

NEW ISSUE

RATING: Moody's: "Aaa"
(See "RATING" 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 Bonds (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 Bonds 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 Bonds 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**

**\$23,230,000
GENERAL IMPROVEMENT BONDS, SERIES 2020
(Book-Entry-Only) (Callable)**

Dated: Date of Delivery

Due: December 15, as shown on the inside front cover

The \$23,230,000 General Improvement Bonds, Series 2020 (the "Bonds"), 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 Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as the securities depository. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on June 15 and December 15 in each year until maturity or earlier redemption, commencing on June 15, 2021. The principal of and the interest due on the Bonds will be paid to DTC by Princeton as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding June 1 and December 1 (the "Record Dates" for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

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

The Bonds 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 real property within Princeton for the payment of the Bonds and the 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 Bonds will be offered when, as and if issued and delivered to the Underwriter (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 Bonds. Delivery is anticipated to be via DTC in New York, New York, on or about December 17, 2020.

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

**\$23,230,000
GENERAL IMPROVEMENT BONDS, SERIES 2020**

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2021	\$1,690,000	2.000%	0.150%	742287 CG8
2022	1,715,000	2.000	0.170	742287 CH6
2023	1,765,000	2.000	0.200	742287 CJ2
2024	1,790,000	2.000	0.230	742287 CK9
2025	1,815,000	2.000	0.300	742287 CL7
2026	1,865,000	2.000	0.400	742287 CM5
2027	2,130,000	2.000	0.550	742287 CN3
2028	2,130,000	2.000	0.750*	742287 CP8
2029	2,130,000	2.000	0.900*	742287 CQ6
2030	2,130,000	2.000	1.050*	742287 CR4
2031	2,130,000	2.000	1.130*	742287 CS2
2032	1,940,000	2.000	1.200*	742287 CT0

* Priced at the stated yield to the first optional redemption date of December 15, 2027 at a redemption price of 100%

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

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

MAYOR

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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 Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by 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 Underwriter 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 Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by Princeton.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. This Official Statement is submitted in connection with the sale of the Bonds 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 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor 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 BONDS	1
General Description	1
Redemption	2
Notice of Redemption	2
BOOK-ENTRY-ONLY SYSTEM	2
Discontinuation of Book-Entry-Only System	4
AUTHORIZATION AND PURPOSE OF THE BONDS	4
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	9
Tax Appeals	10
Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 <u>et seq.</u>)	10
TAX MATTERS	10
Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes	10
Original Issue Discount	11
Original Issue Premium	11
Bank Qualification	12
Additional Federal Income Tax Consequences of Holding the Bonds	12
Changes in Federal Tax Law Regarding the Bonds	12
State Taxation	13
FINANCIAL STATEMENTS	13
LITIGATION	13
SECONDARY MARKET DISCLOSURE	13
MUNICIPAL BANKRUPTCY	15
APPROVAL OF LEGAL PROCEEDINGS	16
UNDERWRITING	16
RATING	16
MUNICIPAL ADVISOR	16
PREPARATION OF OFFICIAL STATEMENT	17
ADDITIONAL INFORMATION	17
MISCELLANEOUS	17
 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
 FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL	 Appendix C

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OFFICIAL STATEMENT
Relating to the
PRINCETON,
IN THE COUNTY OF MERCER, NEW JERSEY
\$23,230,000
GENERAL IMPROVEMENT BONDS, SERIES 2020

INTRODUCTION

This Official Statement, which includes the cover page, the inside front 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 \$23,230,000 General Improvement Bonds, Series 2020 (the “Bonds”). 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 Bonds described herein.

This Official Statement contains specific information relating to the Bonds 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 BONDS

General Description

The Bonds shall be dated their date of delivery, shall mature on December 15 in the years and in the principal amounts as set forth on the inside front cover page hereof, and will bear interest from their dated date. Interest on the Bonds will be payable semiannually on June 15 and December 15 in each year until maturity or earlier redemption, commencing on June 15, 2021, at the interest rates set forth on the inside front cover page hereof. Principal of and interest due on the Bonds will be paid to DTC (as defined herein) by Princeton or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding June 1 and December 1 (the “Record Dates” for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

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

Redemption

The Bonds of this issue maturing prior to December 15, 2028 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after December 15, 2028 are redeemable at the option of Princeton, in whole or in part, on any date on or after December 15, 2027 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Notice of Redemption

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

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, Princeton shall send redemption notices only to Cede & Co. See “BOOK-ENTRY-ONLY SYSTEM” herein for further information regarding conveyance of notices to Beneficial Owners.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption and no further interest shall accrue beyond the redemption date. Payment shall be made upon surrender of the Bonds redeemed.

BOOK-ENTRY-ONLY SYSTEM

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company

for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Bonds are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that 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 BOND HOLDERS; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST DUE ON THE BONDS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS NOMINEE OF DTC AND THE REGISTERED OWNER OF THE BONDS. 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 Bonds 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 BONDS

The Bonds 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 State Statutes, as amended) (the "Local Bond Law"), the bond ordinances adopted by Princeton Council referred to in the chart below and by a resolution duly adopted by the Princeton Council on October 26, 2020 (the "Resolution").

Proceeds of the Bonds will be used to: (i) permanently finance various capital improvements in and by Princeton in the amount of \$23,230,000; and (ii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

Bond Ordinance Number	Description of Improvement and Date of Adoption of Bond Ordinance	Amount Funded from Bond Proceeds
#2014-25	Various capital improvements, finally adopted July 14, 2014.	\$97,000
#2015-07	Various capital improvements, finally adopted April 27, 2015.	968,000
#2016-20	Various capital improvements, finally adopted April 25, 2016.	1,936,000
#2017-37	Various capital improvements, finally adopted June 26, 2017.	4,356,000
#2017-38	Various improvements to the library, finally adopted July 10, 2017.	236,000
#2018-07	Various capital improvements, finally adopted April 9, 2018.	5,420,000
#2018-15	Reconstruction of Cherry Valley Road, finally adopted August 13, 2018.	92,000
#2019-18	Various improvements to the library, finally adopted May 6, 2019.	276,000
#2019-21	Various capital improvements, finally adopted May 6, 2019.	3,872,000
#2020-23	Various capital improvements, finally adopted July 27, 2020.	4,622,000
#2020-32	Various capital improvements, finally adopted October 26, 2020.	<u>1,355,000</u>
	TOTAL BOND PROCEEDS:	<u>\$23,230,000</u>

INFECTIOUS DISEASE OUTBREAK – COVID-19

COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Department of Health and Human Services declared a public health emergency for the United States and, on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

In New Jersey, Governor Murphy declared a state of emergency on March 9, 2020, and has since issued multiple Executive Orders regarding the Pandemic. Princeton expects ongoing actions will be

taken by State, federal and local governments and private entities to mitigate the spread and impacts of the Pandemic. The Pandemic has negatively affected travel, commerce and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide.

Princeton cannot reasonably predict how long the Pandemic in New Jersey is expected to last, how the outbreak may impact the financial condition or operations of Princeton, whether there will be any impact on the assessed values of property within Princeton or unexpected deferrals of tax payments to Princeton or the costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs of Princeton.

SECURITY AND SOURCE OF PAYMENT

The Bonds 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 Bonds. Princeton is required by law to levy *ad valorem* taxes upon all the real property taxable within Princeton for the payment of the principal of and the interest on the Bonds 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, re-evaluation programs, revision and codification of ordinances, master plan preparation, payment of compensated absences and drainage map preparation for flood control purposes, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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 that transfers may be made between debt service principal and interest.

A provision of law known as the New Jersey “Cap Law” (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the “Index Rate” if the index rate is greater than 2.5%. The “Index Rate” is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated

by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

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

Neither the tax levy limitation nor the "Cap Law" limits the obligation of Princeton to levy *ad valorem* taxes upon all taxable real 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, 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, 2019 for Princeton is on file with the Clerk and is available for review during business hours.

TAX MATTERS

Exclusion of Interest on the Bonds 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 Bonds in order to assure that interest on the Bonds 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 Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. Princeton will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. Princeton has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds 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 Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend Princeton or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat Princeton as the taxpayer and the beneficial owners of the Bonds 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 Bonds 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 Bonds.

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

Original Issue Discount

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

Original Issue Premium

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the “Premium Bonds”). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is

amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

Bank Qualification

The Bonds will **not** 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 Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and 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 Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

Changes in Federal Tax Law Regarding the Bonds

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 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. 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 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds 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 BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, 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 BONDS 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, 2019. The audited financial data was extracted from the report prepared by Hodulik & Morrison, P.A., a division of 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 Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, 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

Solely for the purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), Princeton shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof:

(a) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31, 2021, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to Princeton consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of Princeton and certain financial information and operating data consisting of (i) Princeton and overlapping indebtedness, including a schedule of outstanding debt issued by Princeton, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by State law.

(b) If any of the following events occur regarding the Bonds, a timely notice not in excess of ten business days after the occurrence of the event sent to EMMA:

- (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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, 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 Bonds, 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 (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); *provided, however*, that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(c) Notice of failure of Princeton to provide required annual financial information on or before the date specified in the Resolution shall be sent in a timely manner to EMMA.

If all or any part of the Rule ceases to be in effect or is not in effect for any reason, then the information required to be provided under the Resolution, insofar as the provisions of the Rule not or no longer in effect required the provision of such information, shall not or no longer be required to be provided.

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of Princeton prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that Princeton fails to comply with the Rule requirements or the written contracts or undertakings specified in the resolution, Princeton shall not be liable for monetary damages, remedy being specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

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 Bonds are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix “C”. Certain legal matters will be passed on for Princeton by the Princeton Attorney.

UNDERWRITING

The Bonds have been purchased from Princeton, pursuant to the terms of Princeton’s notice of sale, by Morgan Stanley & Co. LLC (the “Underwriter”) at a purchase price of \$24,701,041.72 (the “Purchase Price”). The Purchase Price reflects the par amount of the Bonds in the amount of \$23,230,000.00, plus a bid premium in the amount of \$1,471,041.72. The Underwriter is obligated to purchase all of the Bonds if any are purchased.

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

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

RATING

Moody’s Investors Service, Inc. (the “Rating Agency”) has assigned a rating of “Aaa” to the Bonds based upon the creditworthiness of Princeton.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. Princeton furnished to the Rating Agency certain information and materials concerning the Bonds and Princeton. There can be no assurance that the rating will be maintained for any given period of time or that it 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 rating may have an adverse effect on the marketability or market price of the Bonds.

MUNICIPAL ADVISOR

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

PREPARATION OF OFFICIAL STATEMENT

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 Underwriter, 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 has participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

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 Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds 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 2, 2020

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APPENDIX A

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

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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
Westminster Choir 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.

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

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

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

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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:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Princeton</u>				
2019	17,074	16,756	318	1.9%
2018	16,711	16,353	358	2.1%
2017	16,561	16,127	434	2.6%
2016	16,488	16,036	452	2.7%
2015	15,522	15,019	503	3.2%
<u>County</u>				
2019	202,885	196,458	6,427	3.2%
2018	198,876	191,729	7,147	3.6%
2017	197,039	188,988	8,051	4.1%
2016	198,103	189,516	8,587	4.3%
2015	197,409	187,578	9,831	5.0%
<u>State</u>				
2019	4,493,127	4,333,334	159,793	3.6%
2018	4,432,520	4,250,795	181,725	4.1%
2017	4,454,681	4,248,741	205,940	4.6%
2016	4,473,780	4,251,209	222,571	5.0%
2015	4,487,309	4,227,640	259,669	5.8%

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

Income (as of 2018)

	<u>Princeton</u>	<u>County</u>	<u>State</u>
Median Household Income	\$138,194	\$79,990	\$79,363
Median Family Income	203,810	102,150	98,047
Per Capita Income	76,697	42,155	40,895

Source: US Bureau of the Census, 2018 American Community Survey 5-Year Estimates

Population

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

	<u>Princeton</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2019 Estimate	31,187	9.15%	367,430	0.25%	8,882,190	1.03%
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:

<u>Taxpayers</u>	<u>2019 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Trustees of Princeton University	\$390,650,800	5.44%
Palmer Residences 1 LLC/PSN	101,272,700	1.41%
Avalon Properties, LLC	65,212,000	0.91%
Princeton (Edens) LLC	52,917,400	0.74%
Palmer Sq. Ltd. Partners	35,310,000	0.49%
Jasna Polana Golf Club	31,500,000	0.44%
Institute For Advanced Study	29,652,700	0.41%
Fountain Ridge (Copperwood)	28,170,100	0.39%
Nassau Inn Partnership	26,030,000	0.36%
Princeton Theological Seminary	<u>20,291,400</u>	<u>0.28%</u>
Total	<u>\$781,007,100</u>	<u>10.87%</u>

Source: School District CAFR & Municipal Tax Assessor

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Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
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%
2015	151,153,749	150,279,774	99.42%

Source: Annual Audit Reports of Princeton

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
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%
2015	105,354	1,115,779	1,221,133	0.81%

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:

<u>Year</u>	<u>Amount</u>
2019	\$634,400
2018	634,400
2017	634,400
2016	634,400
2015	278,400

Source: Annual Audit Reports of Princeton

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

		Local		
<u>Year</u>	<u>Municipal</u>	<u>School</u>	<u>County</u>	<u>Total</u>
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
2016	0.495	1.080	0.689	2.264
2015	0.486	1.063	0.663	2.212

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
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
2016	6,891,624,800	7,764,336,187	88.76	8,698,857	7,773,035,044

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.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2019	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
2016	88,842,500	5,700,180,500	38,150,200	778,304,700	11,759,700	274,387,200	6,891,624,800
2015	92,656,100	5,619,263,400	49,403,410	772,598,550	8,981,700	270,198,500	6,813,101,660

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

<u>Anticipated Revenues</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fund Balance Utilized	\$6,100,000	\$6,230,000	\$8,980,000	\$7,600,000	\$6,900,000
Miscellaneous Revenues	21,838,496	21,035,237	20,357,413	20,063,580	20,589,820
Receipts from Delinquent Taxes	1,067,074	1,144,000	1,000,000	1,000,000	1,300,000
Amount to be Raised by Taxation	<u>32,932,743</u>	<u>33,926,760</u>	<u>34,667,890</u>	<u>35,350,317</u>	<u>36,104,510</u>
Total Revenue:	<u>\$61,938,313</u>	<u>\$62,335,997</u>	<u>\$65,005,303</u>	<u>\$64,013,897</u>	<u>\$64,894,330</u>
<u>Appropriations</u>					
General Appropriations	\$33,627,411	\$34,001,191	\$34,382,622	\$35,710,997	\$36,023,276
Operations (Excluded from CAPS)	8,983,687	8,923,498	8,846,457	9,136,425	9,450,505
Deferred Charges and Statutory Expenditures	4,630,516	4,770,016	6,477,000	4,522,500	6,436,000
Capital Improvement Fund	150,000	350,000	500,000	400,000	500,000
Municipal Debt Service	11,631,793	11,376,157	11,885,000	11,305,000	9,480,000
Reserve for Uncollected Taxes	<u>2,914,906</u>	<u>2,915,135</u>	<u>2,914,224</u>	<u>2,938,975</u>	<u>3,004,549</u>
Total Appropriations:	<u>\$61,938,313</u>	<u>\$62,335,997</u>	<u>\$65,005,303</u>	<u>\$64,013,897</u>	<u>\$64,894,330</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.

<u>Fund Balance - Current Fund</u>		
	<u>Balance</u>	<u>Utilized in Budget</u>
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
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
2015	15,489,255	6,100,000

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.

Fund Balance - Parking Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2019	\$1,596,690	\$400,000
2018	916,096	400,000
2017	914,829	186,114
2016	963,755	181,881
2015	930,611	191,069

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.

Fund Balance - Affordable Housing Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2019	\$704,813	\$0
2018	614,839	0
2017	530,682	0
2016	428,651	0
2015	346,714	0

Source: Annual Audit Reports of Princeton

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Princeton's Indebtedness as of December 31, 2019

General Purpose Debt

Serial Bonds	\$56,830,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	35,658,707
Other Bonds, Notes and Loans	<u>4,323,217</u>
Total:	\$96,811,925

Local School District Debt

Serial Bonds	\$43,718,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$43,718,000

Parking Utility Debt

Serial Bonds	\$7,370,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>1,155,000</u>
Total:	\$8,525,000

Affordable Housing Utility Debt

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

TOTAL GROSS DEBT

\$149,054,925

Less: Statutory Deductions	
General Purpose Debt	\$1,322,273
Local School District Debt	43,718,000
Parking Utility Debt	8,525,000
Affordable Housing Utility	<u>0</u>
Total:	\$53,565,273

TOTAL NET DEBT

\$95,489,652

Source: Consolidated Annual Debt Statement

Overlapping Debt (as of December 31, 2019)¹

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Princeton Percentage</u>	<u>Princeton Share</u>
Regional School District	\$43,718,000	100.00%	\$43,718,000
Stony Brook Reg. Sewerage Authority (2018)	21,846,401	33.18%	7,248,636
Improvement Authority (2018)	13,648,347	100.00%	13,648,347
County	836,270,013	18.50%	<u>154,685,744</u>
Net Indirect Debt			\$219,300,727
Net Direct Debt			<u>95,489,652</u>
Total Net Direct and Indirect Debt			<u>\$314,790,379</u>

Debt Limit

Average Equalized Valuation Basis (2017, 2018, 2019)	\$8,308,690,041
Permitted Debt Limitation (3 1/2%)	290,804,151
Less: Net Debt	<u>95,489,652</u>
Remaining Borrowing Power	<u>\$195,314,500</u>
Percentage of Net Debt to Average Equalized Valuation	1.149%
Gross Debt Per Capita based on 2010 population of 28,572	\$5,217
Net Debt Per Capita based on 2010 population of 28,572	\$3,342

Source: Consolidated Annual Debt Statement

¹ 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.

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APPENDIX B

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and the governmental fixed assets of the municipality of Princeton, County of Mercer, New Jersey, as of and for the years ended December 31, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the municipality of Princeton 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 financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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 entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles 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. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Princeton, County of Mercer, New Jersey, as of December 31, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of Princeton, County of Mercer, New Jersey as of December 31, 2019 and 2018, and the results of operations and changes in fund balance – regulatory basis for the year then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year then ended, on the basis of accounting described in Note 2.

Emphasis of Matter

As discussed in Note 20 to the financial statements, on March 11, 2020, the World Health Organization declared a global pandemic as a result of the spread of the Coronavirus disease 2019 (“COVID-19”). Our opinion is not modified with respect to that matter.



HODULIK & MORRISON, P.A.
A division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants



Robert S. Morrison
Registered Municipal Accountant
No. 412

Cranford, New Jersey
August 28, 2020

**PRINCETON
MERCER COUNTY, NEW JERSEY**

Exhibit - A

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2019 AND 2018**

ASSETS	REF.	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018	LIABILITIES, RESERVES AND FUND BALANCE	REF.	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018
Cash and Investments - Treasurer Change Fund	A-4	\$ 27,316,833.95	\$ 26,419,377.60	Liabilities:			
NJ Senior Cit./Veterans Deductions	A-6	1,515.00	1,515.00	Appropriation Reserves	A-13, A-3	\$ 5,443,785.83	\$ 4,139,014.28
		404.11		Reserve for Encumbrances	A-14, A-3	1,780,818.90	1,119,520.80
		<u>27,318,753.06</u>	<u>26,420,892.60</u>	Due State of NJ Senior Cit./Veterans Deductions	A-6	-	7,514.39
Receivables and Other Assets With Full Reserves:				Accounts Payable	A-15	47,907.01	47,907.01
Taxes Receivable	A-5	1,406,591.88	1,193,062.65	Due to State of NJ- Various Fees	A-22	38,872.00	32,499.00
Tax Title Liens Receivable	A-7	147,808.55	133,326.86	County Taxes Payable	A-16	154,179.63	193,903.16
Sewer Charges Receivable	A-8	41,987.92	36,946.25	Tax Overpayments	A-21	4,225.21	
Sewer Liens Receivable	A-10		886.70	Prepaid Taxes/Sewer Charges	A-18	1,682,782.34	2,217,526.15
Delinquent Interest & Penalty Reserve	Reserve	49,904.49	34,954.27	Miscellaneous Accounts Payable	A-19	90,255.18	205,047.97
Property Acquired for Taxes at Assessed Value	A-11	634,400.00	634,400.00	Premium on Tax Sale Certificates	A-20	789,400.00	400,500.00
Interfund Receivables	A-12	745.29	432.54	Miscellaneous Reserves	A-17	472,895.57	791,882.42
		<u>2,281,438.13</u>	<u>2,034,009.27</u>	Interfund Payables	A-12	7,599.50	
						10,512,721.17	9,155,315.18
				Reserve for Receivables	Reserve	2,281,438.13	2,034,009.27
				Fund Balance	A-1	16,806,031.89	17,265,577.42
Total Current Fund		<u>29,600,191.19</u>	<u>28,454,901.87</u>	Total Current Fund		<u>29,600,191.19</u>	<u>28,454,901.87</u>
Grant Fund:				Grant Fund:			
Cash and Investments - Treasurer	A-4	1,267,654.78	862,523.07	Reserve for Encumbrances	A-14	20,839.35	5,752.77
State & Federal Grants Receivable	A-23	26,393.94	1,154,892.36	Interfund Payable	A-12	318.16	-
				Reserve for State & Federal Grants:			
				Appropriated	A-24	1,173,599.41	2,000,171.64
				Unappropriated	A-25	99,291.80	11,491.02
Total Grant Fund		<u>1,294,048.72</u>	<u>2,017,415.43</u>	Total Grant Fund		<u>1,294,048.72</u>	<u>2,017,415.43</u>
		<u>\$ 30,894,239.91</u>	<u>30,472,317.30</u>			<u>\$ 30,894,239.91</u>	<u>30,472,317.30</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

Exhibit - A-1

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

<u>REVENUE AND OTHER INCOME</u>		<u>YEAR 2019</u>	<u>YEAR 2018</u>
Fund Balance Utilized	A-2	\$ 7,600,000.00	\$ 8,980,000.00
Miscellaneous Revenues Anticipated	A-2	20,969,554.77	20,734,403.43
Receipts from Delinquent Taxes	A-2	1,174,004.13	1,040,588.74
Receipts from Current Taxes	A-2	169,201,489.61	165,751,218.30
Non-Budget Revenue	A-2	862,671.23	715,968.50
Other Credits to Operations:			
Unexpended Balance of Approp.			
Reserves Lapsed	A-13	3,534,019.36	4,295,428.51
Other Reserved Amounts Cancelled	A-17	120,158.59	
Refund of Prior Year Expended	A-4	29,110.82	
Interfund Loan returned	Reserve	432.54	
Due to State of NJ - Cancelled	A-6	7,514.39	
Cancelled Accounts Payable	A-19	115,704.64	45,033.10
		<u>203,614,660.08</u>	<u>201,562,640.58</u>
Total Revenues and Other Income			
<u>EXPENDITURES AND OTHER CHARGES</u>			
Budget Appropriations:			
Operations:			
Salaries and Wages	A-3	18,698,111.85	17,149,622.00
Other Expenses	A-3	26,354,401.80	26,241,446.79
Deferred Charges and Statutory			
Expenditures	A-3	4,522,500.00	6,477,000.00
Capital Improvements	A-3	400,000.00	500,000.00
Municipal Debt Service	A-3	11,162,939.83	11,715,682.70
County Taxes	A-2, A-16	51,136,146.45	50,924,262.75
Local District School Taxes	A-2, A-16	82,707,290.00	79,991,481.00
Municipal Open Space Tax	A-2, A-16	1,214,106.00	1,215,614.00
Other Charges to Operations:			
Refund of Prior Year Revenue	A-4	2,500.00	
Cancellation of Grants Receivable (Net)	A-23, A-24	275,209.68	
Prior Year Sr. Cit. Deductions Cancelled	A-6	1,000.00	
Interfund Loans Advanced			432.54
		<u>196,474,205.61</u>	<u>194,215,541.78</u>
Total Expenditures and Other Charges			
Statutory Excess to Fund Balance		7,140,454.47	7,347,098.80
<u>FUND BALANCE</u>			
Balance - January 1	A	<u>17,265,577.42</u>	<u>18,898,478.62</u>
		24,406,031.89	26,245,577.42
Decreased by:			
Utilized as Anticipated Revenue	A-2	<u>7,600,000.00</u>	<u>8,980,000.00</u>
Balance - December 31	A	\$ <u>16,806,031.89</u>	\$ <u>17,265,577.42</u>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

Exhibit A - 2
Page 1 of 3

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	REF	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		2019 BUDGET	N.J.S.A. 40A:4-87		
Surplus Anticipated	A-1	\$ 7,600,000.00		\$ 7,600,000.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverage	A-9	62,000.00		62,842.00	842.00
Other	A-9	75,000.00		127,957.00	52,957.00
Fees and Permits:					
Other	A-9	420,000.00		362,373.59	(57,626.41)
Fines and Costs:					
Municipal Court	A-9	900,000.00		1,098,081.82	198,081.82
Interest and Costs on Taxes	A-9	350,000.00		442,968.96	92,968.96
Interest on Investments and Deposits	A-9	185,000.00		236,291.53	51,291.53
Anticipated Utility Operating Surplus	A-12	1,500,000.00		1,500,000.00	-
Sewer Rentals	A-2	6,640,000.00		6,924,117.67	284,117.67
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	340,000.00		363,469.75	23,469.75
Princeton University Fair Share	A-9	3,350,000.00		3,350,000.00	-
Life Hazard Use Fees	A-9	99,000.00		120,035.00	21,035.00
Fire and Housing Inspection Fees	A-9	260,000.00		229,535.00	(30,465.00)
Energy Receipts Tax	A-9	2,452,421.00		2,452,421.00	-
Consolidated Municipal Property Tax Relief Aid	A-9	4,855.00		4,855.00	-
UCC Administrative Fee	A-9	218,747.00		218,747.00	-
Special Items:					
Sustainable New Jersey	A-9	10,000.00		10,000.00	-
Corner House Foundation	A-9	225,000.00		200,000.00	(25,000.00)
Corner House - Client Fees	A-12	36,000.00		36,000.00	-
Princeton University Prospect St. Lighting	A-12	7,654.00		7,654.00	-
Princeton University Fire Equipment	A-12	20,000.00		20,000.00	-
Bonner Foundation	A-12	21,500.00		21,500.00	-
Bonner Foundation-Unappropriated	A-12	4,544.17		4,544.17	-
Body Armor Grant	A-12	5,413.93		5,413.93	-
Drunk Driving Enforcement Grant	A-12		14,403.90	14,403.90	-
Recycling Tonnage Grant	A-12		71,663.70	71,663.70	-
Alcohol Education Rehabilitation Fund	A-12		4,581.36	4,581.36	-
Clean Communities	A-12		64,442.74	64,442.74	-
PEW Charitable Trusts	A-12		50,000.00	50,000.00	-
Medicaid Reimbursement	A-12	142,946.85		142,946.85	-
Mercer County Regional Drug Treatment Program	A-12	6,400.00		6,400.00	-
Princeton Regional - NJMSPLI	A-12	1,000.00		1,000.00	-
Princeton Regional Star Program	A-12	11,000.00		11,000.00	-
Princeton Regional Academic Success	A-12	12,900.00		12,900.00	-
State of NJ Vicinage Program	A-12	31,000.00		31,000.00	-
NJ Division of Addiction Services	A-12	44,000.00		44,000.00	-
Municipal Alliance on Alcoholism and Drug Abuse	A-12	28,056.00		28,056.00	-
Theological Seminary	A-17	198,527.00		198,527.00	-
PILOT - Elm Court	A-9	80,000.00		98,273.93	18,273.93
Chamber St. Land Lease	A-9	141,000.00		141,630.00	630.00
Reserve for Debt Service - Other	A-12	81,615.00		81,615.00	-

**PRINCETON
MERCER COUNTY, NEW JERSEY**

Exhibit A - 2
Page 2 of 3

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>REF</u>	<u>ANTICIPATED</u>		<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
		<u>2019 BUDGET</u>	<u>N.J.S.A. 40A:4-87</u>		
Miscellaneous Revenues (Cont'd.):					
Special Items (Cont'd.)					
Cable TV	A-9	100,000.00		100,000.00	-
Stony Brook Industrial User Fees	A-9	20,000.00		25,084.16	5,084.16
Hotel/Motel Tax	A-9	328,000.00		393,222.71	65,222.71
Reserve for Premium on Bonds	A-12	225,000.00		225,000.00	-
General Capital Fund - Fund Balance	A-12	675,000.00		675,000.00	-
Total Miscellaneous Revenues	A-1	19,562,437.95	205,091.70	20,969,554.77	681,979.19
Receipts from Delinquent Taxes	A-1	1,000,000.00		1,174,004.13	174,004.13
Amount to be Raised by Taxation for Support of Municipal Budget:					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	A-2	32,590,579.54		34,323,184.70	1,732,605.16
Minimum Library Tax	A-2, A-5	2,759,737.62		2,759,737.62	-
Total Municipal Tax		35,350,317.16	-	37,082,922.32	1,732,605.16
Budget Totals	A-3	63,512,755.11	205,091.70	66,826,481.22	\$ 2,588,588.48
Non-Budget Revenues	A-2, A-9			862,671.23	
		\$ 63,512,755.11	\$ 205,091.70	\$ 67,689,152.45	
	REF	A-3	A-3	A-1	

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**CURRENT FUND
STATEMENT OF REVENUES-REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections:

	<u>REF</u>	
2019 Collections	A-5	\$ 166,963,655.35
Prepaid Taxes Applied	A-5	2,175,850.70
State Share of Sr. Citizen's and Veteran's Deductions Allowed	A-5	<u>61,983.56</u>
	A-1	\$ 169,201,489.61
Allocated to:		
Regional School Tax	A-1, A-16	82,707,290.00
County Taxes	A-1, A-16	51,059,586.79
Added County Taxes	A-1, A-16	76,559.66
Local Open Space Tax	A-1, A-16	<u>1,214,106.00</u>
		<u>135,057,542.45</u>
		34,143,947.16
Add: Reserve for Uncollected Taxes	A-3	<u>2,938,975.16</u>
Amount for Support of Municipal Budget	A-2	<u>\$ 37,082,922.32</u>

Allocation of Sewer Rent Collections Collections:

2019 Collections	A-8	\$ 6,881,555.52
Prepaid Sewer Rents Applied	A-18	41,675.45
Sewer Lien Collections	A-10	<u>886.70</u>
Sewer Rental Revenue Realized	A-2	<u>\$ 6,924,117.67</u>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

Exhibit A - 3

**CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	<u>2019 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>	
<u>Operations Within "CAPS"</u>						
<u>GENERAL GOVERNMENT:</u>						
General Administration						
Salaries and Wages	\$ 373,581.00	\$ 373,581.00	\$ 330,309.89	\$	43,271.11	\$ -
Other Expenses	1,529,953.00	1,518,203.00	377,884.33	158,442.42	981,876.25	-
Information Technology						
Salaries and Wages	141,088.00	141,088.00	92,000.12		49,087.88	-
Other Expenses	625,141.00	625,141.00	481,237.98	133,639.47	10,263.55	-
Human Resources (Personnel)						
Other Expenses	268,400.00	268,400.00	172,285.03	22,570.66	73,544.31	-
Mayor and Council						
Salaries and Wages	80,000.00	80,000.00	80,000.00		-	-
Other Expenses	22,150.00	22,150.00	11,977.38	811.40	9,361.22	-
Municipal Clerk						
Salaries and Wages	324,723.00	324,723.00	274,339.88		50,383.12	-
Other Expenses	43,500.00	43,500.00	31,501.73	7,244.73	4,753.54	-
Elections						
Salaries and Wages	6,000.00	6,000.00	4,351.56		1,648.44	-
Other Expenses	15,700.00	17,950.00	17,250.00		700.00	-
Financial Administration (Treasury)						
Salaries and Wages	627,003.00	627,003.00	568,447.78		58,555.22	-
Other Expenses	30,150.00	30,150.00	16,078.67	1,513.22	12,558.11	-
Audit Services	52,000.00	52,000.00		52,000.00	-	-
Revenue Administration (Tax Collection)						
Salaries and Wages	138,234.00	138,234.00	124,631.83		13,602.17	-
Other Expenses	14,725.00	14,725.00	8,713.28	320.77	5,690.95	-

PRINCETON
MERCER COUNTY, NEW JERSEY

Exhibit A - 3

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>GENERAL GOVERNMENT:</u>						
Tax Assessment Administration						
Salaries and Wages	165,993.00	165,993.00	165,086.21		906.79	-
Other Expenses	84,000.00	84,000.00	65,084.26	10,266.34	8,649.40	-
Legal Services						
Other Expenses	435,000.00	435,000.00	306,154.04	43,409.93	85,436.03	-
Defense of Tax Appeals	30,000.00	30,000.00	17,100.00	12,900.00	-	-
Call Center						
Salaries and Wages	82,824.00	82,824.00	82,621.05		202.95	-
Other Expenses	10,900.00	10,900.00	4,788.31		6,111.69	-
Engineering Services						
Salaries and Wages	996,623.00	996,623.00	899,034.09		97,588.91	-
Other Expenses	43,000.00	43,000.00	15,060.95	679.94	27,259.11	-
Historical Site Office						
Salaries and Wages	3,000.00	3,000.00			3,000.00	-
Other Expenses	43,220.00	43,220.00	28,067.48	90.87	15,061.65	-
<u>LAND USE ADMINISTRATION:</u>						
Planning Board						
Salaries and Wages	347,925.00	347,925.00	322,635.62		25,289.38	-
Other Expenses	138,200.00	138,200.00	60,669.07	26,097.25	51,433.68	-
<u>Operations Within "CAPS" (Cont'd.)</u>						
Zoning Board of Adjustment						
Salaries and Wages	161,526.00	161,526.00	157,702.87		3,823.13	-
Other Expenses	24,700.00	24,700.00	3,258.72	4,994.14	16,447.14	-

PRINCETON
MERCER COUNTY, NEW JERSEY

Exhibit A - 3

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	2019 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	7,737,808.00	7,737,808.00	7,549,840.04		187,967.96	-
Other Expenses	320,700.00	320,700.00	132,940.03	150,237.81	37,522.16	-
Police Dispatch/911						
Other Expenses	864,840.00	864,840.00	720,700.00	133,350.00	10,790.00	-
Office of Emergency Management						
Salaries and Wages	128,319.00	128,319.00	125,944.97		2,374.03	-
Other Expenses	16,500.00	16,500.00	12,933.75	579.50	2,986.75	-
Fire Department						
Salaries and Wages	810,000.00	810,000.00	41,941.50		768,058.50	-
Other Expenses - Including						
LOSAP Alternative	376,000.00	376,000.00	236,092.81	91,555.56	48,351.63	-
Other Expenses - Fire Facilities	126,500.00	126,500.00	81,322.94	19,867.72	25,309.34	-
Fire Prevention						
Salaries and Wages	354,478.00	363,978.00	359,254.15		4,723.85	-
Other Expenses	15,950.00	15,950.00	10,728.53	5,083.19	138.28	-
Fire Hydrant Service	675,000.00	675,000.00	624,913.53		50,086.47	-
Municipal Prosecutor's Office						
Other Expenses	70,000.00	70,000.00	65,692.20	4,307.80	-	-

PRINCETON
MERCER COUNTY, NEW JERSEY

Exhibit A - 3

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>PUBLIC WORKS FUNCTIONS:</u>						
Streets and Roads Maintenance						
Salaries and Wages	\$ 1,686,682.00	\$ 1,686,682.00	\$ 1,489,464.56	\$	\$ 197,217.44	\$ -
Other Expenses	629,400.00	629,400.00	412,058.57	148,511.08	68,830.35	-
Sustainable Princeton	30,000.00	30,000.00	22,500.00	7,500.00	-	-
Buildings and Grounds						
Salaries and Wages	767,884.00	767,884.00	654,202.05		113,681.95	-
Other Expenses	408,550.00	408,550.00	295,911.87	71,858.41	40,779.72	-
Vehicle Maintenance (Including Police Vehicles)						
Salaries and Wages	355,529.00	355,529.00	303,022.94		52,506.06	-
Other Expenses	318,000.00	318,000.00	156,830.99	95,929.41	65,239.60	-
Community Service Act (Condominium Community Costs)						
Other Expenses	250,000.00	250,000.00			250,000.00	-
<u>HEALTH & HUMAN SERVICES FUNCTIONS:</u>						
Regional Health Commission-Proportionate Share						
Salaries and Wages	247,899.00	247,899.00	219,286.72		28,612.28	-
Other Expenses	129,308.00	110,308.00	64,713.72	40,137.57	5,456.71	-
Flu Program		19,000.00	3,480.00	1,465.12	14,054.88	-
Contribution to Senior Resource Center						
Salaries and Wages	10,000.00	10,000.00	10,000.00		-	-
Other Expenses	248,000.00	248,000.00	174,143.50	48,865.00	24,991.50	-

PRINCETON
MERCER COUNTY, NEW JERSEY

Exhibit A - 3

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	2019 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELLED
				ENCUMBERED	RESERVED	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>HEALTH & HUMAN SERVICES FUNCTIONS:</u>						
Environmental Commission						
Salaries and Wages	3,600.00	3,600.00	3,063.75		536.25	-
Other Expenses	3,000.00	3,000.00	734.81		2,265.19	-
Animal Control						
Salaries and Wages	69,591.00	69,591.00	68,769.65		821.35	-
Other Expenses	9,350.00	9,350.00	6,070.10	222.00	3,057.90	-
Save Boarding						
Deer Management Program						
Salaries and Wages	20,000.00	20,000.00	20,000.00		-	-
Other Expenses	164,000.00	164,000.00	153,491.79	4,183.21	6,325.00	-
Human Services Commission						
Salaries and Wages	145,748.00	145,748.00	132,759.45		12,988.55	-
Other Expenses	18,550.00	18,550.00	9,898.23	2,809.05	5,842.72	-
Joint Drug Abuse Prevention Program						
Salaries and Wages	305,464.00	305,464.00	272,828.21		32,635.79	-
Other Expenses	142,488.00	142,488.00	116,459.08	3,299.47	22,729.45	-
<u>PARKS & RECREATION FUNCTIONS:</u>						
Joint Recreation Board						
Salaries and Wages	831,561.00	831,561.00	803,154.71		28,406.29	-
Other Expenses	60,335.00	60,335.00	47,583.79	8,063.31	4,687.90	-
Maintenance of Parks and Playgrounds						
Other Expenses	105,500.00	105,500.00	94,020.31	9,115.02	2,364.67	-
Celebration of Public Events	4,500.00	4,500.00	2,066.85	0.09	2,433.06	-

**PRINCETON
MERCER COUNTY, NEW JERSEY**

Exhibit A - 3

**CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	<u>2019 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>	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>UTILITY EXPENSES & BULK PURCHASES:</u>						
Electricity	300,000.00	300,000.00	204,616.39	1,270.00	94,113.61	-
Telephone (excluding equipment)	240,000.00	240,000.00	193,754.84	10,625.33	35,619.83	-
Water	21,000.00	21,000.00	10,923.24	950.00	9,126.76	-
Gas (natural or propane)	100,000.00	100,000.00	61,536.41	4,955.00	33,508.59	-
Fuel Oil	305,000.00	305,000.00	249,374.48	38,309.50	17,316.02	-
Street Lighting	290,000.00	290,000.00	282,246.74	110.00	7,643.26	-
Sewer System						
Salaries and Wages	770,333.00	770,333.00	486,131.19		284,201.81	-
Other Expenses	362,000.00	362,000.00	216,364.70	113,052.80	32,582.50	-
<u>UNCLASSIFIED:</u>						
Garbage and Trash Removal						
Other Expenses	1,719,500.00	1,719,500.00	1,242,650.40	229,175.79	247,673.81	-
Municipal Court						
Salaries and Wages	370,182.00	370,182.00	361,151.82		9,030.18	-
Other Expenses	27,780.00	27,780.00	20,311.43	5,446.72	2,021.85	-
Public Defender						
Other Expenses	37,500.00	37,500.00	36,664.00	836.00	-	-
Rental Housing						
Salaries and Wages	199,711.00	199,711.00	197,835.35		1,875.65	-
Accumulated Leave Compensation	100,000.00	100,000.00	100,000.00		-	-
Liability Insurance	815,590.00	815,590.00	783,528.61	-	32,061.39	-

**PRINCETON
MERCER COUNTY, NEW JERSEY**

Exhibit A - 3

**CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	<u>2019 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>	
<u>Operations Within "CAPS" (Cont'd.)</u>						
<u>UNCLASSIFIED:</u>						
Workers Compensation Insurance	414,313.00	414,313.00	414,300.00		13.00	-
Group Insurance	3,947,795.00	3,947,795.00	3,458,111.88	6,009.26	483,673.86	-
Health Benefit Waiver	155,000.00	155,000.00	132,438.92		22,561.08	-
Transportation of Local Pupils by Board of Education (NJSA18A:39-1.2)						
Other Expenses	215,000.00	215,000.00	170,000.00		45,000.00	-
Total Operations Within "CAPS"	<u>35,710,997.00</u>	<u>35,710,997.00</u>	<u>28,839,032.63</u>	<u>1,732,661.86</u>	<u>5,139,302.51</u>	<u>-</u>
DETAIL:						
Salaries and Wages	18,263,309.00	18,272,809.00	16,199,811.96	-	2,072,997.04	-
Other Expenses (Including Contingent)	17,447,688.00	17,438,188.00	12,639,220.67	1,732,661.86	3,066,305.47	-
<u>Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"</u>						
<u>STATUTORY EXPENDITURES:</u>						
Contribution to:						
Public Employees' Retirement System	1,500,000.00	1,500,000.00	1,478,564.00		21,436.00	
Social Security System (O.A.S.I.)	1,025,500.00	1,025,500.00	796,827.99		228,672.01	
Consolidated Police & Firemen's Pension Fund	21,000.00	21,000.00	19,472.90		1,527.10	
Defined Contribution Retirement Program	25,000.00	25,000.00	17,692.77		7,307.23	
Unemployment Insurance	25,000.00	25,000.00	25,000.00		-	
Police and Firemen's Retirement System of N.J.	<u>1,726,000.00</u>	<u>1,726,000.00</u>	<u>1,706,504.00</u>		<u>19,496.00</u>	
Total Deferred Charges and Statutory Expend. Municipal Within "CAPS"	<u>4,322,500.00</u>	<u>4,322,500.00</u>	<u>4,044,061.66</u>	<u>-</u>	<u>278,438.34</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>40,033,497.00</u>	<u>40,033,497.00</u>	<u>32,883,094.29</u>	<u>1,732,661.86</u>	<u>5,417,740.85</u>	<u>-</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

Exhibit A - 3

**CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	<u>2019 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>	
<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	4,361,010.00	4,361,010.00	4,361,010.00		-	-
<u>INTERLOCAL SERVICE AGREEMENTS:</u>						
Stonybrook Regional Sewerage Authority						
Other Expenses	4,038,000.00	4,038,000.00	4,037,844.21		155.79	-
Industrial User Fee	20,000.00	20,000.00	17,403.42		2,596.58	-
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES:</u>						
Corner House Foundation-Mercer Reg. Drug						
Treatment Program	225,000.00	225,000.00	211,707.39		13,292.61	-
Drug Program-State of NJ Addiction Services	44,000.00	44,000.00	44,000.00		-	-
Drug Program-Mercer County	6,400.00	6,400.00	6,400.00		-	-
Alcohol Education Rehabilitation		4,581.36	4,581.36		-	-
Academic Success Today	12,900.00	12,900.00	12,900.00		-	-
Medicaid	142,946.85	142,946.85	142,946.85		-	-
Bonner Foundation	21,500.00	21,500.00	21,500.00		-	-
Bonner Foundation-Unappropriated	4,544.17	4,544.17	4,544.17		-	-
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	11,000.00	11,000.00	11,000.00		-	-
State of NJ Vicinage Program	31,000.00	31,000.00	31,000.00		-	-
Corner House-Client Fees	36,000.00	36,000.00	36,000.00		-	-
Princeton Regional Municipal Alliance	28,056.00	28,056.00	28,056.00		-	-
Body Armor	5,413.93	5,413.93	5,413.93		-	-

**PRINCETON
MERCER COUNTY, NEW JERSEY**

Exhibit A - 3

**CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	<u>2019 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>	
<u>Operations Excluded from "CAPS"(Cont'd.)</u>						
PUBLIC AND PRIVATE PROGRAMS						
<u>OFFSET BY REVENUES:</u>						
Sustainable Jersey	10,000.00	10,000.00	10,000.00		-	-
Recycling Tonnage		71,663.70	71,663.70		-	-
Clean Communities		64,442.74	64,442.74		-	-
PEW Charitable Trusts		50,000.00	50,000.00		-	-
Drunk Driving Enforcement Grant		14,403.90	14,403.90		-	-
Matching Funds for Grants	10,000.00	10,000.00			10,000.00	-
Total Operations - Excluded from "CAPS"	9,136,424.95	9,341,516.65	9,315,471.67	-	26,044.98	-
DETAIL:						
Salaries and Wages	425,302.85	425,302.85	425,302.85	-	-	-
Other Expenses	8,711,122.10	8,916,213.80	8,890,168.82	-	26,044.98	-
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	400,000.00	400,000.00	400,000.00		-	-
Total Capital Improvements - Excluded from "CAPS"	400,000.00	400,000.00	400,000.00	-	-	-
<u>Municipal Debt Service - Excluded from "CAPS"</u>						
Payment of Bond Principal	8,435,000.00	8,435,000.00	8,435,000.00			-
Interest on Bonds	1,760,000.00	1,760,000.00	1,741,162.50			18,837.50
NJ Environmental Infrastructure Loan	1,110,000.00	1,110,000.00	986,777.33			123,222.67
Total Municipal Debt Service - Excluded from "CAPS"	11,305,000.00	11,305,000.00	11,162,939.83	-	-	142,060.17

PRINCETON
MERCER COUNTY, NEW JERSEY

Exhibit A - 3

CURRENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

	<u>2019 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	200,000.00	200,000.00	200,000.00		- -	
Total Deferred Charges - Municipal - Excluded from "CAPS"	200,000.00	200,000.00	200,000.00	-		-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	21,041,424.95	21,246,516.65	21,078,411.50	-	26,044.98	- 142,060.17
Subtotal General Appropriations	61,074,921.95	61,280,013.65	53,961,505.79	1,732,661.86	5,443,785.83	142,060.17
Reserve for Uncollected Taxes	2,938,975.16	2,938,975.16	2,938,975.16			- -
Total General Appropriations	\$ 64,013,897.11	\$ 64,218,988.81	\$ 56,900,480.95	\$ 1,732,661.86	\$ 5,443,785.83	\$ 142,060.17
REF.	A-2			A-1, A	A-1, A	
Adopted Budget	A-2	\$ 64,013,897.11				
Approp. by N.J.S.A. 40A:4-87	A-2	205,091.70				
		\$ 64,218,988.81				
Disbursed	A-4		\$ 53,373,999.14			
State and Federal Grants Approp.	A-12		587,506.65			
Reserve for Uncollected Taxes	A-2		2,938,975.16			
			\$ 56,900,480.95			

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**Exhibit - B
Page 1 of 2**

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR YEARS ENDED DECEMBER 31, 2019 AND 2018**

ASSETS	REF	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018	LIABILITIES, RESERVES AND FUND BALANCE	REF	BALANCE DEC. 31, 2019	BALANCE DEC. 31, 2018
Assessment Fund:				Assessment Fund:			
Cash and Equivalents	B-5	\$ 379,861.23	\$ 349,234.93	Res. For Prospective Assessments	Reserve	\$ 848,527.10	\$ 844,100.00
Assessments Receivable	B-7	207,690.19	258,316.49	Res. for Assessments, Liens and			
Prospective Assessments Funded	B-8	848,527.10	844,100.00	Interest and Costs	B-12	207,690.19	258,316.49
				Assessment Serial Bonds	B-13	20,000.00	40,000.00
				Fund Balance	B-1	359,861.23	309,234.93
Total Assessment Fund		1,436,078.52	1,451,651.42	Total Assessment Fund		1,436,078.52	1,451,651.42
Animal Control Fund:				Animal Control Fund:			
Cash and Equivalents	B-5	36,895.50	38,088.80	Reserve for Encumbrances	B-2	7,828.50	
Due from Current Fund	B-9	7,599.50		Fund Balance	B-2	36,666.50	38,088.80
Total Animal Control Fund		44,495.00	38,088.80	Total Animal Control Fund		44,495.00	38,088.80
Open Space Trust Fund:				Open Space Trust Fund:			
Cash and Equivalents	B-5	1,679,917.89	1,411,963.28	Reserve for Open Space	B-14	1,679,917.89	1,411,963.28
Total Open Space Trust Fund		1,679,917.89	1,411,963.28	Total Open Space Trust Fund		1,679,917.89	1,411,963.28
Unemployment Fund:				Unemployment Fund:			
Cash and Equivalents	B-5	609,669.08	569,539.14	Reserve for Unemployment Claims	B-15	609,669.08	569,539.14
Total Unemployment Fund		609,669.08	569,539.14	Total Unemployment Fund		609,669.08	569,539.14
Escrow Trust Fund:				Escrow Trust Fund:			
Cash and Equivalents	B-5	2,486,614.65	3,304,567.65	Due to Current Fund	B-10	427.13	432.54
				Reserve for Encumbrances	B-17	69,606.90	49,577.90
				Various Escrow Reserves	B-17	2,416,580.62	3,254,557.21
Total Escrow Trust Fund		2,486,614.65	3,304,567.65	Total Escrow Trust Fund		2,486,614.65	3,304,567.65

**TRUST FUND
BALANCE SHEET - REGULATORY BASIS
FOR YEARS ENDED DECEMBER 31, 2019 AND 2018**

<u>ASSETS</u>		<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>
Payroll Fund:				Payroll Fund:			
Cash and Equivalents	B-5	<u>245,056.50</u>	<u>248,795.50</u>	Payroll Deductions Payable	B-18	<u>245,056.50</u>	<u>248,795.50</u>
Total Payroll Fund		<u>245,056.50</u>	<u>248,795.50</u>	Total Payroll Fund		<u>245,056.50</u>	<u>248,795.50</u>
Other Trust Funds:				Other Trust Funds:			
Cash and Equivalents	B-5	<u>8,934,061.37</u>	<u>7,227,197.53</u>	Various Reserves and Deposits	B-16	<u>9,116,810.37</u>	<u>6,941,197.53</u>
Due from General Capital	B-11	<u>200,000.00</u>		Due to General Capital	B-11		<u>286,000.00</u>
				Reserve for Encumbrances	B-16	<u>17,251.00</u>	
Total Other Trust Funds		<u>9,134,061.37</u>	<u>7,227,197.53</u>	Total Other Trust Funds		<u>9,134,061.37</u>	<u>7,227,197.53</u>
Flexible Spending Trust				Flexible Spending Trust			
Cash and Equivalents	B-5	<u>9,033.55</u>	<u>7,062.87</u>	Reserve for Flexible Spending	B-19	<u>9,033.55</u>	<u>7,062.87</u>
Total Flexible Spending Account		<u>9,033.55</u>	<u>7,062.87</u>	Total Flexible Spending Account		<u>9,033.55</u>	<u>7,062.87</u>
Landfill Closure Fund				Landfill Closure Fund			
Cash and Equivalents	B-5	<u>23,938.98</u>	<u>23,709.88</u>	Reserve for Landfill Closure	B-20	<u>23,938.98</u>	<u>23,709.88</u>
Total Landfill Account		<u>23,938.98</u>	<u>23,709.88</u>	Total Landfill Account		<u>23,938.98</u>	<u>23,709.88</u>
Law Enforcement Trust Fund				Law Enforcement Trust Fund			
Cash and Equivalents	B-5	<u>4,812.51</u>	<u>4,311.03</u>	Reserve for Law Enforcement Trust	B-21	<u>4,812.51</u>	<u>4,311.03</u>
Total Law Enforcement Account		<u>4,812.51</u>	<u>4,311.03</u>	Total Law Enforcement Account		<u>4,812.51</u>	<u>4,311.03</u>
Grand Total All Trust Funds		<u>\$ 15,673,678.05</u>	<u>\$ 14,286,887.10</u>	Grand Total All Trust Funds		<u>\$ 15,673,678.05</u>	<u>\$ 14,286,887.10</u>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**TRUST ASSESSMENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>YEAR 2019</u>	<u>YEAR 2018</u>
Assessment Cash	B-3	\$ 20,000.00	\$ 20,000.00
Collection of Unpledged Assessments	B-12	<u>50,626.30</u>	<u>100,418.99</u>
		<u>70,626.30</u>	<u>120,418.99</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/(Deficit) to Fund Balance		50,626.30	100,418.99
<u>FUND BALANCE</u>			
Balance - January 1	B	<u>309,234.93</u>	<u>208,815.94</u>
Balance - December 31	B	<u>\$ 359,861.23</u>	<u>\$ 309,234.93</u>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**ANIMAL CONTROL FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN
FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>YEAR 2019</u>	<u>YEAR 2018</u>
License Fees	B-5	\$ 18,332.50	\$ 18,092.10
Late Fees	B-5	338.00	338.00
Boarding & Miscellaneous Fees	B-5	<u>14,722.00</u>	<u>1,285.00</u>
		<u>33,392.50</u>	<u>19,715.10</u>
<u>EXPENDITURES AND OTHER CHARGES</u>			
Animal Control Expenditures:			
Paid or Charged	B-5	9,971.50	4,464.34
Reserve for Encumbrances	B	7,828.50	
Other Charges:			
Statutory Excess Fund Balance			
Transferred to Current Fund	B-9	<u>17,014.80</u>	<u>8,103.16</u>
		<u>34,814.80</u>	<u>12,567.50</u>
Statutory Excess/(Deficit) to Fund Balance		(1,422.30)	7,147.60
<u>FUND BALANCE</u>			
Balance - January 1, 2019	B	<u>38,088.80</u>	<u>30,941.20</u>
Balance - December 31, 2019	B	<u>\$ 36,666.50</u>	<u>\$ 38,088.80</u>
License Fees Collected:			
2016		\$	\$ 19,514.40
2017		18,574.40	18,574.40
2018		<u>18,092.10</u>	
		<u>\$ 36,666.50</u>	<u>\$ 38,088.80</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."

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**TRUST ASSESSMENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>REVENUE</u>	<u>2019 BUDGET</u>	<u>REALIZED</u>
Assessment Cash	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>
	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>
<u>REF</u>	B-4	B-1, B-6

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**TRUST ASSESSMENT FUND
STATEMENT OF EXPENDITURES-REGULATORY BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

<u>APPROPRIATION</u>	<u>2019 BUDGET</u>	<u>EXPENDED PAID OR CHARGED</u>
Payment of Bond Principal	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>
	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>
<u>REF</u>	B-3	B-5, B-13

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2019 AND 2018**

<u>ASSETS</u>	<u>REF</u>	<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>
Cash and Equivalents - Treasurer	C-3	\$ 6,483.32	\$ 4,899,146.53
Public and Private Funding Receivable	C-6	2,130,209.75	3,438,992.75
Interfund Loans Receivable	C-7	-	286,000.00
Deferred Charges to Future Taxation:			
Funded	C-5	61,153,217.38	70,751,950.21
Unfunded	C-4	<u>35,658,707.27</u>	<u>27,849,406.79</u>
		<u>\$ 98,948,617.72</u>	<u>\$ 107,225,496.28</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C-9	\$ 56,830,000.00	\$ 65,520,000.00
Infrastructure Loan Payable	C-10	4,323,217.38	5,231,950.21
Reserve for Encumbrances	C-8	6,146,156.91	6,695,559.84
Interfund Loans Payable	C-7	200,000.00	-
Improvement Authorizations:			
Funded	C-8	2,020,615.91	3,848,226.85
Unfunded	C-8	26,765,950.04	22,507,960.25
Reserve For:			
Capital Improvement Fund	C-11	61,283.39	51,810.49
Future Debt Service Costs	C-12	1,372,022.56	1,564,892.68
Reserve for Roads	C-13	545,180.00	496,180.00
Grants Receivable	Reserve	250,000.00	250,000.00
Fund Balance	C-1	<u>434,191.53</u>	<u>1,058,915.96</u>
		<u>\$ 98,948,617.72</u>	<u>\$ 107,225,496.28</u>

At December 31, 2019 and 2018, there were Bonds and Notes Authorized but not Issued in the amounts of \$35,658,707.27 and \$27,849,406.79, respectively. (See Exhibit C-14)

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>YEAR 2019</u>	<u>YEAR 2018</u>
Cancellation of Improvement Authorizations	C-8	\$ <u>50,275.57</u>	\$ <u>153,656.85</u>
		<u>50,275.57</u>	<u>153,656.85</u>
<u>EXPENDITURES</u>			
Utilized as Current Fund Revenue	C-3	<u>675,000.00</u>	<u>981,400.00</u>
		<u>675,000.00</u>	<u>981,400.00</u>
Statutory Excess/(Deficit) to Fund Balance		(624,724.43)	(827,743.15)
<u>FUND BALANCE</u>			
Balance - January 1	C	<u>1,058,915.96</u>	<u>1,886,659.11</u>
Balance - December 31	C	\$ <u><u>434,191.53</u></u>	\$ <u><u>1,058,915.96</u></u>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**AFFORDABLE HOUSING UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>	<u>LIABILITIES, RESERVES AND FUND BALANCES</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>
Operating Fund:				Operating Fund:			
Cash and Equivalents - Treasurer	D-5	\$ 4,751,707.38	\$ 4,075,666.55	Reserves:			
		<u>4,751,707.38</u>	<u>4,075,666.55</u>	Program Reserves	D-8	<u>4,046,893.95</u>	<u>3,460,827.19</u>
Receivables and Inventory With						<u>4,046,893.95</u>	<u>3,460,827.19</u>
Full Reserves:							
Program Accounts Receivable	D-7	<u>378,442.77</u>	<u>380,672.42</u>	Reserve for Receivables	Reserve	<u>378,442.77</u>	<u>380,672.42</u>
		<u>378,442.77</u>	<u>380,672.42</u>	Fund Balance	D-1	<u>704,813.43</u>	<u>614,839.36</u>
Total Operating Fund		<u>5,130,150.15</u>	<u>4,456,338.97</u>	Total Operating Fund		<u>5,130,150.15</u>	<u>4,456,338.97</u>
Capital Fund:				Capital Fund:			
Cash	D-5	<u>118,969.04</u>	<u>118,969.04</u>	Improvement Authorizations:			
				Funded	D-9	<u>67,702.05</u>	<u>67,702.05</u>
				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>\$ 5,249,119.19</u>	<u>\$ 4,575,308.01</u>			<u>\$ 5,249,119.19</u>	<u>\$ 4,575,308.01</u>

There were no Bonds and Notes Authorized but not Issued at December 31, 2019 or 2018.

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**AFFORDABLE HOUSING UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>2019</u>	<u>2018</u>
Miscellaneous Revenues Anticipated	D-3	\$ 496,832.00	\$ 496,633.00
Non-Budget Revenue	D-5	45,111.19	26,228.83
Other Credits to Income:			
Encumbrances Cancelled	D-8	890.61	1,211.25
Total Revenues		<u>542,833.80</u>	<u>524,073.08</u>
<u>EXPENDITURES</u>			
Budget Expenditures:			
Salaries and Wages	D-4	89,601.83	85,835.04
Other Expenses	D-4	363,257.90	354,080.33
Total Expenditures		<u>452,859.73</u>	<u>439,915.37</u>
Excess in Revenues		89,974.07	84,157.71
<u>FUND BALANCE</u>			
Balance - January 1	D	<u>614,839.36</u>	<u>530,681.65</u>
Balance -December 31	D	<u>\$ 704,813.43</u>	<u>\$ 614,839.36</u>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**AFFORDABLE HOUSING UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>REF</u>	<u>YEAR 2019</u>	<u>YEAR 2018</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>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**AFFORDABLE HOUSING UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>REF</u>	<u>2019 BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (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>243,371.00</u>	<u>243,371.00</u>	<u>-</u>
		<u>\$ 496,832.00</u>	<u>\$ 496,832.00</u>	<u>\$ -</u>
	<u>REF</u>	D-4	D-1	

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**AFFORDABLE HOUSING UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED PAID OR CHARGED</u>	<u>LAPSED</u>
Operating:				
Salaries and Wages	\$ 104,148.00	\$ 104,148.00	\$ 89,601.83	\$ 14,546.17
Other Expenses	<u>392,684.00</u>	<u>392,684.00</u>	<u>363,257.90</u>	<u>29,426.10</u>
	<u>\$ 496,832.00</u>	<u>\$ 496,832.00</u>	<u>\$ 452,859.73</u>	<u>\$ 43,972.27</u>
<u>REF</u>	D-3		D-1	D-1
Cash Disbursed		D-5	\$ 379,591.37	
Reserve for Rehabilitation		D-8	49,300.00	
Reserve for Aff. Hsg.		D-8	<u>23,968.36</u>	
			<u>\$ 452,859.73</u>	

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**PARKING UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2019 AND 2018**

<u>ASSETS</u>	REF	<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>	<u>LIABILITIES</u>	REF	<u>BALANCE DEC. 31, 2019</u>	<u>BALANCE DEC. 31, 2018</u>
Operating Fund:				Operating Fund:			
Cash and Equivalents - Treasurer	E-6	\$ 1,939,400.67	\$ 1,311,556.34	Reserve for Encumbrances	E-8	\$ 70,535.12	\$ 76,005.17
				Appropriation Reserves	E-4, E-7	146,330.81	188,585.35
				Accounts Payable	E-9	1,500.00	1,500.00
				Accrued Interest on Bonds	E-10	120,178.13	125,203.13
				Reserve for Security Deposit		4,166.66	4,166.66
				Fund Balance	E-1	1,596,689.95	916,096.03
Total Operating Fund		<u>1,939,400.67</u>	<u>1,311,556.34</u>	Total Operating Fund		<u>1,939,400.67</u>	<u>1,311,556.34</u>
Capital Fund:				Capital Fund:			
Cash and Equivalents - Treasurer	E-6	86,700.22	148,898.13	Serial Bonds Payable	E-17	7,370,000.00	7,995,000.00
Fixed Capital	E-12	15,827,014.85	15,339,816.94	Improvement Authorizations			
Fixed Capital Authorized & Uncompleted	E-13	1,063,688.11	1,528,886.02	Funded	E-11	424,695.57	418,445.45
				Unfunded	E-11	585,321.49	581,275.46
				Reserve for Encumbrances	E-8	53,671.05	529,165.11
				Reserve for:			
				Debt Service	E-16		75,000.00
				Amortization	E-14	7,940,456.53	6,777,290.85
				Deferred Amortization	E-15	425,246.43	463,412.11
				Fund Balance	E-2	178,012.11	178,012.11
Total Capital Fund		<u>16,977,403.18</u>	<u>17,017,601.09</u>	Total Capital Fund		<u>16,977,403.18</u>	<u>17,017,601.09</u>
		<u>\$ 18,916,803.85</u>	<u>\$ 18,329,157.43</u>			<u>\$ 18,916,803.85</u>	<u>\$ 18,329,157.43</u>

There were Bonds and Notes Authorized but not Issued at December 31, 2019 and 2018 in the amounts of \$1,155,000.00 and \$1,633,000, respectively.

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**PARKING UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

<u>REVENUE AND OTHER INCOME</u>	<u>REF</u>	<u>YEAR 2019</u>	<u>YEAR 2018</u>
Operating Fund Balance	E-2	\$ 400,000.00	\$ 186,114.00
Miscellaneous Revenues Anticipated	E-2	5,215,589.14	4,043,491.58
Miscellaneous Revenues Not Anticipated	E-6	11,641.68	6,143.28
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	E-7	<u>196,801.10</u>	<u>202,400.52</u>
Total Revenues		<u>5,824,031.92</u>	<u>4,438,149.38</u>
<u>EXPENDITURES</u>			
Budget Expenditures:			
Salaries and Wages	E-4	712,113.00	740,793.00
Other Expenses	E-4	1,077,475.00	887,975.00
Debt Service	E-4	953,850.00	954,000.00
Deferred Charges	E-4	500,000.00	268,000.00
Surplus - General Budget	E-4	<u>1,500,000.00</u>	<u>1,400,000.00</u>
Total Expenditures		<u>4,743,438.00</u>	<u>4,250,768.00</u>
Excess in Revenues		1,080,593.92	187,381.38
<u>FUND BALANCE</u>			
Balance - January 1	E	<u>916,096.03</u>	<u>914,828.65</u>
		1,996,689.95	1,102,210.03
Decreased by:			
Utilized as Anticipated Revenue	E-3	<u>400,000.00</u>	<u>186,114.00</u>
Balance -December 31	E	<u>\$ 1,596,689.95</u>	<u>\$ 916,096.03</u>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**PARKING UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

		<u>YEAR 2019</u>	<u>YEAR 2018</u>
<u>FUND BALANCE</u>			
Balance - January 1	E	\$ <u>178,012.11</u>	<u>178,012.11</u>
Balance - December 31	E	\$ <u><u>178,012.11</u></u>	<u><u>178,012.11</u></u>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**PARKING UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>REF</u>	<u>2019 BUDGET</u>	<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
Fund Balance Utilized	E-1	\$ 400,000.00	\$ 400,000.00	\$
Parking Fees	E-6	3,782,513.00	4,640,698.80	858,185.80
Service Charge	E-6	122,989.00	126,754.51	3,765.51
Lease Agreements	E-6	358,416.00	363,834.03	5,418.03
Reserve for Debt Service	E-6	75,000.00	75,000.00	-
Interest	E-6	<u>9,545.00</u>	<u>9,301.80</u>	<u>(243.20)</u>
		<u>\$ 4,748,463.00</u>	<u>\$ 5,615,589.14</u>	<u>\$ 867,126.14</u>
	<u>REF</u>	<u>E-4</u>	<u>E-1</u>	

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**PARKING UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>EXPENDED</u>		<u>RESERVED</u>	<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>		
Operating:						
Salaries and Wages	\$ 712,113.00	\$ 712,113.00	\$ 610,979.53	\$	\$ 101,133.47	\$ -
Other Expenses	1,077,475.00	1,077,475.00	963,242.54	69,035.12	45,197.34	-
Debt Service:						
Payment of Bond Principal	625,000.00	625,000.00	625,000.00		-	-
Interest on Bonds	333,875.00	333,875.00	328,850.00		-	5,025.00
Deferred Charges:						
Ord. 17-33	50,000.00	50,000.00	50,000.00		-	-
Ord. 18-09	450,000.00	450,000.00	450,000.00		-	-
Surplus - General Budget	<u>1,500,000.00</u>	<u>1,500,000.00</u>	<u>1,500,000.00</u>		<u>-</u>	<u>-</u>
	\$ <u>4,748,463.00</u>	\$ <u>4,748,463.00</u>	\$ <u>4,528,072.07</u>	\$ <u>69,035.12</u>	\$ <u>146,330.81</u>	\$ <u>5,025.00</u>
	REF E-3		E-1	E-1, E-8	E, E-1	
Disbursed	E-6		\$ 4,199,222.07			
Accrued Interest on Bonds	E-10		<u>328,850.00</u>			
			\$ <u>4,528,072.07</u>			

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**PUBLIC ASSISTANCE FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>REF</u>	<u>BALANCE DEC 31, 2019</u>	<u>BALANCE DEC 31, 2018</u>
<u>ASSETS</u>			
Cash and Equivalents:			
Treasurer	F-1	\$ <u>100,224.93</u>	\$ <u>71,780.09</u>
		\$ <u>100,224.93</u>	\$ <u>71,780.09</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Reserves:			
SSI Due to Clients	F-5	\$ 1,238.31	\$ 1,238.31
Reserve for Public Assistance	F-5	85,426.03	56,981.19
Advanced State Aid	F-5	<u>13,560.59</u>	<u>13,560.59</u>
		\$ <u>100,224.93</u>	\$ <u>71,780.09</u>

Note: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**STATEMENT OF GOVERNMENTAL FIXED ASSETS
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	BALANCE DEC. 31, 2018	ADDITIONS	DELETIONS	BALANCE DEC. 31, 2019
Governmental Fixed Assets:				
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
Total Governmental Fixed Assets	\$ 200,883,996.00	\$ 547,321.00	\$ 1,115.00	\$ 201,430,202.00
 Investment in Governmental Fixed Assets	 \$ 200,883,996.00	 \$ 547,321.00	 \$ 1,115.00	 \$ 201,430,202.00

Nots: See Notes to Financial Statements

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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.

General Fixed Assets - 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.

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 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 operating funds utilize a "current financial resources" measurement focus. 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
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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 unliquidated 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
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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.

Disclosures About Pension Liabilities – Princeton has included information relating to its allocated shares of net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 10 and the accompanying required supplementary information. As Princeton does present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. It is excluded based upon the regulatory basis followed by the municipality. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Disclosures About OPEB Liabilities – Princeton has included information relating to its allocated shares of net OPEB liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in Note 10 and the accompanying required supplementary information. As Princeton does present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net OPEB liability of the defined benefit plans in which its employees are enrolled. It is excluded based upon the regulatory basis followed by the municipality. GAAP requires the recognition of the net OPEB liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

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.

Recent Accounting Standards

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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

Recent Accounting Standards (cont'd):

GASB issued Statement No. 85 "Omnibus 2017" in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB issued Statement No. 86 "Certain Debt Extinguishment Issues" in May 2017. The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt when resources other than the proceeds of refunding debt obligations are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB issued Statement No. 87 "Leases" in June 2017. The objective of this statement is to better meet the information needs of financial statement users relating to the accounting and reporting of leases by governments by establishing a single model for lease accounting.

GASB issued Statement No. 88 "Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements" in April 2018. The objective of this statement is to improve note disclosures in government financial statements relating to debt.

GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB issued Statement No. 90 "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61" in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB issued Statement No. 91 "Conduit Debt Obligations" in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Princeton does not prepare its financial statements in accordance with generally accepted accounting principles in the United States of America. A statistical section, which incorporates much of the reporting required by GASB 44, accompanies Princeton's financial statements. For the purpose of providing disclosures relating to Pension, Princeton has adopted certain provisions of GASB statements No. 73 and 77, which amend and clarify the provisions of GASB statement No. 68. Princeton has not adopted the provisions of any of the GASB statements listed above for financial reporting on the face of its financial statements. The effect of the adoption of the GASB standards cannot be determined.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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

Recent Accounting Standards (cont'd):

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
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>	<u>2018</u>	<u>2017</u>
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 56,830,000.00	\$ 65,520,000.00	\$ 76,269,000.00
Green Trust Program Loans			68,920.63
Infrastructure Loan	4,323,217.38	5,231,950.21	6,294,565.81
Assessment Fund:			
Bonds and Notes	20,000.00	40,000.00	60,000.00
Parking Utility Fund:			
Bonds and Notes	<u>7,370,000.00</u>	<u>7,995,000.00</u>	<u>8,600,000.00</u>
Total Issued	<u>68,543,217.38</u>	<u>78,786,950.21</u>	<u>91,292,486.44</u>
<u>Authorized But Not Issued:</u>			
General:			
Bonds and Notes	35,658,707.27	27,849,406.79	21,159,849.32
Parking Utility:			
Bonds and Notes	<u>1,155,000.00</u>	<u>1,633,000.00</u>	<u>318,000.00</u>
Total Authorized But Not Issued	<u>36,813,707.27</u>	<u>29,482,406.79</u>	<u>21,477,849.32</u>
Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 105,356,924.65</u>	<u>\$ 108,269,357.00</u>	<u>\$ 112,770,335.76</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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 2018:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>General Debt:</u>			
\$8,500,000, General Improvement Refunding Bonds Series 2009, due in annual installments of \$750,000 to \$1,495,000 through September 1 2019, interest at 4.00%	\$ -	\$ 750,000.00	\$ 1,505,000.00
\$5,230,000, General Improvement Refunding Bonds Series 2010, due in annual installments of \$15,000 to \$770,000 through May 1, 2019, interest at 2.00% to 4.00%	-	770,000.00	1,545,000.00
\$6,600,000, General Improvement Bonds Series 2011, due in annual installments of \$450,000 to \$650,000 through September 2022, interest at 3.00% to 4.00%	1,950,000.00	2,600,000.00	3,250,000.00
\$8,000,000, General Improvement Bonds Series 2011, due in annual installments of \$325,000 to \$650,000 through December 2026, interest at 3.00% to 4.00%	4,550,000.00	5,200,000.00	5,800,000.00
\$12,589,000, General Improvement Bonds Series 2010, due in annual installments of \$600,000 to \$1,019,000 through June 2026, interest at 3.00% to 5.00%. (2019 thru 2026 Maturities Refunded and Defeased in 2016)	1,000,000.00	1,980,000.00	2,560,000.00
\$1,910,000, General Improvement Refunding Bonds Series 2011, due in annual installments of \$380,000 to \$375,000 through June 2018, interest at 3.00% to 4.00%.	-	-	375,000.00
\$19,195,000, General Improvement Refunding Bonds Series 2013, due in annual installments of \$785,000 to \$1,935,000 through June 2018, interest at 1.00% to 3.00%.	11,355,000.00	12,795,000.00	14,690,000.00
\$9,950,000, General Improvement Bonds Series 2014, due in annual installments of \$500,000 to \$1,000,000 through September 2026, interest at 1.00% to 3.00%.	6,925,000.00	7,725,000.00	8,425,000.00

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>General Debt (cont'd.):</u>			
\$12,305,000 General Improvement Refunding Bonds Series 2016, due in annual installments of \$1,60,000 to \$1,650,000 through January 2026, interest at 2.0% to 3.0%	8,850,000.00	10,500,000.00	12,145,000.00
\$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 4.00%	22,200,000.00	23,200,000.00	24,200,000.00
<u>Program Loans:</u>			
\$1,125,000, Weller Property, due in semi-annual installments of \$34,978.05 through July 16, 2018, interest at 2.00%	-	-	68,920.63
\$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%	775,541.89	870,810.47	966,037.31
\$1,778,284, Infrastructure Water Loan - Principal Only, due in semi-annual installments of \$90,000 to 94,000 through Oct. 23, 2026	312,152.42	402,260.00	494,941.86
\$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%	458,000.00	502,000.00	546,000.00
\$1,696,442, Infrastructure Water Loan - Principal Only, due in semi-annual installments of \$84,510 to 91,490 through Aug. 1, 2027	202,068.24	287,196.00	375,161.82
\$2,070,000, Infrastructure Water Loan, due in annual installments of \$80,000 to \$160,000 through Aug. 1, 2028, interest at 5.00%	358,000.00	454,000.00	580,000.00
\$2,068,454, Infrastructure Water Loan - Principal Only, due in semi-annual installments of \$105,102 to 160,000 through Aug. 1, 2028	-	103,121.00	209,754.20
\$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%	531,000.00	593,000.00	770,000.00

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</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	823,915.03	1,042,248.94	1,260,582.42
\$1,170,000, Infrastructure Water Loan - due in semi-annual installments of \$40,000 to 85,000 through Aug. 1, 2031	277,539.80	342,313.80	407,088.20
\$1,273,893, Infrastructure Water Loan - Principal Only, due in semi-annual installments of \$64,774 through Aug. 1, 2031	585,000.00	635,000.00	685,000.00
<u>Short-Term Notes:</u>			
\$1,774,000 Bond Anticipation Notes issued September 15, 2017, due September 14, 2018 at interest of 2.25%. The notes were originally issued on December 28, 2016.			1,774,000.00
Total General Debt	<u>61,153,217.38</u>	<u>70,751,950.21</u>	<u>82,632,486.44</u>
<u>Assessment Trust Debt</u>			
\$212,000, Assessment Bonds Series 2010, due in annual installments of \$20,000.00 through June 1, 2020, interest at 4.00%	<u>20,000.00</u>	<u>40,000.00</u>	<u>60,000.00</u>
Total Assessment Debt	<u>20,000.00</u>	<u>40,000.00</u>	<u>60,000.00</u>
<u>Parking Utility Debt</u>			
\$10,905,000, Parking Utility Refunding Bonds Series 2011, due in annual installments of \$20,000 to \$865,000 through August 1, 2028, interest at 2.00% to 5.00%	<u>7,370,000.00</u>	<u>7,995,000.00</u>	<u>8,600,000.00</u>
Total Parking Utility Debt	<u>7,370,000.00</u>	<u>7,995,000.00</u>	<u>8,600,000.00</u>
Total Debt Issued and Outstanding	<u>\$ 68,543,217.38</u>	<u>\$ 78,786,950.21</u>	<u>\$ 91,292,486.44</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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	96,811,924.65	1,322,272.87	95,489,651.78
	<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>2018</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 49,158,000.00	\$ 49,158,000.00	\$ -
Parking Utility Debt	9,628,000.00	9,628,000.00	
General Debt	98,601,357.00	1,564,892.68	97,036,464.32
	<u>\$ 157,387,357.00</u>	<u>\$ 60,350,892.68</u>	<u>\$ 97,036,464.32</u>

Net Debt \$97,036,464.32 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$8,014,006,620.00 = 1.21%

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

	<u>2019</u>	<u>2018</u>
3 1/2% of Equalized Valuation Basis Municipal	\$ 290,804,151.45	\$ 280,490,231.70
Net Debt	<u>95,489,651.78</u>	<u>97,036,464.32</u>
Remaining Borrowing Power	<u>\$ 195,314,499.67</u>	<u>\$ 183,453,767.38</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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"
Affordable Housing Utility Per N.J.S.A. 40A:2-45**

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

	<u>2019</u>	<u>2018</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 496,832.00	\$ 496,633.00
Deductions:		
Operating and Maintenance Cost	<u>452,859.73</u>	<u>439,915.37</u>
Excess in Revenues	<u>\$ 43,972.27</u>	<u>\$ 56,717.63</u>

**Deductions of Self-Liquidating Utility Debt for
Statutory Net Debt - Affordable Housing 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 Affordable Housing Utility Fund is as follows:

	<u>2019</u>	<u>2018</u>
Excess in Revenues - Cash Basis (D-1)	\$ 89,974.07	\$ 84,157.71
Less: Non-budget Revenue	45,111.19	26,228.83
Other Credits to Income	<u>890.61</u>	<u>1,211.25</u>
Excess in Revenues	<u>\$ 43,972.27</u>	<u>\$ 56,717.63</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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>2019</u>	<u>2018</u>
Cash Receipts from Fees, Rents or Other Charges for Year	\$ 5,615,589.14	\$ 4,229,605.58
Deductions:		
Operating and Maintenance Cost	1,789,588.00	1,628,768.00
Debt Service	<u>953,850.00</u>	<u>954,000.00</u>
Total Deductions	<u>2,743,438.00</u>	<u>2,582,768.00</u>
Excess in Revenues	<u>\$ 2,872,151.14</u>	<u>\$ 1,646,837.58</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 Affordable Housing Utility Fund is as follows:

	<u>2019</u>	<u>2018</u>
Excess in Revenues - Cash Basis (E-1)	\$ 1,080,593.92	\$ 187,381.38
Add: Deferred Charges	500,000.00	268,000.00
Surplus Transfer to General Budget	<u>1,500,000.00</u>	<u>1,400,000.00</u>
	<u>2,000,000.00</u>	<u>1,668,000.00</u>
Less: Other Credits to Income	196,801.10	202,400.52
Non-budget Revenue	<u>11,641.68</u>	<u>6,143.28</u>
	<u>208,442.78</u>	<u>208,543.80</u>
Excess in Revenues	<u>\$ 2,872,151.14</u>	<u>\$ 1,646,837.58</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

SFY 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>
2020	\$ 6,835,000.00	\$ 1,545,162.50	\$ 725,000.00	\$ 294,475.00	\$ 7,560,000.00	\$ 1,839,637.50
2021	6,880,000.00	1,326,437.50	720,000.00	273,675.00	7,600,000.00	1,600,112.50
2022	7,035,000.00	1,123,987.50	770,000.00	241,875.00	7,805,000.00	1,365,862.50
2023	6,475,000.00	908,837.50	825,000.00	203,375.00	7,300,000.00	1,112,212.50
2024	6,585,000.00	719,375.00	875,000.00	152,000.00	7,460,000.00	871,375.00
	<u>33,810,000.00</u>	<u>5,623,800.00</u>	<u>3,915,000.00</u>	<u>1,165,400.00</u>	<u>37,725,000.00</u>	<u>6,789,200.00</u>
2025	6,115,000.00	544,500.00	860,000.00	133,875.00	6,975,000.00	678,375.00
2026	6,205,000.00	381,200.00	865,000.00	99,475.00	7,070,000.00	480,675.00
2027	2,000,000.00	256,000.00	865,000.00	64,875.00	2,865,000.00	320,875.00
2028	2,000,000.00	216,000.00	865,000.00	30,275.00	2,865,000.00	246,275.00
2029	2,000,000.00	176,000.00			2,000,000.00	176,000.00
	<u>18,320,000.00</u>	<u>1,573,700.00</u>	<u>3,455,000.00</u>	<u>328,500.00</u>	<u>21,775,000.00</u>	<u>1,902,200.00</u>
2030	2,000,000.00	136,000.00			2,000,000.00	136,000.00
2031	1,700,000.00	76,000.00			1,700,000.00	76,000.00
2032	1,000,000.00	25,000.00			1,000,000.00	25,000.00
	<u>4,700,000.00</u>	<u>237,000.00</u>			<u>4,700,000.00</u>	<u>237,000.00</u>
TOTAL	\$ 56,830,000.00	\$ 7,434,500.00	\$ 7,370,000.00	\$ 1,493,900.00	\$ 64,200,000.00	\$ 8,928,400.00

*The general debt includes the debt of the trust assessment fund.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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 \$95,268.58 was paid in 2019, leaving a balance of \$775,541.89 at December 31, 2019.

Debt service on the outstanding balance of the 2006 NJ Environmental Infrastructure Trust Loan at December 31, 2019 is as follows:

2006 NJEIT Loan

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 104,730.58	\$ 27,494.62
2021	104,782.78	23,305.84
2022	104,698.36	19,187.06
2023-2026	<u>461,330.17</u>	<u>40,742.72</u>
Totals	<u>\$ 775,541.89</u>	<u>\$ 110,730.24</u>

Debt service on the outstanding balance of the 2006 NJ Environmental Infrastructure Fund Loan at December 31, 2019 is as follows:

<u>Year</u>	<u>Principal</u>
2020	\$ 93,968
2021	91,137
2022	88,218
2023	<u>38,829</u>
Totals	<u>\$ 312,152</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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. \$44,000 of principal was paid during 2019, resulting in a year-end balance of \$458,000.

Debt service on the outstanding balance of the 2007 NJ Environmental Infrastructure Trust Loan at December 31, 2019 is as follows:

2007 NJEIT Loan

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 48,000	\$ 22,900
2021	50,000	20,500
2022	54,000	18,000
2023	55,000	15,300
2024-2027	<u>251,000</u>	<u>32,100</u>
Totals	<u>\$ 458,000</u>	<u>\$ 108,800</u>

Debt service on the outstanding balance of the 2007 NJ Environmental Infrastructure Fund Loan at December 31, 2019 is as follows:

<u>Year</u>	<u>Principal</u>
2020	\$ 89,165
2021	86,641
2022	<u>26,262</u>
Totals	<u>\$ 202,068</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 interest rates ranging from 5.00% to 5.50%, 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 2019, \$96,000 of principal was paid, resulting in a year-end balance of \$358,000.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 is as follows:

2008 NJEIT Loan

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 104,000	\$ 16,690
2021	114,000	11,820
2022	112,000	6,450
2023	<u>28,000</u>	<u>1,290</u>
Totals	<u>\$ 358,000</u>	<u>\$ 36,250</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. During 2019, \$62,000 of principal was paid, resulting in a year-end balance of \$531,000.

Debt service on the outstanding balance of the 2010 NJ Environmental Infrastructure Trust Loan at December 31, 2019 is as follows:

2010 NJEIT Loan

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 66,000	\$ 21,240
2021	64,000	18,600
2022	66,000	16,040
2023	74,000	13,400
2024-2028	223,000	30,840
2029	<u>38,000</u>	<u>1,520</u>
Totals	<u>\$ 531,000</u>	<u>\$ 101,640</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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)

Debt service on the outstanding balance of the 2010 NJ Environmental Infrastructure Fund Loan at December 31, 2019 is as follows:

<u>Year</u>	<u>Principal</u>
2020	\$ 218,334
2021	218,334
2022	218,334
2023	84,456
2024	<u>84,456</u>
Totals	<u>\$ 823,914</u>

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, \$366,165.40 of the prior Trust Loan balance was deobligated/defeased. \$50,000 of Trust Loan principal was paid in 2019, resulting in a year-end balance of \$585,000. In addition, during 2016, \$528,137 of the Fund Loan balance was deobligated/defeased. \$64,774.20 of principal was paid in 2019, resulting in a year-end Fund Loan balance of \$277,539.60.

Debt service on the outstanding balance of the 2012 NJ Environmental Infrastructure Trust Loan at December 31, 2019 is as follows:

2012 NJEIT Loan

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 55,000	\$ 26,450
2021	55,000	23,700
2022	60,000	20,950
2023	60,000	17,950
2024-2028	<u>355,000</u>	<u>40,250</u>
Totals	<u>\$ 585,000</u>	<u>\$ 129,300</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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)

Debt service on the outstanding balance of the 2012 NJ Environmental Infrastructure Fund Loan at December 31, 2019 is as follows:

<u>Year</u>	<u>Principal</u>
2020	\$ 64,774
2021	64,775
2022	48,983
2023	48,983
2024	<u>50,025</u>
Totals	<u>\$ 277,540</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.

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:

	<u>Balance Dec. 31, 2019</u>	<u>Utilized in 2020 Budget</u>
Current Fund	\$ 16,806,031.89	\$ 7,200,000.00
Affordable Housing Operating Fund	704,813.43	-
Parking Operating Fund	1,596,689.95	400,000.00

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, 2019 and 2018, Princeton reported no deferred charges on the balance sheets of the various funds.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

Note 6: GENERAL FIXED ASSETS

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

	<u>Balance Dec. 31, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 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.

Note 7: UTILITY FIXED ASSETS

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

	<u>Balance Dec. 31, 2018</u>	<u>Increases</u>	<u>Balance 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	795,622.20		795,622.20
	<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.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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. 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, 2019, the cash and cash equivalents and investments of Princeton on deposit and on-hand consisted of the following:

	<u>2019</u>
Cash (Demand Accts.)	\$49,321,564.79
Change Fund (On-Hand)	<u>1,515.00</u>
	<u>\$49,323,079.79</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 year-end, 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 \$48,091,413.78 was covered under the provisions of NJGUDPA.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

Deposits (Cont'd.)

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. 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.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

As of December 31, 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.

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;
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.

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other Than State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of December 31, 2019, Princeton had \$0.00 on deposit with the New Jersey Cash Management Fund. Based upon the existing deposit and investment practices,

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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.

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 13th.

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 1st and November 1st 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 1st and May 1st. 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 1st 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 1st of the current tax year even though the amount due is not known.

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.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employee Retirement System 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, 2019:

Inactive plan members or beneficiaries currently receiving benefits	178,748
Inactive plan members entitled to but not yet receiving benefits	609
Active plan members	<u>252,598</u>
 Total	 <u>431,955</u>

Contributing Employers – 1,697

Significant Legislation:

Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Cont'd)

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, 2019, Princeton's total payroll for all employees was \$19,438,581. Total PERS covered payroll was \$9,753,052. Covered payroll refers to pensionable compensation, rather than total compensation, paid by Princeton to active employees covered by the Plan. Employee payroll deductions for PERS contributions, net of life insurance premiums and pension loan repayments, were \$731,480 for 2019.

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 7.34% in State fiscal year 2018 and 7.5% for State fiscal year 2019, 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. The Princeton's cash basis contributions to the Plan during the years ended December 31, 2019 and 2018 were \$392,171 and \$354,373, respectively. The Princeton's contributions are due and payable on April 1st 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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Normal Cost	\$183,920	\$191,146
Amortization of Accrued Liability	<u>1,220,937</u>	<u>1,190,318</u>
Total Pension	1,404,857	1,381,464
NCGI Premiums	66,923	21,844
Long-Term Disability Expense	<u>6,784</u>	<u>70,787</u>
Total PERS Payment	<u>\$1,478,564</u>	<u>\$1,474,095</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.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Cont'd)

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 1/55th 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 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to 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. 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 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, 2018, the PERS reported a net pension liability of \$19,689,501,539 for its Non-State Employer Member Group. Princeton's proportionate share of the net pension liability for the Non-State Employer Member Group that is attributable to Princeton was \$29,133,696 or 0.147965633. At June 30, 2019, the PERS reported a net pension liability of \$18,018,482,972 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 \$25,949,620 or 0.14401667%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018 which was rolled forward to June 30, 2019. 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%

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Cont'd)

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-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 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, 2019) 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, 2019 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%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Market Equities	6.50%	11.37%
Private Equity	12.00%	10.85%

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Cont'd)

Discount Rate – The discount rate used to measure the total pension liabilities of PERS was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% 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 through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Net Pension Liability – the following presents the net pension liability of the participating employers as of June 30, 2019 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</u> <u>(5.28%)</u>	<u>At current discount rate</u> <u>(6.28%)*</u>	<u>At 1% increase</u> <u>(7.28%)</u>
State	\$26,475,719,181	\$23,012,420,340	\$20,102,167,445
Local	<u>22,918,608,260</u>	<u>18,143,832,135</u>	<u>14,120,406,763</u>
PERS Plan Total	<u>\$49,394,327,441</u>	<u>\$41,156,252,475</u>	<u>\$34,222,574,208</u>
Princeton Share	\$32,778,587	\$25,949,620	\$20,195,034

*- Local Share includes \$125,349,163 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability –The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2019 was as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$29,512,766,255	\$41,491,463,886	\$71,004,230,141
Plan Fiduciary Net Position	<u>6,500,345,915</u>	<u>23,347,631,751</u>	<u>29,847,977,666</u>
Net Pension Liability	<u>\$23,012,420,340</u>	<u>\$18,143,832,135</u>	<u>\$41,156,252,475</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Cont'd)

For the year ended December 31, 2018, Princeton's allocated share of the actuarially calculated PERS Pension Expense was \$5,435,474.

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – 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, 2019:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Changes in Assumptions	\$2,591,165	\$9,007,031
Changes in Pension Proportion	2,981,227	2,120,072
Difference Projected vs. Actual Earnings	-	409,625
Difference Projected vs. Actual Experience	465,762	114,634
Princeton contributions subsequent to the measurement date	<u>1,406,880</u>	<u> </u>
Total	<u>\$7,445,034</u>	<u>\$11,651,362</u>

The \$1,406,880 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:

<u>Year Ending June 30:</u>	<u>Amount</u>
2020	\$3,176,409
2021	413,532
2022	1,354,383
2023	664,484
2024	<u>4,400</u>
Total	<u>\$5,613,208</u>

Changes in Proportion

The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion as allocated by the Plan. These amounts are recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (Cont'd)

Additional Information

Collective balances at June 30, 2019 are as follows:

Collective deferred outflows of resources-Local Group	\$3,149,522,616
Collective deferred inflows of resources-Local Group	7,645,087,574
Collective net pension liability (NPL)-Local Group	18,143,832,135

Princeton's proportionate share of Local Group NPL	0.1440166723%
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Collective pension expense for the Local Group for the measurement periods ended June 30, 2019 and 2018 were \$974,471,686 and \$1,099,708,157, respectively.

B. POLICE AND FIREMEN'S RETIREMENT SYSTEM

The Police and Firemen's Retirement System 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, 2019:

Inactive plan members or beneficiaries currently receiving benefits	44,567
Inactive plan members entitled to but not yet receiving benefits	42
Active plan members	<u>42,295</u>
 Total	 <u>86,904</u>

Contributing Employers – 584 (As of June 30, 2019)

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.

12

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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, 2019 Princeton's total payroll for all employees was \$19,438,581. Total PFRS covered payroll was \$6,418,616. Covered payroll refers to pensionable compensation, rather than total compensation, paid by Princeton to active employees covered by the Plan. Employee payroll deductions for PFRS contributions, net of life insurance premiums and pension loan repayments, were \$641,861 for 2019.

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 cash basis contributions to the Plan for the years ended December 31, 2019 and 2018 were \$2,478,565 and \$1,601,982 respectively. Princeton's contributions are due and payable on April 1st 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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Normal Cost	\$535,622	\$498,825
Amortization of Accrued Liability	<u>1,106,059</u>	<u>1,038,426</u>
Total Pension	1,641,681	1,537,251
NCGI Premiums	<u>64,823</u>	<u>64,731</u>
Total PFRS Payment	<u>\$1,706,504</u>	<u>\$1,601,982</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
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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, 2019, the PFRS reported a net pension liability of \$12,237,818,793 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 \$23,619,777, or 0.1825619895%. At June 30, 2018, the PFRS reported a net pension liability of \$13,531,648,591 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 \$23,619,777, or 0.1745521%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions:

Inflation-Prices	2.75%
Inflation-Wages	3.25%
Salary Increases-all future years	3.25-15.25% Based on years of service
Investment rate of return	7.00%

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 an 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 an 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-2019.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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

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

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) 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, 2019 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%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Market Equities	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate – The discount rate used to measure the total pension liabilities of PFRS was 6.85% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 70% 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 through 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (5.85%)	At current discount rate (6.85%)*	At 1% increase (7.85%)
State	\$ 4,914,378,549	\$ 4,201,687,763	\$ 3,612,283,063
Local	<u>19,152,938,066</u>	<u>14,170,193,618</u>	<u>10,046,254,662</u>
PFRS Plan Total	<u>\$24,067,316,615</u>	<u>\$18,371,881,381</u>	<u>\$13,658,537,725</u>
Princeton Share	<u>\$30,197,709</u>	<u>\$22,341,605</u>	<u>\$15,839,547</u>

*- Local Share includes \$1,932,374,825 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the collective net pension liability for PFRS, including the State of New Jersey, at June 30, 2019 is as follows:

	State	Local	Total
Total Pension Liability	\$ 5,682,770,577	\$40,481,531,749	\$46,164,302,326
Plan Fiduciary Net Position	<u>1,481,082,814</u>	<u>26,311,338,131</u>	<u>27,792,420,945</u>
Net Pension Liability	<u>\$ 4,201,687,763</u>	<u>\$14,170,193,618</u>	<u>\$18,371,881,381</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019 Princeton's deferred outflows of resources and deferred inflows of resources related to PFRS pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes in Assumptions	\$ 765,545	\$7,220,602
Changes in Pension Proportion	1,824,677	2,315,432
Difference Projected vs. Actual Earnings	-	302,722
Difference Projected vs. Actual Experience	188,592	141,449
Princeton contributions subsequent to the measurement date	<u>1,844,078</u>	
Total	<u>\$4,622,892</u>	<u>\$9,980,205</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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

The \$1,844,078 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:

<u>Year Ending June 30:</u>	<u>Amount</u>
2020	\$2,712,559
2021	1,977,815
2022	1,601,742
2023	698,531
2024	<u>210,744</u>
Total	<u>\$7,201,391</u>

Changes in Proportion - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion as allocated by the Plan. These amounts are recognized (amortized) in the allocated amortization above over the average of the expected remaining service lives of all plan members, which is 5.92, 5.73, 5.59, 5.58, 5.53, and 6.17 years for the 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information - Collective balances at June 30, 2019 are as follows:

Collective deferred outflows of resources-Local Group	\$1,198,936,924
Collective deferred inflows of resources-Local Group	4,874,748,912
Collective net pension liability (NPL)-Local Group	14,170,193,618

Princeton's proportionate share of Local Group NPL	0.1825619895%
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Collective pension expense for the Local Group for the measurement periods ended June 30, 2019 and 2018 were \$1,325,963,796 and \$1,270,762,352, respectively.

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".

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

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

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, 2019 was \$108,857,000. The portion of that contribution allocated to Princeton in 2019 was \$237,699, or 0.1825619895%. The June 30, 2019 State special funding situation pension expense of \$224,526,138 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 \$1,932,374,825 at June 30, 2019 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, 2019 and its share of the special funding situation NPL at that date were \$409,899 and \$3,527,792, 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. 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.

For the year ended December 31, 2019 and 2018, Princeton's total payrolls for all employees were \$19,438,581 and \$19,647,198 respectively. Total DCRP covered payrolls were \$453,674 and \$396,759 respectively. 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, 2019 were \$24,952 and employer contributions were \$13,610. Employee contributions for the year ended December 31, 2018 were \$21,822 and employer contributions were \$11,903.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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

D. Combined Pension Allocation Information for PERS and PFRS Pension Systems:

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$25,949,620	\$7,445,034	\$11,651,362	\$5,435,474
PFRS	<u>22,341,605</u>	<u>4,622,892</u>	<u>9,980,205</u>	<u>5,875,316</u>
Total	<u>\$48,291,225</u>	<u>\$12,067,926</u>	<u>\$21,631,567</u>	<u>\$11,310,790</u>

Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION – HEALTH 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.

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.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

**Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION – HEALTH BENEFITS
(CONT'D)**

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.

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	27,871
Active plan members	<u>63,032</u>
Total	<u>90,903</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 and 2018, respectively, was as follows:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$13,819,244,582	\$15,981,103,227
Plan Fiduciary Net Position	<u>273,173,482</u>	<u>314,485,086</u>
Net OPEB Liability	<u>\$13,546,071,100</u>	<u>\$15,666,618,141</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 1.98%	 1.97%

The Net OPEB Liability at June 30, 2019 and 2018 can be further broken down into its special funding and non-special funding components as follows:

	<u>2019</u>	<u>2018</u>
Special Funding Situation	\$5,525,718,739	\$ 6,213,844,492
Non-special Funding Situation	<u>8,020,352,361</u>	<u>9,452,773,649</u>
Total Net OPEB Liability	<u>\$13,546,071,100</u>	<u>\$15,666,618,141</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

**Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION – HEALTH BENEFITS
(CONT'D)**

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

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

	<u>2019</u>	<u>2018</u>
Nonspecial Funding Situation:		
Plan Net OPEB Liability	\$8,020,352,361	\$9,452,773,649
Princeton Allocations:		
Net OPEB Liability	\$26,285,202	\$32,524,370
Allocation Percentage	0.327731%	0.207603%
Princeton Plan Participants	217	215

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%

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.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

**Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION – HEALTH BENEFITS
(CONT'D)**

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

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.

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

The following presents the collective 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:

	1% Decrease (2.50%)	At Discount Rate (3.50%)	1% Increase (4.50%)
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 State's 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:

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

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

**Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION – HEALTH BENEFITS
(CONT'D)**

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

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, Princeton's allocated Deferred Inflows of Resources and Deferred Outflows of Resources related to its Nonspecial Funding participation in the OPEB Plan were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings on Plan assets	\$ 21,652	\$ -0-
Change in proportion	746,488	7,132,920
Difference between expected and actual experience	-0-	7,686,817
Change in assumptions	<u>-0-</u>	<u>9,314,891</u>
Princeton's Share (Nonspecial Funding Situation)	<u>\$768,140</u>	<u>\$24,134,628</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<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

	<u>Total OPEB Liability</u>	
	<u>2018</u>	<u>2019</u>
Balance-Beginning of Year (June 30 measurement date)	\$20,629,044,656	\$15,981,103,227
Changes for Year:		
Service Cost	896,235,148	666,574,660
Interest	764,082,232	636,082,461
Change in Benefit Terms	-	(1,903,958)
Difference between Actual and Expected Experience	(3,626,384,047)	(1,399,921,930)
Changes in Assumptions	(2,314,240,675)	(1,635,760,217)
Contributions-Members	53,987,166	43,249,952
Benefit Payments	<u>(421,621,253)</u>	<u>(470,179,613)</u>
Net Change in Total OPEB Liability	<u>(4,647,941,429)</u>	<u>(2,161,858,645)</u>
Balance-End of Year	<u>\$15,981,103,227</u>	<u>\$13,819,244,582</u>

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

**Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION – HEALTH BENEFITS
(CONT'D)**

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

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

	<u>Net OPEB Liability</u>	
	<u>2018</u>	<u>2019</u>
Plan Fiduciary Net Position:		
Contributions: Employers	\$421,194,662	\$346,415,056
Contributions: Non-employer contributing entities	53,548,285	43,854,500
Contributions: Members	53,987,166	43,249,952
Net Investment Income	2,320,422	4,826,936
Gross Benefits Payments	(421,621,253)	(470,179,613)
Administrative Expenses	<u>(8,200,113)</u>	<u>(9,478,435)</u>
 Net Change in Plan Fiduciary Net Position	 \$101,229,109	 (41,311,604)
Plan Fiduciary Net Position-Beginning	<u>213,255,917</u>	<u>314,485,086</u>
Plan Fiduciary Net Position-Ending	\$314,485,086	\$273,173,482
Net OPEB Liability-Ending	\$15,666,618,141	\$13,546,071,100
Plan Fiduciary Net Position as % of OPEB Liability	1.97%	1.98%
Covered Employee Payroll	\$4,646,915,753	\$4,801,667,470
Net OPEB Liability as a Percentage of Payroll	337%	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
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE 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.

Components of Net OPEB Liability:

The components of the collective net OPEB liability for employers participating in the Plan, including the State of New Jersey, at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$13,819,244,582	\$15,981,103,227
Plan Fiduciary Net Position	<u>273,173,482</u>	<u>314,485,086</u>
Net OPEB Liability	<u>\$13,546,071,100</u>	<u>\$15,666,618,141</u>
Plan fiduciary net position as a percentage of the Total OPEB Liability	1.98%	1.97%

The Net OPEB Liability at June 30, 2019 and 2018 can be further broken down into its special funding and non-special funding components as follows:

	<u>2019</u>	<u>2018</u>
Special Funding Situation	\$ 5,525,718,739	\$ 6,213,844,492
Non-special Funding Situation	<u>8,020,352,361</u>	<u>9,452,773,649</u>
Total Net OPEB Liability	<u>\$13,546,071,100</u>	<u>\$15,666,618,141</u>

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%. At June 30, 2018, Princeton's proportionate share of the Special Funding Situation Net OPEB Liability was \$12,901,805 or 0.207630%. The State's Special Funding Situation OPEB Expense allocated to the municipality was \$157,240 for the year ended June 30, 2019 and \$390,553 for the year ended June 30, 2018. The number of municipal employees (active and inactive/retired) upon which the allocations were based for the years ended June 30, 2019 and 2018 were 60 and 59, respectively.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (CONT'D):

C. Special Funding Situation (Cont'd.)

Actuarial Assumptions and Other Inputs:

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 valuation as of June 30, 2018, was based upon 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.

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases*:	
Public Employees Retirement system (PERS)	
Through 2026	2.00%-6.00%
Thereafter	3.00%-7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all Future Years	3.25%-15.25%

* Salary increases are based on the defined benefit plan that the member is enrolled in.

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.

Healthcare Trend Assumptions:

For pre-Medicare medical benefits, the trend rate 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 Savings 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 is 7.5% and decreases to a 4.35% long-term trend rate after eight years.

Discount Rate:

The discount rate for June 30, 2019 was 35.0%. 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.

11

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (CONT'D):

C. Special Funding Situation (Cont'd.)

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

The following presents the collective net OPEB liability of the participating employers 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:

	1% Decrease (2.50%)	At Discount Rate (3.50%)	1% Increase (4.50%)
Total Net OPEB Liability	\$15,662,704,137	\$13,546,071,100	\$11,826,026,995
Princeton's Share	N/A	N/A	N/A

Sensitivity of the State's 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 rate 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:

	1% Decrease	Healthcare Cost Trent Rate	1% Increase
Total Net OPEB Liability	\$11,431,214,644	\$13,546,071,100	\$16,243,926,531
Princeton's Share	N/A	N/A	N/A

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.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (CONT'D):

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

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.

Employees Covered by Benefit Terms:

At December 31, 2019, the number of inactive employees and their dependents currently receiving benefits was 33. 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 \$2,275,760 at December 31, 2019 and was determined by an actuarial valuation as January 1, 2019 that was rolled forward to that date.

Actuarial Assumptions and Other Inputs:

The total OPEB liability in the January 1, 2019 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-2014 mortality table with MP-2016 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.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

Note 11: POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSION PLANS – HEALTH CARE BENEFITS (CONT'D):

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

The Discount Rate was based upon the S&P Municipal Bond 20-year High Grade Rate Index as of December 31, 2019.

<i>Changes in Total OPEB Liability</i>	<u>2019</u>	<u>2018</u>
Balance-Beginning of Year	\$2,385,107	\$2,575,916
Changes for Year:		
Interest	82,134	88,623
Difference between Actual and Expected Experience	563	3,015
Benefit Payments	<u>(257,360)</u>	<u>(282,447)</u>
Net Change in Total OPEB Liability	(109,347)	<u>(190,809)</u>
Balance-End of Year	<u>\$2,275,760</u>	<u>\$2,385,107</u>

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>(2.26%)</u>	<u>At current discount rate</u> <u>(3.26%)</u>	<u>At 1% increase</u> <u>(4.26%)</u>
Total OPEB Liability	<u>\$2,447,645</u>	<u>\$2,275,760</u>	<u>\$2,103,875</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 \$2,275,760 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, 2018, the Plan recognized an actuarially calculated OPEB expense of \$148,013. The municipality recorded \$257,360 of OPEB expenditures in its financial statements for the year, equal to the amounts disbursed as plan reimbursements/benefits.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

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 are no longer be in effect for retirements after January 1, 2015.

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, 2019 was \$641,422.96. This represents an increase in the amount of unused vacation and terminal leave time benefits from 2018 to 2019 in the amount of \$48,536.19. 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, 2019, Princeton had funded \$293,318 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, 2019. 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.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

Note 13: RISK MANAGEMENT (CONT'D.)

The Mid Jersey Joint Insurance Fund (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.

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 four 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>
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
2017	27,732.05	24,748.65	3,648.73	28,397.38	530,808.90
2016	24,143.75	57,219.34	3,069.96		503,076.85
2015	23,344.26	36,551.44	2,631.21		418,643.80

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
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

Note 15: INTERFUNDS

The following interfund balances remained on the balance sheet at December 31, 2019:

Funds:	<u>Interfund Receivables</u>	<u>Interfund 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	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 2019 and 2018 were \$1,353,668.30 and \$1,483,032.23, respectively. Taxes that would otherwise would have been due on these long-term tax exemptions amounted to \$6,013,282.50 for 2019 and \$5,916,867 for 2018, based upon the assessed valuations of the long-term tax exemptions properties.

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, 2019 Princeton does not believe that any material liabilities will result from such audits, if conducted.

**PRINCETON
MERCER COUNTY, NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS
THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

Note 17: COMMITMENTS AND CONTINGENCIES (CONT'D)

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 28, 2020, 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

On April 27, 2020 Princeton adopted its 2020 Municipal Budget.

Princeton has evaluated subsequent events occurring after December 31, 2019 through the date of August 28, 2020, 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.

Subsequent to year end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility on a global scale. As a result, the Municipality's economically sensitive revenues (i.e. property taxes, parking utility collections, licenses and fees, interest earnings, state and federal aid) might be negatively impacted. Collection rates on real property taxes might be slowed as unemployment rates are expected to spike. Meanwhile, the Municipality's expenditures for public safety and health service functions and pension benefits (due to stock market declines) would all be expected to increase sharply. None of these factors were taken into consideration in the development of the 2020 adopted budget. Given the uncertainty around the imposition or relaxation of protective measures, management cannot reasonably estimate the actual impact on the Municipality's financial position at this time.

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APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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_____, 2020

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 \$23,230,000 General Improvement Bonds, Series 2020 (the "Bonds"), 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 us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, resolutions of Princeton adopted on October 26, 2020 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of Princeton payable from *ad valorem* taxes that may be levied upon all the taxable real 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 Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that 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 Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds are 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 Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,

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