeds of the Lottery Enterprise for a period of 30 years. Revenues received from lottery proceeds are assumed to be contributed to the System on a monthly basis.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Cont'd)

Princeton's contributions are due and payable on April 1<sup>st</sup> in the second fiscal period subsequent to plan year for which the contributions requirements were calculated. The Princeton's payments to PERS for the years ending December 31, 2020 consisted of the following:

Total Regular Billing	<u>\$1,406,880</u>
-----------------------	--------------------

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefit of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, to tier 3 and 4 members before age 62 and tier 5 members 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 retirement age of his/her 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.

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

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Cont'd)

At June 30, 2020, the PERS reported a net pension liability of \$16,435,616,426 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's the net pension liability for the Non-State Employer Member Group that is attributable to Princeton was \$22,351,703 or 0.1370649115%, which represents a decrease of 0.0067517608 from the prior measurement date.

The following presents a summary of the proportionate share of the State of New Jersey's changes in the collective deferred outflows of resources and deferred inflows of resources attributable to Princeton for the year ended June 30, 2020, if GASB #68 were recognized:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 406,988	\$ 79,045
Changes of assumptions	725,115	9,358,869
Net difference between projected and actual investment earnings on pension plan investments	763,999	
Changes in proportion	469,120	2,739,930
Contributions subsequent to the measurement date	<u>1,499,422</u>	
	<u>\$ 3,864,644</u>	<u>\$ 12,177,844</u>

The \$1,499,422 of deferred outflows of resources resulting from Princeton's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2021. Other Amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows, if GASB #68 were recognized:

Year ended December 31,	Amount
2021	\$ (3,282,039)
2022	(3,400,055)
2023	(2,115,462)
2024	(850,106)
2025	<u>(164,960)</u>
Total	<u>\$ (9,812,622)</u>



PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Cont'd)

*Actuarial Assumptions-* The total collective pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation Rate - Prices	2.75%
Inflation Rate - Wages	3.25%
Salary Increases through 2026	2.00-6.00% Based on years of service
Thereafter	3.00-7.00% Based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and a 101.4% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 General Below-Median Income Healthy Retiree mortality table with an 91.4% adjustment for males and a 97.7% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with an 127.7% adjustment for males and a 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experiences 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.

*Return on Investments* - In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, 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 rate of return (expected returns, net of pension plans 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.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Cont'd)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Market Equities	5.50%	10.23%
Private Equity	<u>13.00%</u>	11.42%
	<u>100.00%</u>	

*Discount Rate* – The discount rate used to measure the total pension liability as of June 30, 2020 was 7.00%. 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 based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments to determine the total pension liability.

*Sensitivity of Net Pension Liability* – the following presents the net pension liability of Princeton as of June 30, 2020 using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease (6.00%)</u>	<u>At Current Rate (7.00%)</u>	<u>At 1% Increase (8.00%)</u>
PERS	\$28,137,065	\$22,351,703	\$17,442,665

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (Cont'd)

*Additional Information*

Collective balances at June 30, 2020 are as follows:

Collective deferred outflows of resources-Local Group	\$ 2,347,583,337
Collective deferred inflows of resources-Local Group	7,849,949,467
Collective net pension liability (NPL)-Local Group	16,435,616,426

Princeton's proportionate share of Local Group NPL	0.1370649115%
--	---------------

Collective pension expense for the Local Group for the measurement period June 30, 2020 was \$407,705,399. The expected remaining service lives of all plan members, is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

**State Contribution Payable Dates**

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis with the first contribution 15 months after the associated valuation date.

Local employer's contributions are expected to be paid on April 1<sup>st</sup>, 21 months after the associated valuation date.

**Receivable Contributions**

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the year ended June 30, 2020 are \$1,144,889,253.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 10: PENSION AND RETIREMENT PLANS (CONT'D)

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM

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

*Plan Membership and Contributing Employers-* Substantially all full-time county and municipal police and firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2020:

Inactive plan members or beneficiaries currently receiving benefits	45,537
Inactive plan members entitled to but not yet receiving benefits	65
Active plan members	<u>42,520</u>
Total	<u>88,122</u>

Contributing Employers – 582

*Significant Legislation:*

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

The State Legislature adopted L. 2018, c. 55 in July 2018, which transferred management of PFRS from the New Jersey Department of Treasury, Division of Pensions and Benefits to a newly constituted twelve-member PFRS Board of Trustees. The new PFRS Board, which was established in February 2019 per the legislation, has more power and authority as compared to the former PFRS Board of Trustees. In addition to overseeing the management of PFRS, the new PFRS Board will also have the authority to direct investment decisions, to adjust current benefit levels and to change member and employer contribution rates.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 10. PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

With regard to changes in current benefit provisions, such changes can only be made with the approval of a supermajority of eight (8) of the twelve (12) members of the new PFRS Board. Also, benefit enhancement can only be made if an independent actuary certifies that the benefit enhancements will not jeopardize the long-term viability of PFRS. Under prior law, benefit enhancements, including the reinstatement of COLA for retirees, could only be considered when the funded level of the pension fund reaches 80%. An actuarial certification was also required that the funded levels would remain at or above 80% over a 30-year period following the benefit enhancement.

For the year ended December 31, 2020 Princeton's total payroll for all employees was \$18,781,194. Total PFRS covered payroll was \$6,513,903. Covered payroll refers to pensionable compensation, rather than total compensation, paid by Princeton to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 8.5% of annual compensation to 10.0% in October 2011. Employers contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. Princeton's contributions are due and payable on April 1<sup>st</sup> in the fiscal period subsequent to plan year for which the contributions requirements were calculated. Princeton's payments to PFRS made in the years ending December 31, 2020 consisted of the following:

	<u>2020</u>
Normal Cost	\$ 593,740
Amortization of Accrued Liability	<u>1,165,365</u>
Total Pension	1,759,105
NCGI Premiums	<u>84,973</u>
Total PFRS Payment	<u>\$1,844,078</u>

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

The following represents the membership tiers for PFRS:

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

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 10. PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (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.

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

At June 30, 2020, the PFRS reported a net pension liability of \$14,926,648,722 for its Non-State, Non-Special Funding Situation Employer Member Group. Princeton's proportionate share of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$23,988,467, or 0.1856502962%, a proportional increase of 0.0030883067% from the prior measurement date.

*Collective Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2020 Princeton's deferred outflows of resources and deferred inflows of resources related to PFRS pensions from the following sources, if GASB #68 were recognized:

	<u>Deferred Outflows</u> <u>Of Resources</u>	<u>Deferred Inflows</u> <u>Of Resources</u>
Changes in Assumptions	\$ 60,367	\$6,431,164
Changes in Pension Proportion	1,247,783	1,049,317
Difference Projected vs. Actual Earnings	1,406,556	
Difference Projected vs. Actual Experience	241,844	86,092
Princeton contributions subsequent to the measurement date	<u>2,074,031</u>	<u>                    </u>
Total	<u>\$5,030,581</u>	<u>\$7,566,573</u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 10. PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

The \$2,074,031 of deferred outflows of resources resulting from the Princeton's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in Princeton's fiscal year ending year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows, if GASB #68 were recognized:

<u>Year Ending December 31:</u>	<u>Amount</u>
2021	\$(2,490,831)
2022	(1,580,034)
2023	(429,352)
2024	27,161
2025	<u>(136,967)</u>
Total	<u>\$ (4,610,023)</u>

*Actuarial Assumptions-* The total pension liability at the June 30, 2020 measurement date was determined by the actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions:

Inflation-Prices	2.75%
Inflation-Wages	3.25%
Salary Increases-Through 2026	2.00%-6.00% Based on years of service
Thereafter	3.00%-7.00% Based on years of service

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with an 105.6% adjustment for males and a 102.5% adjustment for females, with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and a 96.0% adjustment for females, with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and a 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 10. PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions, 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 rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Market Equities	5.50%	10.23%
Private Equity	<u>13.00%</u>	<u>11.42%</u>
	<u>100.00%</u>	

*Discount Rate* – The discount rate used to measure the total pension liability of PFRS was 7.00% as of June 30, 2020. 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 based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. 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. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date in determining the total pension liability.



PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 10. PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

*Sensitivity of Net Pension Liability* – The following presents the net pension liability of Princeton as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>At 1% Decrease</u> <u>(6.00%)</u>	<u>At current discount rate</u> <u>(7.00%)</u>	<u>At 1% increase</u> <u>(8.00%)</u>
PFRS	<u>\$ 31,899,724</u>	<u>\$ 23,988,467</u>	<u>\$ 17,417,564</u>

*Additional Information* - Collective balances at June 30, 2020 are as follows:

Collective deferred outflows of resources-Local Group	\$ 1,601,195,680
Collective deferred inflows of resources-Local Group	4,191,274,402
Collective net pension liability (NPL)-Local Group	14,926,648,722

Princeton's proportionate share of Local Group NPL 0.1856502962%

Collective pension expense for the Local Group for the measurement period ended June 30, 2020 was \$949,220,570. The average of the expected remaining service lives of all plan members, which is 5.90, 5.92, 5.73, 5.59, 5.58, 5.53, and 6.17 years for the 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

**State Contribution Payable Dates**

Chapter 83, P.L. 2016 requires the State to make pension contributions on a quarterly basis: at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30. As such, contributions are assumed to be made on a quarterly basis.

Local employer's contributions are expected to be paid on April 1<sup>st</sup>, 21 months after the associated valuation date.

**Receivable Contributions**

The Fiduciary Net Position (FNP) includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the year ended June 30, 2020 are \$1,194,176,430.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 10. PENSION PLANS (CONT'D.):

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM (CONT'D.)

*Special Funding Situation* - Princeton is responsible for the actuarially determined annual contributions to the PFRS, except where legislation was passed that legally obligates the State if certain circumstances occur. A special funding situation exists for Local employers of the PFRS. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers based upon the provisions of several legislative actions. The provisions of GASB Statement No. 68 define this relationship as a "special funding situation", and the State of New Jersey is defined as a "non-employer contributing entity".

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the years ended June 30, 2020 was \$154,309,000. The portion of that contribution allocated to Princeton in 2020 was \$286,475, or 0.1856502962%. The June 30, 2020 State special funding situation pension expense of \$227,163,993 was actuarially determined and represents the required contribution due from the State for the year. The special funding situation net pension liability under the special funding situation was reported at \$2,005,329,818 at June 30, 2020 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date.

Princeton's allocated shares of the special funding situation pension expense for the year ended June 30, 2020 and its share of the special funding situation NPL at that date were \$421,916 and \$3,722,901, respectively.

C: DEFINED CONTRIBUTION RETIREMENT PLAN

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

*Plan Membership and Contributing Employers*- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually.

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

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 10. PENSION PLANS (CONT'D.):

C: DEFINED CONTRIBUTION RETIREMENT PLAN (CONT'D.)

A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

At June 30, 2020, the membership of DCRP, based on the information within the Division's database was 64,336.

Total DCRP covered payroll for 2020 was \$476,451. Covered payroll refers to all compensation paid by Princeton to active employees covered by the Plan. Employee contributions to the DCRP for the year ended December 31, 2020 were \$26,184 and employer contributions were \$14,336.

Note 11: OTHER POSTEMPLOYMENT BENEFITS

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. 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>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating 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.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

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.

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.

The following information has been obtained from the Plan audit at June 30, 2019 and is the latest available information as of December 31, 2020.

A. Cost-Sharing, Multiple Employer, Defined Benefit Plan

For the portion of Plan benefits and expense for which Princeton is responsible, the Plan is considered to be a "Non-special Funding Situation" as defined in GASB Statement No. 75.

*Plan Membership and Contributing Employers:*

Plan membership and contributing employers/nonemployers consisted of the following at June 30, 2019:

Inactive plan members or beneficiaries currently receiving benefits	29,812
Active plan members	<u>66,213</u>
Total	<u>96,025</u>
Contributing employers	590
Contributing nonemployers	1

*Components of Plan OPEB Liability:*

The State of New Jersey's Total OPEB Liability and Net OPEB Liability for the Plan at June 30, 2019 was as follows:

	<u>2019</u>
Total OPEB Liability	\$13,819,244,582
Plan Fiduciary Net Position	<u>273,173,482</u>
Net OPEB Liability	<u>\$13,546,071,100</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11: OTHER POSTEMPLOYMENTS BENEFIT (CONT'D)

B. Cost-Sharing, Multiple Employer, Defined Benefit Plan (Cont'd)

The Net OPEB Liability at June 30, 2019 can be further broken down into its special funding and non-special funding components as follows:

	<u>2019</u>
Special Funding Situation	\$ 5,525,718,739
Non-special Funding Situation	<u>8,020,352,361</u>
Total Net OPEB Liability	<u>\$ 13,546,071,100</u>

*Princeton's Proportionate Shares of Nonspecial Funding Situation Net OPEB Liability:*

	<u>2019</u>
Nonspecial Funding Situation:	
Plan Net OPEB Liability	\$8,020,352,361
Princeton Allocations:	
Net OPEB Liability	\$26,285,202
Allocation Percentage	0.327731%
Princeton Plan Participants	217

*Actuarial Assumptions:*

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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	2.5%
Salary increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

B. Cost-Sharing, Multiple Employer, Defined Benefit Plan (Cont'd)

Mortality:

PERS

Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

PFRS

Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

\* Salary increases are based on years of service within the respective plan.

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

100% of active members are considered to participate in the Plan upon retirement.

*Healthcare Trend Assumptions:*

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

*Discount Rate:*

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

B. Cost-Sharing, Multiple Employer, Defined Benefit Plan (Cont'd)

*Sensitivity of the State's Net OPEB Liability to Changes in the Discount Rate:*

The following presents both the collective and Princeton's share of the net OPEB liability as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>At Discount Rate</u>	<u>1% Increase</u>
Total Net OPEB Liability	\$15,662,704,137	\$13,546,071,100	\$11,826,026,995
Princeton's Share (Nonspecial Funding Situation)	\$30,392,380	\$26,285,202	\$22,947,577

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:*

The following presents the net OPEB liability as of June 30, 2019, calculated using the healthcare trend rates as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total Net OPEB Liability	\$11,431,214,644	\$13,546,071,100	\$16,243,926,531
Princeton's Share (Nonspecial Funding Situation)	\$22,181,471	\$26,285,202	\$31,520,201

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, Princeton's allocated deferred outflows of resources and deferred inflows of resources related to its Nonspecial Funding participation in the OPEB Plan were as follows, if GASB #75 was recognized:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings on Plan assets	\$ 21,652	\$
Change in proportion	746,488	7,132,920
Difference between expected and actual experience		7,686,817
Change in assumptions		<u>9,314,891</u>
Princeton's Share (Nonspecial Funding Situation)	<u>\$ 768,140</u>	<u>\$ 24,134,628</u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

B. Cost-Sharing, Multiple Employer, Defined Benefit Plan (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB would be recognized in OPEB expense as follows, if GASB #75 were recognized:

<u>Year Ending June 30:</u>	<u>Amount</u>
2020	\$(3,887,734)
2021	(3,887,734)
2022	(3,889,577)
2023	(3,892,494)
2024	(3,894,798)
Thereafter	<u>(3,914,149)</u>
Total	<u>\$(23,366,488)</u>

*Changes in Total and Net OPEB Liability*

	Total OPEB Liability <u>2019</u>
Balance-Beginning of Year (June 30 measurement date)	\$15,981,103,227
Changes for Year:	
Service Cost	666,574,660
Interest	636,082,461
Change in Benefit Terms	(1,903,958)
Difference between Actual and Expected Experience	(1,399,921,930)
Changes in Assumptions	(1,635,760,217)
Contributions-Members	43,249,952
Benefit Payments	<u>(470,179,613)</u>
Net Change in Total OPEB Liability	<u>(2,161,858,645)</u>
Balance-End of Year	<u>\$13,819,244,582</u>



PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11: OTHER POSTEMPLOYMENT BENEFITS (CONT'D)

B. Cost-Sharing, Multiple Employer, Defined Benefit Plan (Cont'd)

*Changes in Total and Net OPEB Liability (Cont'd.)*

	Net OPEB Liability <u>2019</u>
Plan Fiduciary Net Position:	
Contributions: Employers	\$ 346,415,056
Contributions: Non-employer contributing entities	43,854,500
Contributions: Members	43,249,952
Net Investment Income	4,826,936
Gross Benefits Payments	(470,179,613)
Administrative Expenses	<u>(9,478,435)</u>
Net Change in Plan Fiduciary Net Position	(\$41,311,604)
Plan Fiduciary Net Position-Beginning	<u>314,485,086</u>
Plan Fiduciary Net Position-Ending	\$273,173,482
Net OPEB Liability-Ending	\$13,546,071,100
Plan Fiduciary Net Position as % of OPEB Liability	1.98%
Covered Employee Payroll	\$ 4,801,667,470
Net OPEB Liability as a Percentage of Payroll	282%

C. Special Funding Situation

The State of New Jersey provides medical and prescription drug coverage to eligible local police officers and firefighters who retire from an employer who does not provide postretirement medical coverage. Information relating to this State provided coverage is as follows:

*Plan Description and Benefits Provided:*

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 of Pensions in order for their employees to qualify for State-paid retiree health benefits 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.

*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.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11: OTHER POSTEMPLOYMENT BENEFITS (CONT'D):

C. Special Funding Situation (Cont'd.)

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. 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 GAAP basis financial statements of the local participating employers related to this legislation.

*Princeton's Proportionate Shares of Special Funding Situation Net OPEB Liability:*

At June 30, 2019, Princeton's proportionate share of the Special Funding Situation Net OPEB Liability was \$11,862,503 or 0.214678%. The State's Special Funding Situation OPEB Expense allocated to the municipality was \$157,240 for the year ended June 30, 2019. The number of municipal employees (active and inactive/retired) upon which the allocations were based for the year ended June 30, 2019 was 60.

D. Self-Administered, Single Employer Defined Benefit Plan

*Plan Description and Eligibility:*

Princeton provides health benefit cost reimbursements for certain retirees and their dependents through a single-employer defined benefit plan that is administered by the municipality. The Plan was created, effective January 1, 2013, to provide post-employment health benefit cost reimbursements to the retirees of the former Township who were eligible for such benefits at the Plan inception date but who were not eligible for inclusion in the NJ State Health Benefits Plan at that time. Plan membership was limited to those employees who qualified and opted for coverage as of January 1, 2013. No Plan assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

*Benefits Provided:*

The Plan is a medical reimbursement plan. Maximum annual reimbursements are based upon coverage type and Medicare eligibility as follows:

	<u>Under Age 65</u>	<u>Age 65 And Over</u>
Single	\$ 8,950	\$ 6,250
Two Adults	19,650	12,500
Parent/Child	14,700	
Family	20,850	

The above amounts are fixed dollar amounts and are not subject to indexing. Benefit level changes are at the sole discretion of the municipality.

*Funding Policy:*

Princeton's funding policy is to "contribute" (provide reimbursements up to the applicable maximum) for all retired participants and dependents on a pay-as-you-go basis.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11: OTHER POSTEMPLOYMENT BENEFITS (CONT'D):

D. Self-Administered, Single Employer Defined Benefit Plan (Cont'd)

*Employees Covered by Benefit Terms:*

At December 31, 2020, the number of inactive employees and their dependents currently receiving benefits was 32. As previously noted, the plan is closed and no new enrollments are permitted.

*Total OPEB Liability:*

The Total OPEB Liability of the municipality's self-administered OPEB Plan was \$2,377,897 at December 31, 2020 and was determined by an actuarial valuation as January 1, 2020 that was rolled forward to that date.

*Actuarial Assumptions and Other Inputs:*

The total OPEB liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified;

1. Salary Scale: 3.00% per annum (EAN)
2. Mortality: RP-2006 mortality table with MP-2020 projection.
3. Healthcare Cost Trend Rate: Assumed increases in healthcare costs for future years include 8% for year 1, then decreasing by 0.5% each year for years 2 through 7, with a 5% per annum increase in years 7 and beyond. These assumed increases apply to the costs (premiums, etc.) that may be reimbursed, subject to the plan maximums, but do not apply to the maximum reimbursement amounts, which are not subject to indexing.
4. Inflation Rate: 3.00% per annum
5. Discount Rate 3.26% per annum.

The Discount Rate was based upon the S&P Municipal Bond 20-year High Grade Rate Index as of December 31, 2020.

<i>Changes in Total OPEB Liability</i>	<u>2020</u>	<u>2019</u>
Balance-Beginning of Year	\$ 2,275,760	\$ 2,385,107
Changes for Year:		
Interest	70,329	82,134
Changes in Assumptions	65,316	217,063
Difference between Actual and Expected Experience	51,579	563
Benefit Payments	<u>(236,834)</u>	<u>(257,360)</u>
Net Change in Total OPEB Liability	<u>(102,137)</u>	<u>(109,347)</u>
Balance-End of Year	<u>\$ 2,377,897</u>	<u>\$ 2,275,760</u>

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 11: OTHER POSTEMPLOYMENT BENEFITS (CONT'D):

D. Self-Administered, Single Employer Defined Benefit Plan (Cont'd)

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

The following presents the total OPEB Liability for the Plan, as well as what the Plan's total OPEB Liability would be if it were calculated using discount rates that are 1.00% lower or 1.00% higher than the current discount rate:

	<u>At 1% Decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
Total OPEB Liability	<u>\$2,541,102</u>	<u>\$2,377,897</u>	<u>\$2,214,692</u>

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

Based upon the actuarial assumptions and the fact that maximum reimbursement amounts are fixed and not subject to adjustment based upon cost trends for covered expenses, the Total OPEB Cost of \$2,377,897 is not sensitive to changes in these cost trend rates.

*OPEB Expense and Deferred Outflows of Financial Resources and Deferred Inflows of Financial Resources*

For the year ended December 31, 2020, Princeton would have recognized an actuarially calculated OPEB expense of \$388,971, if GASB #75 was recognized. The municipality recorded \$236,834 of OPEB expenditures in its financial statements for the year, equal to the amounts disbursed as plan reimbursements/benefits.

Note 12: ACCRUED SICK AND VACATION BENEFITS

Princeton has adopted a written Policy and Procedure Manual that sets forth the terms under which an employee may accumulate unused benefits. General Policy is as follows:

Sick Leave – Sick leave for full-time permanent employees accumulates one sick day for each month of work completed. Any paid sick days advanced during the four-month probationary period must be reimbursed if the employee leaves Princeton service. All regular part-time employees will be credited with paid sick leave on a pro-rated basis. A part-time employee's sick leave may be recalculated in the event of a schedule change. Unused portions of this annually renewed paid sick leave will not be carried over into subsequent calendar years. No additional days will be credited.

Terminal Leave pay and Sick pay payments will no longer be in effect for retirements after January 1, 2015.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 12: ACCRUED SICK AND VACATION BENEFITS (CONT'D)

Vacations – Vacation pay for permanent employees is accumulated in accordance with the approved schedules for their respective units. Ordinarily, vacation leave shall be used during the year in which it accrues. However, under extraordinary circumstances employees may accrue unused vacation leave toward the next calendar year upon approval of the Administrator. On December 31 of any calendar year, the aggregate of such unused leave accruing from all previous years shall not exceed five (5) days in the case of nonexempt employees, or thirty (30) days in the case of exempt employees. Accrued time in excess of such limits shall be forfeited. An exempt employee may benefit from no more than ten (10) days of such accumulated leave in any calendar year. However, during the calendar year in which retirement occurs, all accrued vacation may be taken.

The total balance of unused vacation and terminal leave time benefits at December 31, 2020 was \$1,134,009.96. This represents an increase in the amount of unused vacation and terminal leave time benefits from 2019 to 2020 in the amount of \$492,587.00. Under the regulatory basis of accounting which Princeton follows, expenditures and liabilities are not recorded as paid time off is earned. Instead, it is recognized as it is paid. However, at December 31, 2020, Princeton had funded \$293,317.73 of the estimated value of paid time off via transfers to a dedicated Trust Fund.

Note 13: RISK MANAGEMENT

Princeton, together with other governmental units, is a member of the Mid Jersey Joint Insurance Fund (the Fund). The Fund, which is organized and operated pursuant to the regulatory authority of the Department of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles. Payments to the Fund are calculated by the Fund's governing board based upon actuarial and budgetary requirements. Each participant in the Fund is jointly and severally obligated for any deficiency in the amount available to pay all claims. The Joint Insurance Fund insures against property damage, general liability, auto liability, equipment liability, public official liability, law enforcement liability and workers' compensation. While additional assessments or premiums can be levied by the Fund to assure payment of the Fund's obligations, no such additional premiums have been necessary as of December 31, 2020. The Fund will be self-sustaining through member premiums, reported as an expenditure in Princeton's financial statements. The Fund contracts for excess liability insurance for property damage, general liability, auto liability, equipment liability, public official liability, law enforcement liability and worker's compensation. Princeton continues to carry commercial insurance for other risks of loss, principally employee health insurance.

The Fund issues publicly available financial reports that include the financial statements and required supplementary information for insurance coverage for participants in the Fund. These financial reports may be obtained by writing Mid Jersey Municipal JIF, c/o Risk and Loss Managers, 51 Everett Drive, Suite B-40, West Windsor, NJ 08550-5374.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 13: RISK MANAGEMENT (CONT'D.)

New Jersey Unemployment Compensation Insurance – Princeton has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, Princeton 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. Princeton is billed quarterly for amounts due to the State. Following is a summary of Princeton’s appropriations, interest earning and remittances to the State for the current and two prior years:

<u>Year</u>	<u>Employee Contribution</u>	<u>Budget Contribution</u>	<u>Interest Earnings</u>	<u>Benefits Reimbursed</u>	<u>Ending Balance</u>
2020	\$24,811.58		\$3,746.76	\$13,436.18	\$624,791.24
2019	24,420.01	\$11,576.13	4,151.80	18.00	609,669.08
2018	23,602.94	11,698.84	3,928.24	499.78	569,539.14

Note 14: DEFERRED COMPENSATION

Princeton has instituted a Deferred Compensation Plan pursuant to section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey. The plan, available to all employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, disability or severe financial hardship.

Princeton, by resolution, amended its program for deferred compensation for sponsored employees. The assets of the plan shall be held in trust under the beneficial ownership of the trustee, with the members of Princeton council serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries, and the assets shall not be diverted to any other purposes.

All investments for the plans are administered by the Lincoln National Life Insurance Company.

The plan administrator shall invest in one or more of the eligible investments under N.J.A.C. 5:37-9.2, which are as follows:

1. Interest-and dividend-bearing securities in which savings banks of New Jersey are authorized to invest their funds;
2. Interest-bearing accounts;
3. State of New Jersey Cash Management Fund;
4. Individual or group annuity programs, whether fixed or variable;
5. Mutual funds; and/or
6. Life insurance contracts, whether fixed or variable.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 15: INTERFUNDS

The following interfund balances remained on the balance sheets at December 31, 2020 and 2019:

<u>2020</u>	Interfund	Interfund
Funds:	<u>Receivables</u>	<u>Payables</u>
Current Fund	\$ 229.63	\$ 8,057.00
Escrow Trust Fund		229.63
Animal Control Fund	8,057.00	
Total	<u>\$ 8,286.63</u>	<u>\$ 8,286.63</u>

  

<u>2019</u>	Interfund	Interfund
Funds:	<u>Receivables</u>	<u>Payables</u>
Current Fund	\$ 745.29	\$ 7,599.50
Grant Fund		318.16
Animal Control Fund	7,599.50	
Other Trust Funds	200,000.00	
Escrow Trust Fund		427.13
General Capital Fund		200,000.00
Total	<u>\$ 208,344.79</u>	<u>\$ 208,344.79</u>

These interfund balances are not an indication that the respective fund cannot meet its obligation. The interfund amounts are reflective of year-end closing journals and adjustments. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Transfers are used to (1) move revenues from the funds New Jersey Statute or budget requires to collect to fund the appropriation and the statute or budget to expend them.

Note 16: LONG TERM TAX EXEMPTIONS

Princeton provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. Tax exemption agreements require the approval of the Princeton Council. The exemptions provided by the Princeton are for affordable housing projects (5 properties) and other permitted purposes (7 properties). Taxes abated include municipal, local school and county taxes. Princeton is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). Princeton's PILOT billings in 2020 and 2019 were \$1,467,178.27 and \$1,353,668.30, respectively. Taxes that would otherwise would have been due on these long-term tax exemptions amounted to \$6,140,145.00 for 2020 and \$6,013,282.50 for 2019, based upon the assessed valuations of the long-term tax exemptions properties.

PRINCETON  
MERCER COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

Note 17: COMMITMENTS AND CONTINGENCIES

Princeton participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2020 Princeton does not believe that any material liabilities will result from such audits, if conducted.

In the normal course of business, Princeton is involved in a variety of legal proceedings. These include insured claims which are administered and defended by the Mid-Jersey Joint Insurance Fund, and tax appeals filed with the County of Mercer or the Tax Court of New Jersey which seek to lower the real property assessments upon which property taxes are levied. As of August ??, 2021, Princeton was not involved in any pending or threatened litigation nor was aware of any unasserted claims or assessments that would be of a material nature.

Note 18: SUBSEQUENT EVENTS

Princeton has evaluated subsequent events occurring after December 31, 2020 through the date of September 21, 2021, which is the date the financial statements were available to be issued. Based on this evaluation, the Municipality has determined the following subsequent event has occurred which requires disclosure in the financial statements.

On April 20, 2021, Princeton issued \$9,620,000 of General Obligation Refunding Bonds, Series 2021 consisting of \$3,815,000 General Improvement Refunding Bonds and \$5,805,000 Parking Utility Refunding Bonds. Principal payments are due annually from 2021 to 2028 in amounts from \$715,000 to \$1,490,000 with interest rates ranging from 1.00% to 2.00%. These bonds defeased Princeton's Series 2011 Bonds in the amount of \$9,825,000, consisting of General Improvement Bonds of \$3,900,000 and Parking Utility Bonds of \$5,925,000.



## **APPENDIX C**

### **FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL**

[ THIS PAGE INTENTIONALLY LEFT BLANK ]

\_\_\_\_\_, 2021

Council of Princeton  
Princeton, in the  
County of Mercer, New Jersey

Dear Council Members:

We have acted as bond counsel to Princeton, in the County of Mercer, New Jersey ("Princeton"), in connection with the issuance by Princeton of its \$8,900,000 Bond Anticipation Note, Series 2021A (the "Tax-Exempt Note"), 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 Tax-Exempt Note is issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinance of Princeton listed in the Certificate of Determination and Award dated the date hereof, in all respects duly approved and published as required by law. The Tax-Exempt Note is a temporary obligation 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 Tax-Exempt Note is a valid and legally binding obligation of Princeton, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Tax-Exempt Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within Princeton without limitation as to rate or amount.

On the date hereof, Princeton 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 Tax-Exempt Note in order to preserve the tax-exempt status of the Tax-Exempt 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 Tax-Exempt Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Note. In the event that Princeton continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by Princeton in the Certificate, it is our opinion that, under existing law, interest on the Tax-Exempt Note 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 Tax-Exempt Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Tax-Exempt Note. Further, in our opinion, based upon existing law, interest on the Tax-Exempt 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,

\_\_\_\_\_, 2021

Council of Princeton  
Princeton, in the  
County of Mercer, New Jersey

Dear Council Members:

We have acted as bond counsel to Princeton, in the County of Mercer, New Jersey ("Princeton"), in connection with the issuance by Princeton of its \$3,500,000 Bond Anticipation Note, Series 2021B (Federally Taxable) (the "Taxable Note"), 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 Taxable Note is issued pursuant to the Local Redevelopment and Housing Law of the State of New Jersey (N.J.S.A. §40A:12A-1 *et seq.*) and the bond ordinance of Princeton listed in the Certificate of Determination and Award dated the date hereof, in all respects duly approved and published as required by law. The Taxable Note is a temporary obligation 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 Taxable Note is a valid and legally binding obligation of Princeton, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Taxable Note is issued, but if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable property within Princeton without limitation as to rate or amount.

In our opinion, interest on the Taxable Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. This opinion is 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,