

OFFICIAL STATEMENT DATED MAY 28, 2020

NEW ISSUE (BOOK-ENTRY ONLY)

RATING: See Rating herein

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Township (as defined herein) with certain covenants described herein, interest on the Notes (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX EXEMPTION" herein.

TOWNSHIP OF MONROE IN THE COUNTY OF MIDDLESEX STATE OF NEW JERSEY

\$12,830,000

BOND ANTICIPATION NOTES, SERIES 2020

CONSISTING OF:

\$9,700,000 GENERAL IMPROVEMENT BOND ANTICIPATION NOTES, SERIES 2020

AND

\$3,130,000 WATER-SEWER UTILITY BOND ANTICIPATION NOTES, SERIES 2020

NON-CALLABLE

Dated: June 9, 2020

Due: June 8, 2021

Coupon: 1.25%

Yield: 0.43%

CUSIP: 611312MX4*

The \$12,830,000 aggregate principal amount of Bond Anticipation Notes, Series 2020, consisting of \$9,700,000 aggregate principal amount of General Improvement Bond Anticipation Notes, Series 2020 (the "General Improvement Notes"), and \$3,130,000 aggregate principal amount of Water-Sewer Utility Bond Anticipation Notes, Series 2020 (the "Water-Sewer Utility Notes"), and together with the General Improvement Notes, the "Notes", are dated June 9, 2020 and mature on June 8, 2021. The Notes are general obligations of the Township of Monroe, in the County of Middlesex, State of New Jersey (the "Township"), payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the Township for the payment of the principal of the Notes and the interest thereon without limitation as to rate or amount.

The Notes will be issued in fully registered book-entry only form and, when issued, will be registered in the name of, and held by, Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry only form in the principal amount of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Notes in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants.

The Notes will bear interest at the rate set forth above, commencing on June 9, 2020. Interest on the Notes will be payable at maturity as set forth above. Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent at the date of maturity of the Notes.

While DTC is acting as securities depository for the Notes, the principal of and interest on the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Notes are authorized by, and are issued pursuant to, (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"); and (ii) various bond ordinances duly adopted by the Township Council on the dates set forth herein, approved by the Mayor, and published as required by law. The Notes are being issued to (i) refund, on a current basis, \$6,000,000 aggregate principal amount of Bond Anticipation Notes, Series 2019, of the Township, consisting of \$5,000,000 General Improvement Bond Anticipation Notes, Series 2019, and \$1,000,000 Water-Sewer Utility Bond Anticipation Notes, Series 2019, dated June 10, 2019 and maturing on June 10, 2020; (ii) temporarily finance the costs of various general capital improvements in and by the Township in the amount of \$4,700,000, including paying the costs associated with the issuance of the General Improvement Notes; and (iii) temporarily finance the costs of various water and sewer utility capital improvements in and by the Township in the amount of \$2,130,000, including paying the costs associated with the issuance of the Water-Sewer Utility Notes.

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

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

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

The Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Township, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Township in connection with the issuance of the Notes. Certain legal matters will be passed upon for the Township by the Township Attorney, Louis N. Rainone, Esq., Iselin, New Jersey. It is anticipated that the Bonds and the Notes will be available for delivery through DTC on or about June 9, 2020.

TD Securities (USA) LLC

* 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 number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and the Township does not make any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Notes.

**TOWNSHIP OF MONROE
IN THE COUNTY OF MIDDLESEX
STATE OF NEW JERSEY**

MAYOR

Gerald W. Tamburro

TOWNSHIP COUNCIL

Miriam Cohen, Council President
Elizabeth "Betty" Schneider, Council Vice President
Stephen Dalina
Leonard Baskin
Charles Dipierro

ADMINISTRATOR

Alan Weinberg

CHIEF FINANCIAL OFFICER

George J. Lang

TOWNSHIP CLERK

Patricia Reid, RMC, CMR

TOWNSHIP ATTORNEY

Louis N. Rainone, Esq.
Iselin, New Jersey

INDEPENDENT AUDITORS

Hodulik & Morrison, P.A., a division of
PKF O'Connor Davies, LLP
Cranford, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Township of Monroe, in the County of Middlesex, State of New Jersey (the "Township") to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement and if given or made, such information or representations must not be relied upon as having been authorized by the Township. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The information contained herein has been provided by the Township, The Depository Trust Company, New York, New York ("DTC") and other sources deemed reliable by the Township; however, no representation or warranty is made as to its accuracy or completeness, and as to the information from sources other than the Township, such information is not to be construed as a representation or warranty by the Township.

This Official Statement is not to be construed as a contract or agreement between the Township and the purchasers or owners of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier. The Township has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

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

The presentation of information is intended to show recent historical information except as expressly stated otherwise, and is not intended to indicate future or continuing trends in the financial condition or other affairs of the Township. No representation is made that past experience, as is shown by the financial and other information contained herein, will necessarily continue or be repeated in the future.

The order and placement of materials in this Official Statement, including the appendices, are not deemed to be a determination of the relevance, materiality or importance of such materials, and this Official Statement, including the appendices, must be considered in its entirety.

In order to facilitate the distribution of the Notes, the Underwriter may engage in transactions intended to stabilize the price of the Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Notes are offered to the public by the Underwriter and the yields resulting therefrom may vary from the initial public offering prices or yields on the cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices to certain dealers and others.

The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the Federal Securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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**OFFICIAL STATEMENT
OF THE
TOWNSHIP OF MONROE
IN THE COUNTY OF MIDDLESEX, STATE OF NEW JERSEY
RELATING TO
\$12,830,000
BOND ANTICIPATION NOTES, SERIES 2020
Consisting Of:
\$9,700,000 General Improvement Bond Anticipation Notes, Series 2020
And
\$3,130,000 Water-Sewer Utility Bond Anticipation Notes, Series 2020
NON-CALLABLE**

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Township of Monroe (the "Township"), in the County of Middlesex (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of the Township's \$12,830,000 aggregate principal amount of Bond Anticipation Notes, Series 2020, consisting of \$9,700,000 aggregate principal amount of General Improvement Bond Anticipation Notes, Series 2020 (the "General Improvement Notes"), and \$3,130,000 aggregate principal amount of Water-Sewer Utility Bond Anticipation Notes, Series 2020 (the "Water-Sewer Utility Notes", and together with the General Improvement Notes, the "Notes"). This Official Statement, which includes the cover page and appendices attached hereto, has been authorized by the Township Council of the Township, executed by and on behalf of the Township by its Chief Financial Officer, and is to be distributed in connection with the marketing and sale of the Notes.

This Official Statement contains specific information relating to the Notes including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Notes. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Township from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historical information and, but only to the extent specifically provided herein, certain projections of the immediate future, and is not necessarily indicative of future or continuing trends in the financial position or other affairs of the Township.

DESCRIPTION OF THE NOTES

General Description

The Notes are general obligations of the Township and are issued in the aggregate principal amount of \$12,830,000, consisting of \$9,700,000 aggregate principal amount of General Improvement Notes and \$3,130,000 aggregate principal amount of Water-Sewer Utility Notes. The Notes shall be dated and shall bear interest from June 9, 2020 and shall mature on June 8, 2021. The Notes shall bear interest at the rate as indicated on the cover page of this Official Statement, payable upon the maturity date thereof.

Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of, and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee, Cede & Co. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Notes in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Township or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

Optional Redemption

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

Authorization for the Issuance of the Notes

The Notes are authorized by, and are issued pursuant to, (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); and (ii) various bond ordinances duly adopted by the Township Council on the dates set forth in the chart below under the heading "Purpose of the Notes", approved by the Mayor, and published as required by law.

The bond ordinances authorizing the Notes were published in full or in summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of said bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides that, after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Township. Such estoppel period has concluded prior to or as of the date of this Official Statement.

Purpose of the Notes

The Notes are being issued to (i) refund, on a current basis, \$6,000,000 aggregate principal amount of Bond Anticipation Notes, Series 2019, of the Township, consisting of \$5,000,000 General Improvement Bond Anticipation Notes, Series 2019, and \$1,000,000 Water-Sewer Utility Bond Anticipation Notes, Series 2019, dated June 10, 2019 and maturing on June 10, 2020; (ii) temporarily finance the costs of various general capital improvements in and by the Township in the amount of \$4,700,000, including paying the costs associated with the issuance of the General Improvement Notes; and (iii) temporarily finance the costs of various water and sewer utility capital improvements in and by the Township in the

amount of \$2,130,000, including paying the costs associated with the issuance of the Water-Sewer Utility Notes.

The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Township Council of the Township, which bond ordinances are described on the following tables by Ordinance Number, Description and Date of Final Adoption and Amount of Notes to be issued for such purposes:

\$9,700,000 General Improvement Notes

Ordinance Number	Description and Date of Final Adoption	Amount
O-6-2007-025	Various 2007 Capital Improvements by and in the Township, finally adopted 6/6/07	\$ 33,032
O-6-2011-017	Various 2011 Capital Improvements by and in the Township, finally adopted 6/27/2011	35,000
O-11-2015-021, as amended by O-3-2016-011	Various Improvements to the Soccer Complex and Tennis Courts within the Township, finally adopted 11/4/15 (O-11-2015-021) and 4/4/16 (O-3-2016-011)	571,000
O-6-2016-015	Various Intersection Improvements at the Intersection of Pergola Avenue at Spotswood-Gravel Hill Road by and in the Township, finally adopted 6/8/16	119,000
O-6-2016-022	Various 2016 Capital Improvements by and in the Township, finally adopted 7/6/16	900,000
O-6-2017-014	Various 2017 Capital Improvements by and in the Township, finally adopted 7/5/17	860,300
O-7-2017-020, as amended by O-1-2019-007	Acquisition of Block 25, Lots 14.1 and 16 by and in the Township, finally adopted 9/6/17 (O-7-2017-020) and 3/4/19 (O-1-2019-007)	542,800
O-6-2018-024	Various 2018 Capital Improvements by and in the Township, finally adopted 7/2/18	2,624,200
O-2-2019-008	Various roadway, sidewalk and curb improvements, finally adopted 3/4/19	1,333,000
O-6-2019-022	Various 2019 Capital Improvements by and in the Township, finally adopted 6/24/19	990,000
O-2-2020-004	Various 2020 Capital Improvements by and in the Township, finally adopted 3/2/20	<u>1,691,668</u>
TOTAL		<u>\$ 9,700,000</u>

\$3,130,000 Water-Sewer Utility Notes

Ordinance Number	Description and Date of Final Adoption	Amount
O-6-2017-015	Various 2017 Water and Sewer Utility Improvements by and in the Township, finally adopted 7/5/17	\$ 2,000,000
O-6-2019-021	Various 2019 Water and Sewer Utility Improvements by and in the Township, finally adopted 6/24/19	<u>1,130,000</u>
TOTAL		<u>\$ 3,130,000</u>

Payment of Notes

As hereinafter stated, the Notes are general obligations of the Township for which the full faith and credit of the Township will be pledged. Unless otherwise paid from other sources, the Township is authorized and required by law to levy *ad valorem* taxes upon all taxable property within the Township for the payment of principal of and interest on Notes without limitation as to rate or amount.

SECURITY FOR THE NOTES

The Notes are valid and legally binding general obligations of the Township for which the full faith and credit of the Township are irrevocably pledged for the punctual payment of the principal of and interest on the Notes. Unless otherwise paid from other sources, the Township has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of the Notes and the interest thereon without limitation as to rate or amount.

The Township is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, such as the Notes, for the current year in each annual budget unless provision has been made for payment of such general obligation indebtedness from other sources. The enforceability of rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF NOTES" herein.

The Notes are not a debt or obligation, legal, moral or otherwise of the State or any county, municipality or political subdivision thereof, other than the Township.

RECENT HEALTHCARE DEVELOPMENTS

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, and to each state within the United States, including the State, has been declared a Public Health Emergency of International Concern by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The outbreak of COVID-19 across the United States has caused the federal government to declare a national state of emergency. The State has likewise declared a state of emergency. While the potential impact on the State cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the finances of the State, the County, and the Township (collectively, the "Affected Entities").

The degree of any such impact to the Affected Entities' respective operations and finances, is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Affected Entities and their respective economies.

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the Township as of the date hereof.

MARKET PROTECTION

The Township does not anticipate issuing any additional bonds or bond anticipation notes in 2020.

BOOK-ENTRY ONLY SYSTEM

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

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for the Notes in the aggregate principal amount of the Notes, 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Principal and interest payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, nor its nominee, Paying Agent or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuance of Book-Entry Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Notes, the following provisions apply: (i) the Notes may be exchanged for an equal aggregate principal amount of Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Chief Financial Officer of the Township or Paying Agent; (ii) the transfer of any Notes may be registered on the books maintained by the Township or Paying Agent for such purposes only upon the surrender thereof to the Chief Financial Officer of the Township or Paying Agent together with the duly executed assignment in form satisfactory to the Township or Paying Agent; and (iii) for every exchange or registration of transfer of Notes, the Township or Paying Agent may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Notes. Interest on the Notes will be payable by check or draft, mailed on the maturity date of the Notes to the registered owners thereof.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

The Township has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of Township debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The Township is not required to submit the proposed incurrence of indebtedness to a public referendum.

The Township, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally adopted by the recorded affirmative vote of at least two-thirds of the full membership of the Township Council and approved by the Mayor. The Local Bond Law requires publication and posting of the bond ordinance. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the Township.

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

The Notes are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and bond anticipation notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in serial or sinking fund installments, and that, unlike school debt, and with some exceptions, including self-liquidating obligations and the improvements involving State grants, a five percent (5%) cash down payment must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the Township are general "full faith and credit" obligations.

Short Term Financing

Local governmental units (including the Township) may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such note at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the Township, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued pursuant to the Local Bond Law for, among other things, the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, the present value of unfunded accrued liabilities for State administered early retirement incentive benefits, amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds. Refunding bonds may be issued in accordance with N.J.A.C. 5:30-2.5 and, therefore, no approval is required by the Local Finance Board; however, the details of the sale, issuance and delivery of the refunding bonds will be delivered to the Local Finance Board within then (10) days of the delivery of the refunding bonds.

Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)

There are statutory requirements which limit the amount of debt which the Township is permitted to authorize. The authorized bonded indebtedness of a Township is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3 1/2%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the Township for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

As shown in APPENDIX A, the Township has not exceeded its statutory debt limit.

Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)

The debt limit of the Township may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the Township must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the Township and that the proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district.

As shown in APPENDIX A, the Township has not exceeded its debt limit.

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the Township's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Township Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter shall be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Township Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles in the United States.

Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, such as the Township, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. It reflects the results of operations for the year of the Current and Utility Funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire annual audit report is filed with the clerk of the local unit and is available for review during business hours.

Investment of Municipal Funds

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations

of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school district of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

DEBT INFORMATION OF THE TOWNSHIP

The Township must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the Township, the Township must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the Township Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Township's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the Township conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the Township maintains detailed records of the obligations for accumulated unused vacation and sick pay and these amounts are fully disclosed in the notes to the financial statements; however, no liabilities are accrued within the Township's financial statements.

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, including the Township, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget

Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of the local unit. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriation. N.J.S.A. 40A:4-22. If in any year the Township's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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

Local Examination of Budgets (N.J.S.A. 40A:4-78(b))

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. Under the regulations prescribed by the Local Finance Board, the Township was not eligible for local examination of its budget in 2020. The Township is currently in the process of adopting its 2020 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)".

State Supervision (N.J.S.A. 52:27BB-1 et seq.)

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring cash deficit.

Limitations on Expenditures (“Cap Law”) (N.J.S.A. 40A:4-45.1, et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the “Cap Law” (the “Cap Law”). The Cap Law provides that the Township shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Township may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Township for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year’s final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored “Cap” banking to the Local Budget Law. Municipalities are permitted to appropriate available “Cap Bank” in either of the next two (2) succeeding years’ final appropriations. It is not anticipated that the Township will utilize any of its “Cap Bank” in the preparation of the 2020 Budget. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “Cap”.

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, weather and other “declared” emergencies, pension contributions in excess of 2%, and health benefit cost increases in excess of 2% and limited by the increase in the State health benefit rate increases. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50% plus one vote.

The Division of Local Government Services has advised that counties and municipalities must comply with both budget “Cap” and the tax levy limitation. Neither the tax levy limitation nor the Cap Law, however, limits the obligation of the Township to levy *ad valorem* taxes upon all taxable property within the boundaries of the Township to pay debt service on bonds and notes, including the Notes.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the Township, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year’s budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects (“special emergencies”) such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five

(5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

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

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

This provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

$$\begin{array}{rcl} \text{Total of Local, County,} & & \\ \text{and School Levies} & - \text{ Anticipated Revenues} & = \text{Cash Required from Taxes to Support} \\ & & \text{Local Municipal Budget and Other Taxes} \\ \\ \hline \text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes} & = & \text{Amount to be} \\ \text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)} & & \text{Raised by} \\ & & \text{Taxation} \end{array}$$

Anticipation of Miscellaneous Revenues

N.J.S.A 40A:4-26 provides that, "[n]o miscellaneous revenues from any source shall be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the director shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

Debt Statements

The Township must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the Township, the Township must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the Township Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Township as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Township's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

CAPITAL IMPROVEMENT PROGRAM

In accordance with the Local Budget Law, the Township must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted, by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

Upon the filing of certified adopted budgets by the Township, the 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 provisions 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 New Jersey for various special services rendered to the properties located within the special district.

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceding fiscal year. Due to the outbreak of COVID-19, Governor Phil Murphy of the State of New Jersey (the "Governor") issued Executive Order No. 130, which, among other things, authorizes a municipality with a calendar year, such as the

Township, to adopt a resolution instituting a grace period concluding on a date no later than June 1, 2020 for the payment of second quarter property taxes in 2020. The Township Council adopted a resolution on May 4, 2020 extending its grace period for second quarter property taxes to June 1, 2020.

Fiscal year municipalities follow the same general rationale for the billing of property taxes, however billing is processed semi-annually. The provisions of P.L. 1994, C. 72 changed the procedures for State fiscal year billing originally established in P.L. 1991, C. 75. Chapter 72 moves the billing calculation back on a calendar year basis, which permits tax levies to be proved more readily than before.

The formula used to calculate tax bills under P.L. 1994, C. 72 are as follows:

The third and fourth installments, for municipal purposes, would equal one-half of an estimated annual tax levy, plus the balance of the full tax levied during the current tax year for school, county and special district purposes. The balance of the full tax for non-municipal purposes is calculated by subtracting amounts due on a preliminary basis from the full tax requirement for the tax year. The first and second installments, for municipal purposes, will be calculated on a percentage of the previous years billing necessary to bill the amount required to collect the full tax levy, plus the non-municipal portion, which represents the amount payable to each taxing district for the period of January 1 through June 30.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Township Attorney (as defined herein) for in rem foreclosures in order to acquire title to these properties.

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

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations. Due to the outbreak of COVID-19, Chief Justice Stuart Rabner of the New Jersey Supreme Court has delayed the deadline for filing regular and revaluation/assessment tax appeals until the later of May 1 or 30 days following the Governor's determination that the State of Emergency declared by Executive Order No. 103 has ended.

TAX EXEMPTION

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Notes in order for the interest on the Notes to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Notes. The Township will represent in a tax certification that it reasonably expects and intends to comply and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Township (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Township with the requirements of the Code and the representations and covenants made in the tax certificate described above, interest on the Notes is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax.

The Notes do not constitute “qualified tax-exempt obligations” as defined in and for the purpose of Section 265(b)(3) of the Code.

Additional Federal Income Tax Consequences Relating to the Notes

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, 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 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 insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Notes should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is also of the opinion that interest on the Notes, and any gain on the sale thereof, are not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Notes.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the federal and State tax-exempt status of interest on the Notes, gain from the sale or other disposition of the Notes, the market value of the Notes or the marketability of the Notes. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Notes should consult their own tax advisors regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Notes. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Notes and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the

effect, if any, on the tax status of the interest on the Notes paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX C for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Notes.

Prospective purchasers of the Notes should consult their tax advisors with respect to all tax consequences (including, but not limited to, those listed above) of holding the Notes.

LEGALITY FOR INVESTMENT

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

RISK TO HOLDERS OF NOTES

It is understood that the rights of the holders of the Notes, and the enforceability thereof, may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Municipal Bankruptcy

THE TOWNSHIP HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE TOWNSHIP EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE NOTES, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the Township should be considered with reference to 11 U.S.C. §101 *et seq.*, as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court 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 this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically 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 Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided that a transfer of property of a

debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a local unit, including the Township, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board, as successor to the Municipal Finance Commission, must be obtained.

Remedies of Holders of Bonds or Notes (N.J.S.A. 52:27-1 et seq.)

If the Township defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or notes outstanding, any holder of such bonds or notes may bring an action against the Township in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the Township is so in default. Once a judgment is entered by the Superior Court to the effect that the Township is in default, the Municipal Finance Commission (the "Commission") would become operative in the Township. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Division, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, notes or other indebtedness of the municipality which have fallen due, and all bonds or notes which will fall due within one (1) year (except tax anticipation or revenue anticipation notes), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, notes or other indebtedness of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

CERTIFICATES OF THE TOWNSHIP

Upon the delivery of the Notes, the original purchaser shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Township, stating to the best knowledge of said officials, that this Official Statement as of its date did 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; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the Township from that set forth in or contemplated by this Official Statement. In addition, the original purchaser of the Notes shall also receive a certificate in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Notes and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Notes, and signed by the officers who signed the Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Notes or the levy or collection of taxes to pay the Notes, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Notes are issued, and that neither the corporate existence or boundaries of the Township, nor the title of any of the said officers to their respective offices, is being contested.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as APPENDIX C hereto. Certain legal matters with respect to the Notes will be passed

on for the Township by the Township Attorney, Louis N. Rainone, Esq., Iselin, New Jersey (the “Township Attorney”).

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Township of Monroe, George J. Lang, Chief Financial Officer, 1 Municipal Plaza, Monroe Township, New Jersey 08831, (732) 521-4400, Everett M. Johnson, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6149, or Anthony P. Inverso, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

MUNICIPAL ADVISOR

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

LITIGATION

To the knowledge of the Township Attorney, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes offered for sale or the levy and collection of any taxes to pay the principal of or the interest on said Notes, or in any manner questioning the authority of the proceedings for the issuance of the Notes or for the levy or collection of taxes to pay the principal of and interest on the Notes, or any action contesting the corporate existence or boundaries of the Township or the title of any of its present officers. Further, to the knowledge of the Township Attorney, there is no litigation presently pending or threatened against the Township that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided. A certificate to such effect will be executed by the Township Attorney and delivered to the Underwriter (as hereinafter defined) at the closing.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

The Township has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in Section (b)(5)(i)(C) of the Rule (the “Notices”). The Notices will be filed by the Township or the Dissemination Agent with the Municipal Securities Rulemaking Board (the “MSRB”). The specific nature of the Notices will be detailed in a certificate (the “Disclosure Certificate”) to be executed on behalf of the Township by its Chief Financial Officer, in the form appearing in APPENDIX D hereto; such Disclosure Certificate to be delivered concurrently with the delivery of the Notes

The Township has previously entered into continuing disclosure undertakings under the Rule in respect of its own obligations and obligations of other issuers for which the Township is an obligated person. The Township appointed Phoenix Advisors, LLC, Bordentown, New Jersey in January of 2015 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

PREPARATION OF OFFICIAL STATEMENT

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

The Municipal Advisor has participated in the preparation and review of this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the preparation of the information contained in APPENDIX A hereto.

Hodulik & Morrison, P.A., a division of PKF O'Connor Davies, LLP, Cranford, New Jersey, the Auditor to the Township, has participated in the preparation of the financial information contained in this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the financial statements described below under the heading entitled "FINANCIAL STATEMENTS" and contained in APPENDIX B hereto.

The Township Attorney has not participated in the preparation of the information contained in this Official Statement, nor has he verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but has reviewed the section under the caption entitled "LITIGATION" and expresses no opinion or assurance other than that which is specifically set forth therein with respect thereto.

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

RATING

The Notes are expected to be rated by S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("Standard & Poor's"). The rating will be provided by Standard & Poor's after the dated date of the Notes.

Such rating reflects only the views of Standard & Poor's, and there is no assurance that the rating will continue for any period of time or that it will not be revised or withdrawn entirely, if in the judgment of Standard & Poor's, circumstances so warrant.

UNDERWRITING

The Notes have been purchased from the Township at a public sale by TD Securities (USA) LLC (the "Underwriter") at a price of \$12,921,606.20. The purchase price of the Notes reflects the par amount of Notes (\$12,830,000.00), less an Underwriter's discount of \$12,830.00, plus an original issue premium of \$104,436.20.

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

FINANCIAL STATEMENTS

The audited financial statements of the Township for the years ended December 31, 2018 and 2017, together with the Notes to the Financial Statements for the years then ended, as well as unaudited financial data of the Township for the year ended December 31, 2019, are presented in APPENDIX B to this Official Statement. The audited financial statements referred to above have been audited by Hodulik & Morrison, P.A., a division of PKF O'Connor Davies, LLP, Cranford, New Jersey, independent auditors, as stated in their Independent Auditor's Report.

MISCELLANEOUS

All quotations from summaries and explanations of the provisions of the laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilation thereof.

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

This Official Statement has been duly executed and delivered on behalf of the Township by the Chief Financial Officer.

**TOWNSHIP OF MONROE, IN THE
COUNTY OF MIDDLESEX,
STATE OF NEW JERSEY**

/s/ George J. Lang
GEORGE J. LANG,
Chief Financial Officer

DATED: May 28, 2020

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APPENDIX A

CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION CONCERNING THE TOWNSHIP OF MONROE

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INFORMATION REGARDING THE TOWNSHIP¹

The following material presents certain economic and demographic information of the Township of Monroe (the "Township").

Description of the Township

The Township is located in the southern portion of Middlesex County (the "County"), in the State of New Jersey (the "State") midway between the metropolitan areas of New York City and Philadelphia. The Township consists of 42.8 square miles and is bordered by the Townships of East Brunswick and Old Bridge and the Boroughs of Jamesburg, Helmetta, Cranbury and Spotswood in Middlesex County, the Township of Manalapan and the Borough of Englishtown in Monmouth County and the Township of East Windsor in Mercer County.

The Township has become a very desirable location in which to raise a family and to retire due to its beautiful green landscape, low property taxes, low crime rate and low population density.

Form of Government

The Township operates under the Mayor-Council Plan under the provisions of the Faulkner Act, Chapter 210 of the 1970 Laws of New Jersey, as amended and supplemented, N.J.S.A. 40:69A-et seq., as amended and supplemented. The Township is governed by a Mayor, who is elected for a term of four (4) years and is the chief executive. A five (5) member Township Council has the responsibility for all legislative matters including the adoption of operating budgets, the enactment of ordinances and general citizen representation. The Township Council consists of three (3) individual ward council members and two (2) at-large council members, all of whom are elected to staggered four (4) year terms. The Mayor appoints a professionally qualified Business Administrator with the advice and consent of the Township Council. Daily Township operations are the responsibility of the professional staff, coordinated by the Township's Business Administrator. The Township Council meets on the first and fourth Monday of each month. The meetings are open to the public and public discussion and comments are scheduled at various points in each meeting agenda.

The Township has the following four (4) labor union contracts:

<u>Union</u>	<u>Contract Expiration</u>
PBA	12/31/22
Blue Collar	12/31/22
White Collar	12/31/22
Superior Officers Association	12/31/22

¹ Source: The Township, unless otherwise indicated.

Population and Economy

The Township's estimated population is 44,818 in 2018 based upon the US Bureau of the Census. The Township is primarily a residential community, and its central location and access to major commuter routes allow its residents easy access to employment centers from New York City to Philadelphia. The Township is well known for its many planned retirement communities, numerous medical offices and the Forsgate Country Club.

Utilities

Water and sewer services are provided by the Water and Sewer Utilities Department for the Township. Water system facilities include nine (9) wells, four (4) available storage tanks and twenty (20) pressure reducer stations. Water distribution is provided through an extensive, interconnected network of four (4) inch to twenty (20) inch water mains. The Township supplements its groundwater diversion rights with a long-term contract with New Jersey American Water Co., which provides for an additional supply of up to one-half million gallons per day. Sewer system facilities consist of over 300 miles of collector and trunk sewer piping and fourteen (14) pumping stations. Customer charges provide the funds to pay for the day-to-day operating and maintenance costs, as well as system expansions and enhancements, and the retirement of debt. Sewerage treatment and disposal is provided by the Middlesex County Utilities Authority.

Jersey Central Power & Light supplies electric power to the Township and gas service is supplied by Public Service Electric & Gas Company and New Jersey Natural Gas Company. Garbage is collected by private haulers with billing directly to Township residents.

Transportation

Train service to Newark, New York City, Philadelphia and the entire Northeast Corridor is provided by New Jersey Transit and Amtrak through nearby railroad stations in Princeton Junction, New Brunswick and South Amboy.

Local and interstate bus service is provided by New Jersey Transit, Academy Bus Line and Coach USA.

The Township is strategically situated alongside the New Jersey Turnpike at Exit 8A, the State's primary north/south artery. It is also served by State Highway Routes 9, 18 and 33 and Route 130.

Within thirty-five (35) miles of the Township are the Ports of New York, Newark and Elizabeth with the world's largest container facilities. Newark Liberty International Airport is only a forty (40) minute drive from the Township.

Township-operated shuttle bus transportation (at no cost to riders) is available to Township residents to travel to Princeton and Freehold.

Public Library

The Township's residents enjoy a full range of library services through its facility at 4 Municipal Plaza and a traveling bookmobile. The Public Library (the "Library") is governed by a Board of Trustees comprised of the Mayor, the Superintendent of Schools, seven (7) members and two (2) alternates appointed by the Mayor. Meetings are held twelve (12) times each year. The existing facility underwent a major expansion in 2009 which doubled its size to become a 44,166 square foot building with a drive-through window.

The primary source of funding for the Township Public Library is the annual appropriation contained in the Township's budget. Total appropriations exceed minimum funding level established by statute. The Library's combined collections of books, audio books, compact discs, videotapes, magazines and newspapers is approaching a total number of 150,000 items. In addition, the Library is a member of the Libraries of Middlesex Automation Consortium. The Library maintains its own website, which allows residents to utilize many of the Library's resources and services from the comfort of their homes. Over 1,000 patrons visit the Library daily.

Parks and Recreation

The Township is home to numerous parks and recreation facilities, including one of Middlesex County's premier parks, Thompson Park (which is over 1,500 acres and consists of open space, soccer fields, baseball fields, picnic groves, a sled-riding hill, an animal petting zoo, Manalapan Lake for fishing, playground facilities, a concrete gazebo, and a dog park).

The Township owns and operates a municipal Recreation Center which includes two (2) gymnasiums, an exercise room, a multipurpose room, eight (8) meeting rooms, a park and an outdoor hockey rink. The Recreation Center is being expanded to meet the demands of a growing recreation program. The Township also operates other park facilities including:

1. Daniel Ryan Wolverine Field;
2. James Monroe Park baseball fields;
3. Thomas Allen Girls Softball Fields at Gravel Hill-Spotswood Road; and
4. Veterans Park on Avenue K in the Outcalt section of the Township.

Education

The Monroe Township Board of Education is an autonomous elected body that operates the public school district (the "District"). The District provides a full range of educational services appropriate for grades K through 12. The District had an average student enrollment of 6,885 for the 2018-2019 school year. The District has six (6) elementary schools, one (1) middle school and one (1) high school. The District enjoys a fine reputation, with many of its graduates being accepted by and graduating from leading colleges and universities.

The following table presents the District's average daily enrollment over the past five (5) school years.

Pupil Enrollments

<u>School Year</u>	<u>Enrollment</u>
2019-2020	6,885
2018-2019	6,807
2017-2018	6,785
2016-2017	6,649
2015-2016	6,492

Situated in the center of the State, the Township has the advantage of having the following colleges and universities within a short driving distance: Princeton University, Rutgers University, Monmouth University, Middlesex County College, Brookdale Community College, Westminster Choir College, Rider University, The College of New Jersey and the Princeton Theological Seminary.

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.

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2019	17,920	17,332	588	3.3%
2018	17,707	16,990	717	4.0%
2017	17,760	16,963	797	4.5%
2016	17,538	16,710	828	4.7%
2015	17,243	16,309	934	5.4%
<u>County</u>				
2019	439,073	425,471	13,602	3.1%
2018	432,712	417,089	15,623	3.6%
2017	436,049	418,216	17,833	4.1%
2016	435,237	415,904	19,333	4.4%
2015	434,581	412,158	22,423	5.2%
<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 2017)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$78,263	\$83,133	\$76,475
Median Family Income	117,181	99,470	94,337
Per Capita Income	47,655	36,558	39,069

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

Population

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

<u>Year</u>	<u>Township</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2018 Estimate	44,818	14.53%	829,685	2.45%	8,908,520	1.33%
2010	39,132	39.76	809,858	7.96	8,791,894	4.49
2000	27,999	25.81	750,162	11.67	8,414,350	8.85
1990	22,255	40.34	671,780	12.74	7,730,188	4.96
1980	15,858	73.54	595,893	2.07	7,365,001	2.75

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2019</u>	<u>% of Total</u>
	<u>Assessed Valuation</u>	<u>Assessed Valuation</u>
Costco Wholesale Corporation	\$114,784,900	1.48%
Centerpoint Barnes LLC	82,871,200	1.07%
Noble House of NJ	55,990,300	0.72%
Presbyterian Homes at Monroe	42,028,800	0.54%
Stratford Developers, LLC	32,944,500	0.42%
EJC 24 Engelhard LLC	27,500,000	0.35%
Whiting Shopping Center Assoc. LLP	23,987,200	0.31%
Prologis	20,000,000	0.26%
Matrix 26 South Middlesex LLC	18,167,800	0.23%
Jamesburg Hospitality LLC	<u>16,908,600</u>	<u>0.22%</u>
Total	<u>\$435,183,300</u>	<u>5.61%</u>

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

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2019U	\$206,092,219	\$204,309,683	99.14%
2018	199,787,793	197,832,281	99.02%
2017	193,367,694	191,281,584	98.92%
2016	188,489,310	186,411,725	98.90%
2015	179,262,667	177,571,271	99.06%

U: Unaudited

Source: Annual Audit Reports of the Township and 2019 Annual Financial Statement

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>
2019U	\$272,804	\$1,568,165	\$1,840,969	0.89%
2018	250,334	1,890,006	2,140,340	1.07%
2017	248,359	1,818,542	2,066,901	1.07%
2016	347,096	1,714,349	2,061,444	1.09%
2015	291,820	1,719,428	2,011,247	1.12%

U: Unaudited

Source: Annual Audit Reports of the Township and 2019 Annual Financial Statement

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2019U	\$1,569,800
2018	1,569,800
2017	1,569,800
2016	1,087,200
2015	1,087,200

U: Unaudited

Source: Annual Audit Reports of the Township and 2019 Annual Financial Statement

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

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

			Local	
<u>Year</u>	<u>Municipal</u>	<u>County</u>	<u>School</u>	<u>Total</u>
2019	\$1.027	\$0.465	\$1.453	\$2.945
2018	0.528	0.465	1.443	2.436
2017	0.509	0.458	1.433	2.400
2016	0.508	0.433	1.424	2.365
2015	0.506	0.410	1.389	2.305

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

Valuation of Property

	Aggregate Assessed	Aggregate True	Ratio of	Assessed	Equalized
<u>Year</u>	<u>Valuation of</u>	<u>Value of</u>	<u>Assessed to</u>	<u>Value of</u>	<u>Valuation</u>
	<u>Real Property</u>	<u>Real Property</u>	<u>True Value</u>	<u>Personal Property</u>	
2019	\$7,755,719,400	\$9,490,601,322	81.72%	\$6,089,819	\$9,496,691,141
2018	7,605,777,000	9,116,357,425	83.43	6,144,370	9,122,501,795
2017	7,458,960,600	8,730,056,882	85.44	8,160,744	8,738,217,626
2016	7,291,016,300	8,437,699,688	86.41	8,339,362	8,446,039,050
2015	7,129,041,600	7,902,717,659	90.21	9,095,172	7,911,812,831

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2019	\$164,554,500	\$6,457,545,800	\$68,766,800	\$587,795,300	\$440,832,200	\$36,224,800	\$7,755,719,400
2018	171,809,800	6,310,949,700	67,810,800	579,086,400	439,895,500	36,224,800	7,605,777,000
2017	197,554,600	6,162,460,000	71,270,700	549,722,800	441,727,700	36,224,800	7,458,960,600
2016	218,725,500	5,959,240,000	70,112,400	559,241,900	447,471,700	36,224,800	7,291,016,300
2015	261,081,900	5,765,927,000	69,951,500	548,020,200	447,836,200	36,224,800	7,129,041,600

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fund Balance Utilized	\$3,580,000	\$5,500,000	\$7,400,000	\$8,100,000	\$8,950,000
Miscellaneous Revenues	13,114,137	11,332,705	10,487,353	10,061,955	10,237,164
Receipts from Delinquent Taxes	1,200,000	1,300,000	1,300,000	1,550,000	1,600,000
Amount to be Raised by Taxation	<u>34,415,859</u>	<u>36,070,128</u>	<u>36,968,514</u>	<u>39,145,919</u>	<u>39,942,182</u>
Total Revenue:	<u>\$52,309,996</u>	<u>\$54,202,833</u>	<u>\$56,155,868</u>	<u>\$58,857,874</u>	<u>\$60,729,345</u>
<u>Appropriations</u>					
General Appropriations	\$35,263,868	\$36,964,931	\$38,302,170	\$40,661,485	\$42,117,738
Operations (Excluded from CAPS)	6,878,753	7,299,173	7,297,442	7,183,968	7,614,292
Capital Improvement Fund	350,000	200,000	300,000	100,000	75,000
Municipal Debt Service	5,924,470	6,123,029	6,447,550	7,027,421	6,937,316
Reserve for Uncollected Taxes	<u>3,400,000</u>	<u>3,600,000</u>	<u>3,750,000</u>	<u>3,850,000</u>	<u>3,950,000</u>
Total Appropriations:	<u>\$52,309,996</u>	<u>\$54,202,833</u>	<u>\$56,155,868</u>	<u>\$58,857,874</u>	<u>\$60,729,345</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

<u>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>
2019U	\$10,621,015	N/A
2018	12,185,836	8,950,000
2017	13,283,730	8,100,000
2016	13,198,469	7,400,000
2015	10,748,180	5,500,000

U: Unaudited

Source: Annual Audit Reports of the Township and 2019 Annual Financial Statement

Water/Sewer Utility Operating Fund

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

Fund Balance - Water/Sewer Utility Operating Fund

	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2019U	\$6,767,022	N/A
2018	5,729,462	1,300,000
2017	5,058,167	1,577,040
2016	7,002,407	1,385,575
2015	7,926,167	600,000

U: Unaudited

Source: Annual Audit Reports of the Township and 2019 Annual Financial Statement

Township Indebtedness as of December 31, 2019

General Purpose Debt

Serial Bonds	\$55,443,402
Bond Anticipation Notes	5,000,000
Bonds and Notes Authorized but Not Issued	13,606,740
Other Bonds, Notes and Loans	<u>83,864</u>
Total:	\$74,134,006

Local School District Debt

Serial Bonds	\$109,840,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$109,840,000

Self-Liquidating Debt

Serial Bonds	\$37,435,000
Bond Anticipation Notes	1,000,000
Bonds and Notes Authorized but Not Issued	13,777,515
Other Bonds, Notes and Loans	<u>1,222,405</u>
Total:	\$53,434,920

TOTAL GROSS DEBT

\$237,408,926

Less: Statutory Deductions	
General Purpose Debt	\$14,530,934
Local School District Debt	109,840,000
Self-Liquidating Debt	<u>53,434,920</u>
Total:	\$177,805,854

TOTAL NET DEBT

\$59,603,072

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2019)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$109,840,000	100.00%	\$109,840,000
County	639,091,028	8.27%	<u>52,828,533</u>
Net Indirect Debt			\$162,668,533
Net Direct Debt			<u>59,603,072</u>
Total Net Direct and Indirect Debt			<u>\$222,271,605</u>

Debt Limit

Average Equalized Valuation Basis (2017, 2018, 2019)	\$9,112,338,543
Permitted Debt Limitation (3 1/2%)	318,931,849
Less: Net Debt	<u>59,603,072</u>
Remaining Borrowing Power	<u>\$259,328,777</u>
Percentage of Net Debt to Average Equalized Valuation	0.654%
 Gross Debt Per Capita based on 2010 population of 39,132	 \$6,067
Net Debt Per Capita based on 2010 population of 39,132	\$1,523

Source: Annual Debt Statement of the Township

² Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

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APPENDIX B

**UNAUDITED FINANCIAL DATA OF THE TOWNSHIP OF MONROE
FOR THE YEAR ENDED DECEMBER 31, 2019
AND
AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP OF MONROE
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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**UNAUDITED FINANCIAL DATA OF THE TOWNSHIP
FOR THE YEAR ENDED DECEMBER 31, 2019**

ANNUAL FINANCIAL STATEMENT FOR THE YEAR 2019
(UNAUDITED)

POPULATION LAST CENSUS 39,132
NET VALUATION TAXABLE 2019 7,761,809,219
MUNICODE 1213

FIVE DOLLARS PER DAY PENALTY IF NOT FILED BY:
COUNTIES - JANUARY 26, 2020
MUNICIPALITIES - FEBRUARY 10, 2020

ANNUAL FINANCIAL STATEMENT REQUIRED TO BE FILED UNDER NEW JERSEY STATUTES ANNOTATED 40A:5-12, AS AMENDED, COMBINED WITH INFORMATION REQUIRED PRIOR TO CERTIFICATION OF BUDGETS BY THE DIRECTOR OF THE DIVISION OF LOCAL GOVERNMENT SERVICES.

TOWNSHIP of MONROE, County of MIDDLESEX

SEE BACK COVER FOR INDEX AND INSTRUCTIONS.
DO NOT USE THESE SPACES

	Date	Examined By:	
1			Preliminary Check
2			Examined

I hereby certify that the debt shown on Sheets 31 to 34, 49 to 51 and 63 to 65a are complete, were computed by me and can be supported upon demand by a register or other detailed analysis.

Signature glang@monroetwp.com
Title Chief Financial Officer

(This MUST be signed by Chief Financial Officer, Comptroller, Auditor or Registered Municipal Accountant.)

REQUIRED CERTIFICATION BY THE CHIEF FINANCIAL OFFICER:

I hereby certify that I am responsible for filing this verified Annual Financial Statement, (which I have prepared) or (which I have not prepared) [eliminate one] and information required also included herein and that this Statement is an exact copy of the original on file with the clerk of the governing body, that all calculations, extensions and additions are correct, that no transfers have been made to or from emergency appropriations and all statements contained herein are in proof; I further certify that this statement is correct insofar as I can determine from all the books and records kept and maintained in the Local Unit.

Further, I do hereby certify that I, George J. Lang, am the Chief Financial Officer, License # N-0227, of the TOWNSHIP of MONROE, County of MIDDLESEX and that the statements annexed hereto and made a part hereof are true statements of the financial condition of the Local Unit as at December 31, 2019, completely in compliance with N.J.S. 40A:5-12, as amended. I also give complete assurance as to the veracity of required information included herein, needed prior to certification by the Director of Local Government Services, including the verification of cash balances as of December 31, 2019.

Signature glang@monroetwp.com
Title Chief Financial Officer
Address One Municipal Plaza
Phone Number 732 541-4400
Fax Number 732 521-3393

IT IS HEREBY INCUMBENT UPON THE CHIEF FINANCIAL OFFICER, WHEN NOT PREPARED BY SAID, AT A MINIMUM MUST REVIEW THE CONTENTS OF THIS ANNUAL FINANCIAL STATEMENT WITH THE PREPARER, SO AS TO BE FAMILIAR WITH THE REPRESENTATIONS AND ASSERTIONS MADE HEREIN.

STATEMENT OF GENERAL BUDGET REVENUES 2019

Source	Budget -01	Realized -02	Excess or Deficit* -03
Surplus Anticipated 80101-	8,950,000.00	8,950,000.00	-
Surplus Anticipated with Prior Written Consent of Director of Local Government 80102-			-
Miscellaneous Revenue Anticipated:	xxxxxxxxxx	xxxxxxxxxx	xxxxxxxxxx
Adopted Budget	10,237,163.53	10,970,523.39	733,359.86
Added by N.J.S. 40A:4-87 (List on 17a)	132,873.17	132,873.17	-
			-
			-
Total Miscellaneous Revenue Anticipated 80103-	10,370,036.70	11,103,396.56	733,359.86
Receipts from Delinquent Taxes 80104-	1,600,000.00	1,844,967.80	244,967.80
Amount to be Raised by Taxation:	xxxxxxxxxx	xxxxxxxxxx	xxxxxxxxxx
(a) Local Tax for Municipal Purposes 80105-	36,901,351.04	xxxxxxxxxx	xxxxxxxxxx
(b) Addition to Local District School Tax 80106-		xxxxxxxxxx	xxxxxxxxxx
(c) Minimum Library Tax 80121-	3,040,830.89	xxxxxxxxxx	xxxxxxxxxx
Total Amount to be Raised by Taxation 80107-	39,942,181.93	43,909,405.31	3,967,223.38
	60,862,218.63	65,807,769.67	4,945,551.04

ALLOCATION OF CURRENT TAX COLLECTIONS

	Debit	Credit
Current Taxes Realized in Cash (Total of Item 10 or 14 on Sheet 22) 80108-00	xxxxxxxxxx	203,709,683.17
Amount to be Raised by Taxation	xxxxxxxxxx	xxxxxxxxxx
Local District School Tax 80109-00	113,510,163.00	xxxxxxxxxx
Regional School Tax 80119-00	-	xxxxxxxxxx
Regional High School Tax 80110-00	-	xxxxxxxxxx
County Taxes 80111-00	36,010,575.22	xxxxxxxxxx
Due County for Added and Omitted Taxes 80112-00	514,282.91	xxxxxxxxxx
Special District Taxes 80113-00	12,534,269.00	xxxxxxxxxx
Municipal Open Space Tax 80120-00	1,180,987.73	xxxxxxxxxx
Reserve for Uncollected Taxes 80114-00	xxxxxxxxxx	3,950,000.00
Deficit in Required Collection of Current Taxes (or) 80115-00	xxxxxxxxxx	-
Balance for Support of Municipal Budget (or) 80116-00	43,909,405.31	xxxxxxxxxx
*Excess Non-Budget Revenue (see footnote) 80117-00		xxxxxxxxxx
*Deficit Non-Budget Revenue (see footnote) 80118-00	xxxxxxxxxx	
*These items are applicable only when there is no "Amount to be Raised by Taxation" in the "Budget" column of the statement at the top of this sheet. In such instances, any excess or deficit in the above allocation would apply to "Non-Budget Revenue" only.	207,659,683.17	207,659,683.17

STATEMENT OF GENERAL BUDGET REVENUES 2019
(Continued)

Miscellaneous Revenues Anticipated: Added By N.J.S. 40A:4-87

Source	Budget	Realized	Excess or Deficit
Click It or Ticket	5,500.00	5,500.00	-
Alcohol Education and Rehabilitation	562.62	562.62	-
Clean Communities Program	94,380.34	94,380.34	-
2019 Drive Sober or Get Pulled Over	5,500.00	5,500.00	-
Office on Aging Area Plan Grant	7,000.00	7,000.00	-
Drunk Driving Enforcement	6,868.32	6,868.32	-
Bulletproof Vest Partnership	7,561.89	7,561.89	-
Drive Sober End of Year	5,500.00	5,500.00	-
		-	-
		-	-
		-	-
		-	-
		-	-
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		-	-
		-	-
PAGE TOTALS	132,873.17	132,873.17	-

I hereby certify that the above list of Chapter 159 insertions of revenue have been realized in cash or I have received written notification of the award of public or private revenue. These insertions meet the statutory requirements of N.J.S.A. 40A:4-87 and matching funds have been provided if applicable.

CFO Signature:

glang@monroetwp.com

Sheet 17a

STATEMENT OF GENERAL BUDGET REVENUES 2019
(Continued)

Miscellaneous Revenues Anticipated: Added By N.J.S. 40A:4-87

[illegible]

I hereby certify that the above list of Chapter 159 insertions of revenue have been realized in cash or I have received written notification of the award of public or private revenue. These insertions meet the statutory requirements of N.J.S.A. 40A:4-87 and matching funds have been provided if applicable.

CFO Signature:

Sheet 17a Totals

STATEMENT OF GENERAL BUDGET APPROPRIATIONS 2019

2019 Budget as Adopted	80012-01	60,729,345.46
2019 Budget - Added by N.J.S. 40A:4-87	80012-02	132,873.17
Appropriated for 2019 (Budget Statement Item 9)	80012-03	60,862,218.63
Appropriated for 2019 by Emergency Appropriation (Budget Statement Item 9)	80012-04	
Total General Appropriations (Budget Statement Item 9)	80012-05	60,862,218.63
Add: Overexpenditures (see footnote)	80012-06	
Total Appropriations and Overexpenditures	80012-07	60,862,218.63
Deduct Expenditures:		
Paid or Charged [Budget Statement Item (L)]	80012-08	53,349,951.64
Paid or Charged - Reserve for Uncollected Taxes	80012-09	3,950,000.00
Reserved	80012-10	3,562,263.32
Total Expenditures	80012-11	60,862,214.96
Unexpended Balances Canceled (see footnote)	80012-12	3.67

FOOTNOTES - RE: OVEREXPENDITURES
Every appropriation overexpended in the budget document must be marked with an * and must agree in the aggregate with this item.
RE: UNEXPENDED BALANCES CANCELED
Are not to be shown as "Paid or Charged" in the budget document. In all instances "Total Appropriations" and "Overexpenditures" must equal the sum of "Total Expenditures" and "Unexpended Balances Canceled".

SCHEDULE OF EMERGENCY APPROPRIATIONS FOR LOCAL DISTRICT SCHOOL PURPOSES
(EXCEPT FOR TYPE I SCHOOL DEBT SERVICE)

2019 Authorizations		
N.J.S. 40A:4-46 (After adoption of Budget)		
N.J.S. 40A:4-20 (Prior to adoption of Budget)		
Total Authorizations		-
Deduct Expenditures:		
Paid or Charged		
Reserved		
Total Expenditures		-

RESULTS OF 2019 OPERATION

CURRENT FUND

		Debit	Credit
Excess of Anticipated Revenues:		XXXXXXXXXX	XXXXXXXXXX
Miscellaneous Revenues anticipated	80013-01	XXXXXXXXXX	733,359.86
Delinquent Tax Collections	80013-02	XXXXXXXXXX	244,967.80
		XXXXXXXXXX	
Required Collection of Current Taxes	80013-03	XXXXXXXXXX	3,967,223.38
Unexpended Balances of 2019 Budget Appropriations	80013-04	XXXXXXXXXX	3.67
Miscellaneous Revenue Not Anticipated	81113-	XXXXXXXXXX	215,942.90
Miscellaneous Revenue Not Anticipated:			
Proceeds of Sale of Foreclosed Property (Sheet 27)	81114-	XXXXXXXXXX	-
Payments in Lieu of Taxes on Real Property	81120-	XXXXXXXXXX	
Sale of Municipal Assets		XXXXXXXXXX	
Unexpended Balances of 2018 Appropriation Reserves	80013-05	XXXXXXXXXX	2,454,053.37
Prior Years Interfunds Returned in 2019	80013-06	XXXXXXXXXX	
Canceled Grant Reserve Balances		XXXXXXXXXX	196.00
		XXXXXXXXXX	
		XXXXXXXXXX	
Deferred School Tax Revenue: (See School Taxes, Sheets 13 & 14)		XXXXXXXXXX	XXXXXXXXXX
Balance - January 1, 2019	80013-07	-	XXXXXXXXXX
Balance - December 31, 2019	80013-08	XXXXXXXXXX	-
Deficit in Anticipated Revenues:		XXXXXXXXXX	XXXXXXXXXX
Miscellaneous Revenues Anticipated	80013-09	-	XXXXXXXXXX
Delinquent Tax Collections	80013-10	-	XXXXXXXXXX
			XXXXXXXXXX
Required Collection on Current Taxes	80013-11	-	XXXXXXXXXX
Interfund Advances Originating in 2019	80013-12		XXXXXXXXXX
Grants Receivable Canceled		196.00	XXXXXXXXXX
Prior Year Senior Citizen Deduction Disallowed/ State adjust		5,301.38	XXXXXXXXXX
Prior Year Revenue Refunded		85.00	
Prior year tax refund Total Vet		17,729.30	
Prior year Tax Appeals		208,061.68	
			XXXXXXXXXX
			XXXXXXXXXX
Deficit Balance - To Trial Balance (Sheet 3)	80013-13	XXXXXXXXXX	-
Surplus Balance - To Surplus (Sheet 21)	80013-14	7,384,373.62	XXXXXXXXXX
		7,615,746.98	7,615,746.98

SCHEDULE OF MISCELLANEOUS REVENUES NOT ANTICIPATED

Source	Amount Realized
Administrative Fee-Senior Citizens & Veterans	13,204.55
Prior Year Reimbursements	18,007.54
NSF Fees	985.00
Cell Tower Lease	42,034.60
Facility Rental Fees	16,000.00
Sale of Scrap/Auction	1,099.70
Vending Machine	6,387.25
Closeout Prior Year MCIA (No Debt Outstanding)	15,172.30
Refunds and Rebates	14,152.33
Insite Wireless	10,208.59
Homestead Rebate Reimbursement	6,557.40
Public Defender	7,649.00
Motor Vehicle Inspections	3,400.00
Tax collector fees	4,285.05
First Energy Year 1	13,459.59
Police Applications	42,200.00
Miscellaneous	1,140.00
Total Amount of Miscellaneous Revenues Not Anticipated (Sheet 19)	215,942.90

SCHEDULE OF MISCELLANEOUS REVENUES NOT ANTICIPATED

[illegible]**Sheet 20 Totals**

**SURPLUS - CURRENT FUND
YEAR - 2019**

		Debit	Credit
1. Balance - January 1, 2019	80014-01	xxxxxxxxxx	12,186,641.52
2.		xxxxxxxxxx	
3. Excess Resulting from 2019 Operations	80014-02	xxxxxxxxxx	7,384,373.62
4. Amount Appropriated in the 2019 Budget - Cash	80014-03	8,950,000.00	xxxxxxxxxx
5. Amount Appropriated in 2019 Budget - with Prior Written-Consent of Director of Local Government Services	80014-04	-	xxxxxxxxxx
6.			xxxxxxxxxx
7. Balance - December 31, 2019	80014-05	10,621,015.14	xxxxxxxxxx
		19,571,015.14	19,571,015.14

**ANALYSIS OF BALANCE DECEMBER 31, 2019
(FROM CURRENT FUND - TRIAL BALANCE)**

Cash	80014-06	19,524,259.09
Investments	80014-07	
Sub Total		19,524,259.09
Deduct Cash Liabilities Marked with "C" on Trial Balance	80014-08	8,973,243.95
Cash Surplus	80014-09	10,551,015.14
Deficit in Cash Surplus	80014-10	
Other Assets Pledged to Surplus:*		
(1) Due from State of N.J. Senior Citizens and Veterans Deduction	80014-16	-
Deferred Charges #	80014-12	
Cash Deficit #	80014-13	
Total Other Assets	80014-14	-
* IN THE CASE OF A "DEFICIT IN CASH SURPLUS", "OTHER ASSETS" WOULD ALSO BE PLEDGED TO CASH LIABILITIES.	80014-15	10,551,015.14

MAY NOT BE ANTICIPATED AS NON-CASH SURPLUS IN 2020 BUDGET.
(1) MAY BE ALLOWED UNDER CERTAIN CONDITIONS.

NOTE: Deferred charges for authorizations under N.J.S. 40A:4-55 (Tax Map, etc.), N.J.S. 40A:4-55 (Flood Damage, etc.), N.J.S. 40A:4-55.1 (Roads and Bridges, etc.) and N.J.S. 40A:4-55.13 (Public Exigencies, etc.) to the extent of emergency notes issued and outstanding for such purposes, together with such emergency notes, may be omitted from this analysis.

(FOR MUNICIPALITIES ONLY)
CURRENT TAXES - 2019 LEVY

1. Amount of Levy as per Duplicate (Analysis) # or (Abstract of Ratables)	82101-00 \$	190,630,034.65
	82113-00 \$	
2. Amount of Levy Special District Taxes	82102-00 \$	12,548,306.94
3. Amount Levied for Omitted Taxes under N.J.S.A. 54:4-63.12 et seq.	82103-00 \$	
4. Amount Levied for Added Taxes under N.J.S.A. 54:4-63.1 et seq.	82104-00 \$	2,913,877.35
5a. Subtotal 2019 Levy	\$	206,092,218.94
5b. Reductions due to tax appeals **	\$	
5c. Total 2019 Tax Levy	82106-00 \$	206,092,218.94
6. Transferred to Tax Title Liens	82107-00 \$	23,962.84
7. Transferred to Foreclosed Property	82108-00 \$	
8. Remitted, Abated or Canceled	82108-00 \$	202,188.46
9. Discount Allowed	82108-00 \$	
10. Collected in Cash: In 2018	82121-00 \$	1,448,709.68
In 2019 *	82122-00 \$	199,602,976.02
Homestead Benefit Credit	\$	2,597,556.59
State's Share of 2019 Senior Citizens and Veterans Deductions Allowed	82123-00 \$	660,440.88
Total To Line 14	82111-00 \$	204,309,683.17
11. Total Credits	\$	204,535,834.47
12. Amount Outstanding December 31, 2019	82120-00 \$	1,556,384.47
13. Percentage of Cash Collections to Total 2019 Levy, (Item 10 divided by Item 5c) is	82112-00	99.13%

Note: If municipality conducted Accelerated Tax Sale or Tax Levy Sale check here ☐ and complete sheet 22a

14. <u>Calculation of Current Taxes Realized in Cash:</u>	
Total of Line 10	\$ 204,309,683.17
Less: Reserve for Tax Appeals Pending State Division of Tax Appeals	\$ 600,000.00
To Current Taxes Realized in Cash (Sheet 17)	\$ 203,709,683.17

Note A: In showing the above percentage the following should be noted:
Where Item 5 shows \$1,500,000.00, and Item 10 shows \$1,049,977.50,
the percentage represented by the cash collections would be
\$1,049,977.50 divided by \$1,500,000, or .699985. The correct percentage to
be shown as Item 13 is 69.99% and not 70.00%, nor 69.999%.

Note: On Item 1 if Duplicate (Analysis) Figure is used; be sure to include
Senior Citizens and Veterans Deductions.

* Include overpayments applied as part of 2019 collections.
** Tax appeals pursuant to R.S. 54:3-21 et seq and/or R.S. 54:48-1 et seq approved by resolution of the governing
body prior to introduction of municipal budget

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**AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP
FOR THE YEAR ENDED DECEMBER 31, 2018**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Council
Township of Monroe
Middlesex County, New Jersey

Report on the Financial Statements

We have audited the accompanying regulatory-basis financial statement of the various funds and governmental fixed assets account group of the Township of Monroe, County of Middlesex, New Jersey, as of and for the years ended December 31, 2018 and 2017, and the statements of operations and changes in fund balance for the years then ended and the related statements of revenues and statements of expenditures of the various funds for the year ended December 31, 2018, and the related notes to the financial, which collectively comprise the basic financial statements of the Township, 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. 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, 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 of the differences 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 matters 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 positions of the Township of Monroe, County of Middlesex, New Jersey, as of December 31, 2018, the changes in its financial position, and, where applicable, its cash flows for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory basis financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the various funds and governmental fixed assets account group of the Township of Monroe, County of Middlesex, State of New Jersey as of December 31, 2018 and 2017 and the related statements of operations and changes in fund balance for the years then ended and the related statements of revenues and statements of expenditures of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, in accordance with the financial reporting provisions of the Division, as described in Note 2 to the financial statements.

Emphasis of Matter

As discussed in the notes to the financial statements, during the fiscal year ending December 31, 2018, the Township of Monroe implemented the provisions of Statement Number 75 of the Governmental Accounting Standards Board (GASB 75). GASB 75 changed the measurement criteria and reporting provisions relating to the Township's proportionate share (if any), of the annual expense and net liability of the post-retirement employee benefits other than pensions (OPEB) of plans in which its employees are enrolled. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Township of Monroe, County of Middlesex, New Jersey. The information included in Part II - Supplementary Schedules and Part III - Supplementary Data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of the Township of Monroe, County of Middlesex, New Jersey. The information included in Part II - Supplementary Schedules are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements - regulatory basis taken as a whole.

The schedules and information contained in Part III - Supplementary Data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated September 27, 2019 on our consideration of the Township of Monroe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Township of Monroe's internal control over financial reporting and compliance.



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



Andrew G. Hodulik
Registered Municipal Accountant
No. 406
Highland Park, New Jersey
September 27, 2019

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Council
Township of Monroe
Middlesex County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements - regulatory basis of the Township of Monroe, County of Middlesex, New Jersey as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township of Monroe's basic financial statements and have issued our report thereon date September 27, 2019. Our report was modified to reflect the departure from accounting principles generally accepted in the United States of America as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting utilized for financial statement presentations, and was unqualified based upon that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Monroe's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Monroe's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Monroe's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Monroe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in the General Comments section of the Report of Audit.

We also noted other matters involving compliance and internal control over financial reporting that we have reported to management of the Township of Monroe in the General Comments section of the Report of Audit.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

Highland Park, New Jersey
September 27, 2019

FINANCIAL STATEMENTS

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

<u>ASSETS</u>	<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCE</u>	<u>Ref.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Cash and Investments - Treasurer	A-4	\$ 19,126,391.11	\$ 36,694,604.86	Liabilities:			
Cash - Change Fund	A	<u>900.00</u>	<u>900.00</u>	Appropriation Reserves	A-3,A-9	\$ 3,362,844.60	\$ 2,974,577.17
		<u>19,127,291.11</u>	<u>36,695,504.86</u>	Reserve for Encumbrances	A-3,A-9	1,006,866.63	1,247,724.84
				Prepaid Taxes	A-6	1,448,709.68	17,980,517.76
Receivables With Offsetting Reserves:				Prepaid Licenses and Fees	A	15,095.00	-
Taxes Receivable	A-6	1,890,005.66	1,818,542.03	Various Payables	A-12	339,296.75	303,447.82
Tax Title Liens Receivable	A-6	250,334.43	248,358.57	Various Reserves	A-12	229,000.61	516,733.49
Property Acquired for Taxes (At				Tax Overpayments	A-10	6,686.89	15,714.69
Assessed Valuation)	A-6	1,569,800.00	1,569,800.00	Taxes Payable	A-11	-	1.00
Revenue Accounts Receivable	A-7	<u>34,940.47</u>	<u>33,240.31</u>	Due to State of N.J. per Ch. 20,			
				P.L. 1976	A-5	30,964.79	32,908.40
				Interfunds Payable	A-15	<u>606,990.64</u>	<u>480,149.73</u>
		<u>3,745,080.56</u>	<u>3,669,940.91</u>			7,046,455.59	23,551,774.90
Deferred Charges:				Reserve for Receivables	Reserve	3,745,080.56	3,669,940.91
Special Emergency - (40A:4-53):				Fund Balance	A-1	<u>12,185,835.52</u>	<u>13,283,729.96</u>
Master Plan	A-8	<u>105,000.00</u>	<u>140,000.00</u>			<u>22,977,371.67</u>	<u>40,505,445.77</u>
Total Current Fund		<u>22,977,371.67</u>	<u>40,505,445.77</u>	Total Current Fund			
State and Federal Grant Fund:				State and Federal Grant Fund:			
Grants Receivable	A-13	18,746.96	28,257.96	Reserve for State and Federal Grants:			
Due from Current Fund	A-16	<u>606,990.64</u>	<u>480,149.73</u>	Appropriated	A-14	442,862.14	333,193.38
				Unappropriated	A-17	181,541.61	171,436.12
				Reserve for Encumbrances	A-14	<u>1,333.85</u>	<u>3,778.19</u>
Total State and Federal Grant Fund		<u>625,737.60</u>	<u>508,407.69</u>	Total State and Federal Grant Fund		<u>625,737.60</u>	<u>508,407.69</u>
		<u>\$ 23,603,109.27</u>	<u>\$ 41,013,853.46</u>			<u>\$ 23,603,109.27</u>	<u>\$ 41,013,853.46</u>

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
 COMPARATIVE STATEMENT OF OPERATIONS AND
 CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Fund Balance Utilized	\$ 8,100,000.00	\$ 7,400,000.00
Miscellaneous Revenues Anticipated	11,096,088.60	10,771,111.19
Receipts from Delinquent Taxes	1,734,668.68	1,463,891.94
Receipts from Current Taxes	197,832,281.22	191,281,583.62
Non-Budget Revenue	130,670.13	602,586.41
Other Credits to Income:		
Unexpended Balances of Approp. Reserves	1,827,414.01	2,603,421.54
Tax Overpayments Canceled	3.15	-
Sale of Municipal Assets Realized	35,316.71	-
Reserves Canceled	117,463.44	-
Reserve for Grants Canceled	-	28,355.67
	<hr/>	<hr/>
Total Revenues	220,873,905.94	214,150,950.37
	<hr/>	<hr/>
<u>EXPENDITURES AND OTHER CHARGES</u>		
Budget Appropriations:		
Operating		
Salaries and Wages	23,055,929.00	21,929,174.00
Other Expenses	19,516,849.02	18,886,081.00
State and Federal Programs Off-Set by Revenue	285,572.14	285,572.14
Municipal Debt Service	7,027,217.96	6,447,546.33
Capital Improvements	100,000.00	300,000.00
Deferred Charges and Statutory Expend.-Mun.	5,133,391.70	4,681,213.24
County Tax	35,716,376.71	34,599,664.12
Local District School Taxes	109,802,610.00	106,962,459.00
Special District Taxes	12,025,516.00	11,339,271.00
Municipal Open Space Taxes	1,155,170.04	1,138,489.83
Prior Year Sr. Cit. & Vet. Deductions Disallowed	15,133.57	7,246.18
Refund Prior Year Revenues	38,034.24	26,361.00
Grants Receivable Canceled	-	62,611.49
	<hr/>	<hr/>
Total Expenditures	213,871,800.38	206,665,689.33
	<hr/>	<hr/>

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
 COMPARATIVE STATEMENT OF OPERATIONS AND
 CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>REVENUE AND OTHER INCOME REALIZED</u>		<u>YEAR 2018</u>	<u>YEAR 2017</u>
Excess in Revenue		7,002,105.56	7,485,261.04
Statutory Excess to Fund Balance		7,002,105.56	7,485,261.04
 <u>FUND BALANCE</u>	 <u>Ref.</u>		
Balance - January 1	A	<u>13,283,729.96</u>	<u>13,198,468.92</u>
		20,285,835.52	20,683,729.96
Decreased by:			
Utilization as Anticipated Revenue		<u>8,100,000.00</u>	<u>7,400,000.00</u>
Balance - December 31	A	<u>\$ 12,185,835.52</u>	<u>\$ 13,283,729.96</u>

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	ANTICIPATED 2018 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL BUDGET	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Anticipated	\$ 8,100,000.00		\$ 8,100,000.00	\$ 8,100,000.00	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	20,000.00		20,000.00	36,959.00	16,959.00
Fees and Permits	259,000.00		259,000.00	282,662.93	23,662.93
Fines and Costs:					
Municipal Court	400,000.00		400,000.00	427,327.85	27,327.85
Interest and Costs on Taxes	320,000.00		320,000.00	483,706.57	163,706.57
Interest on Investments and Deposits	200,000.00		200,000.00	524,481.18	324,481.18
Franchise Tax-Cable Companies	408,507.00		408,507.00	408,508.23	1.23
Energy Receipts Taxes	2,263,503.00		2,263,503.00	2,263,503.00	-
Dedicated Uniform Construction Code Fees Offset with Appropriations (N.J.S.A. 40A:4-36 and N.J.A.C. 5:23-4.17):					
Uniform Construction Code Fees	1,900,000.00		1,900,000.00	1,893,865.00	(6,135.00)
Shared Service Agreements Offset with Appropriations:					
Shared Service Agreement (Fire Districts and Board)	54,000.00		54,000.00	-	(54,000.00)
Public and Private Revenues Offset with Approps.:					
Drunk Driving Enforcement Fund		8,996.61	8,996.61	8,996.61	-
Distracted Driving Grant - U Drive, U Text, U Pay	6,600.00		6,600.00	6,600.00	-
Municipal Court Alcohol Education Rehabilitation Program		1,318.18	1,318.18	1,318.18	-
Clean Communities Program		85,474.25	85,474.25	85,474.25	-
Recycling Tonnage Grant	171,436.12		171,436.12	171,436.12	-
Senior Outreach	5,000.00	10,000.00	15,000.00	15,000.00	-
Cultural Arts Council	5,000.00		5,000.00	5,000.00	-
Occupant Protection - Click It or Ticket		5,500.00	5,500.00	5,500.00	-
Additional Revenues Offset with Appropriations:					
Ambulance Fees	2,090,000.00		2,090,000.00	2,523,028.85	433,028.85
Clinical Training Fees	26,000.00		26,000.00	40,895.00	14,895.00
Other Special Items:					
Utility Operating Surplus of the Prior Year	1,000,000.00		1,000,000.00	1,000,000.00	-
Capital Fund Balance	500,000.00		500,000.00	500,000.00	-
Hotel and Motel Occupancy Tax, P.L. 2003, C. 115	64,000.00		64,000.00	42,916.83	(21,083.17)

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	ANTICIPATED 2018 BUDGET	APPROP. N.J.S.A. 40A:4-87	TOTAL BUDGET	REALIZED	EXCESS OR (DEFICIT)
Reserve for Debt Service	332,000.00		332,000.00	332,000.00	-
MCIA Loan Reimbursements	36,909.00		36,909.00	36,909.00	-
Total Miscellaneous Revenues	10,061,955.12	111,289.04	10,173,244.16	11,096,088.60	922,844.44
Receipts from Delinquent Taxes	1,550,000.00		1,550,000.00	1,734,668.68	184,668.68
Subtotal General Revenues	19,711,955.12	111,289.04	19,823,244.16	20,930,757.28	1,107,513.12
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes	39,145,918.70		39,145,918.70	42,982,608.47	3,836,689.77
Budget Totals	58,857,873.82	111,289.04	58,969,162.86	63,913,365.75	\$ 4,944,202.89
Non-Budget Revenues				130,670.13	
	<u>\$ 58,857,873.82</u>	<u>\$ 111,289.04</u>	<u>\$ 58,969,162.86</u>	<u>\$ 64,044,035.88</u>	

() Denotes Deficit

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

			EXPENDED			UNEXPENDED
	2018 BUDGET	BUDGET AFTER	PAID OR	ENCUMBERED	RESERVED	BALANCE
		MODIFICATION	CHARGED			CANCELLED
<u>OPERATIONS WITHIN "CAPS"</u>						
<u>GENERAL GOVERNMENT:</u>						
Office of the Mayor						
Salaries and Wages	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ -	\$ -	\$ -
Other Expenses	10,050.00	10,050.00	7,757.31	249.99	2,042.70	
Township Council						
Salaries and Wages	30,500.00	30,500.00	30,500.00	-	-	
Other Expenses	19,850.00	19,850.00	16,065.09	18.00	3,766.91	
Office of the Township Clerk						
Salaries and Wages	353,728.00	353,728.00	332,113.38		21,614.62	
Other Expenses	73,200.00	73,200.00	27,231.76	3,157.72	42,810.52	
Elections						
Salaries and Wages	16,990.00	16,990.00	16,990.00	-	-	
Other Expenses	25,000.00	25,000.00	19,978.22	-	5,021.78	
Office of the Business Administrator						
Salaries and Wages	353,606.00	375,606.00	358,711.51		16,894.49	
Other Expenses	21,200.00	21,200.00	6,406.99	677.49	14,115.52	
Human Resources						
Salaries and Wages	156,474.00	156,974.00	153,637.41		3,336.59	
Other Expenses	47,970.00	47,970.00	22,893.28	2,012.86	23,063.86	
Transportation						
Salaries and Wages	526,977.00	526,977.00	472,233.11		54,743.89	
Other Expenses	76,400.00	76,400.00	71,474.43	3,404.03	1,521.54	
Citizens Review Board						
Salaries and Wages	1,411.00	1,411.00	1,411.00		-	
Insurance						
General Liability	397,610.00	397,610.00	386,553.00	1,000.00	10,057.00	
Workers Compensation	391,300.00	391,300.00	306,300.00		85,000.00	
Employee Group Health	5,535,579.00	5,535,579.00	5,092,119.82	0.36	443,458.82	
Health Benefit Waiver	443,041.00	473,041.00	461,893.24	-	11,147.76	
Public Information and Public Advocacy						
Salaries and Wages	116,037.00	116,037.00	93,707.65		22,329.35	
Other Expenses	74,000.00	74,000.00	51,569.35	16,175.13	6,255.52	
Division of Recreation						
Salaries and Wages	1,074,569.00	1,024,569.00	965,691.34		58,877.66	
Other Expenses	279,983.00	279,983.00	207,817.60	27,864.12	44,301.28	
Division of Parks						
Salaries and Wages	389,701.00	389,701.00	319,317.16		70,383.84	
Other Expenses	86,100.00	86,100.00	67,346.06	11,436.59	7,317.35	

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
Division of Treasury						
Salaries and Wages	435,784.00	435,784.00	415,983.00		19,801.00	
Other Expenses:						
Annual Audit	39,000.00	39,000.00	-	39,000.00	-	
Special Accounting	25,000.00	25,000.00	-	-	25,000.00	
Data Processing	60,000.00	60,000.00	33,590.67	2,043.06	24,366.27	
Miscellaneous Other Expense	25,500.00	25,500.00	13,687.42	741.36	11,071.22	
Division of Revenue Collection						
Salaries and Wages	347,113.00	347,113.00	334,861.00		12,252.00	
Other Expenses:						
Tax Sale Costs	6,500.00	6,500.00	4,110.00	411.65	1,978.35	
Tax Lien Foreclosure	600.00	600.00	-	-	600.00	
Miscellaneous Other Expense	19,000.00	19,000.00	13,437.98	557.00	5,005.02	
Division of Assessment						
Salaries and Wages	415,643.00	415,643.00	405,078.84		10,564.16	
Other Expenses	62,050.00	62,050.00	43,965.45	10,176.15	7,908.40	
Revaluation		-	-	-	-	
Division of Ambulance Services						
Salaries and Wages	1,997,292.00	1,845,992.00	1,659,301.60	-	186,690.40	
Other Expenses	53,350.00	53,350.00	30,438.26	6,361.83	16,549.91	
Police						
Salaries and Wages	9,569,562.00	9,417,062.00	8,907,528.91		509,533.09	
Other Expenses	555,275.00	555,275.00	376,544.34	74,962.44	103,768.22	
Emergency Management Services						
Salaries and Wages	99,125.00	99,125.00	99,125.00		-	
Other Expenses	8,900.00	8,900.00	5,504.06		3,395.94	
Office of the Township Engineer						
Other Expenses:						
Maintenance of Tax Map	61,000.00	61,000.00	55,192.81	5,807.19	-	
Miscellaneous Other Expense	255,500.00	273,500.00	253,000.00	18,000.00	2,500.00	
Division of Streets and Roads						
Salaries and Wages	1,902,267.00	1,932,267.00	1,849,585.99		82,681.01	
Other Expenses	336,000.00	436,000.00	316,937.68	56,858.92	62,203.40	
Vehicle Maintenance						
Salaries and Wages	261,222.00	261,222.00	239,125.73		22,096.27	
Other Expenses	437,600.00	467,600.00	372,396.99	36,211.82	58,991.19	
Solid Waste and Recycling						
Other Expenses	38,000.00	38,000.00	26,603.00	387.50	11,009.50	
Landfill						
Other Expenses	145,000.00	152,300.00	142,284.99	2,715.01	7,300.00	
Buildings and Grounds						
Salaries and Wages	668,435.00	688,435.00	657,952.16		30,482.84	
Other Expenses	621,750.00	621,750.00	492,709.47	85,398.83	43,641.70	

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

			EXPENDED			UNEXPENDED
	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
Community Services Act						
Other Expenses	857,000.00	857,000.00	417,488.26	197,464.44	242,047.30	
Office of the Township Attorney						
Salaries and Wages	27,347.00	27,347.00	27,347.00		-	
Other Expenses	710,740.00	710,740.00	477,182.55	98,146.29	135,411.16	
Municipal Prosecutor						
Salaries and Wages	56,850.00	56,850.00	56,088.60		761.40	
Other Expenses	200.00	200.00	-	-	200.00	
Municipal Court						
Salaries and Wages	377,891.00	377,891.00	370,030.40		7,860.60	
Other Expenses	15,800.00	15,800.00	9,948.30	1,564.93	4,286.77	
Public Defender						
Salaries and Wages	24,204.00	24,204.00	24,204.00		-	
Animal Control						
Salaries and Wages	160,529.00	160,529.00	154,579.77		5,949.23	
Other Expenses	9,775.00	9,775.00	3,157.80	2,930.55	3,686.65	
Environmental Protection						
Other Expenses	1,000.00	1,000.00	-	-	1,000.00	
Building Demolition						
Other Expenses	300.00	300.00	-		300.00	
Municipal Land Use Law (NJSA 40:55D-1)						
Zoning Board of Adjustment						
Salaries and Wages	91,024.00	91,024.00	88,022.27		3,001.73	
Other Expenses	37,500.00	37,500.00	27,707.45	6,551.25	3,241.30	
Planning Board						
Salaries and Wages	8,153.00	8,153.00	8,153.00		-	
Other Expenses	100,000.00	100,000.00	91,080.49	6,077.51	2,842.00	
Division of Planning						
Salaries and Wages	257,755.00	257,755.00	238,218.87		19,536.13	
Other Expenses	34,150.00	34,150.00	16,609.94	9,411.47	8,128.59	
Shade Tree Commission						
Salaries and Wages	19,715.00	19,715.00	19,715.00		-	
Other Expenses	60,810.00	66,810.00	47,977.17	6,489.66	12,343.17	
Cultural Arts Commission						
Salaries and Wages	23,571.00	23,571.00	23,571.00		-	
Other Expenses	66,989.00	66,989.00	38,162.88	5,078.40	23,747.72	
Environmental & Con. Comm Commission						
Salaries and Wages	3,571.00	3,571.00	3,571.00		-	
Other Expenses	5,725.00	5,725.00	175.00	824.62	4,725.38	
Historic Preservation Commission						
Salaries and Wages	3,571.00	3,571.00	3,571.00		-	
Other Expenses	8,300.00	8,300.00	1,667.75		6,632.25	

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

			EXPENDED			UNEXPENDED
	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	BALANCE CANCELLED
Senior Services						
Salaries and Wages	605,009.00	605,009.00	549,158.51		55,850.49	
Other Expenses	49,900.00	49,900.00	30,951.27	4,460.24	14,488.49	
Recreation and Youth Advisory Board						
Salaries and Wages	3,200.00	3,200.00	2,537.67		662.33	
Other Expenses	4,850.00	4,850.00	3,433.41	527.05	889.54	
Human Relations Commission						
Salaries and Wages	1,900.00	1,900.00	1,874.97		25.03	
Other Expenses	2,050.00	2,050.00	807.79	-	1,242.21	
Open Space and Farmland Preservation Commission						
Salaries and Wages	3,571.00	3,571.00	3,571.00		-	
Other Expenses	750.00	750.00	234.68	-	515.32	
Celebration of Public Events						
Other Expenses	47,600.00	47,600.00	41,786.57	1,521.00	4,292.43	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS						
OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17):						
Uniform Construction Code						
Salaries & Wages	1,207,149.00	1,197,149.00	1,152,882.27		44,266.73	
Other Expenses	43,900.00	43,900.00	22,750.38	3,431.91	17,717.71	
Accumulated Absences	2,000.00	2,000.00	-		2,000.00	
Central Mailing	56,000.00	56,000.00	34,615.87	8,251.65	13,132.48	
Utilities	1,660,000.00	1,710,000.00	1,316,341.40	136,377.71	257,280.89	
Total Operations Within "CAPS"	35,613,093.00	35,563,093.00	31,562,839.35	894,737.73	3,105,515.92	-
Contingent	-	-	-	-	-	-
Total Operations Including Contingent Within "CAPS"	35,613,093.00	35,563,093.00	31,562,839.35	894,737.73	3,105,515.92	-
DETAIL:						
Salaries and Wages	21,608,446.00	21,317,146.00	20,054,951.12	-	1,262,194.88	-
Other Expenses (Including Contingent)	14,004,647.00	14,245,947.00	11,507,888.23	894,737.73	1,843,321.04	-
DEFERRED CHARGES - MUNICIPAL WITHIN "CAPS"						
DEFERRED CHARGES						
Prior Years Bills:						
Clearbrook-Community Services Act	35,856.00	35,856.00	35,856.00		-	
Encore-Community Services Act	4,499.54	4,499.54	4,499.54		-	
Encore-Community Services Act	9,253.16	9,253.16	9,253.16		-	

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	EXPENDED ENCUMBERED	RESERVED	UNEXPENDED BALANCE CANCELLED
<u>STATUTORY EXPENDITURES:</u>						
Contribution to:						
Public Employees' Retirement System	1,700,000.00	1,700,000.00	1,687,035.00		12,965.00	
Social Security System (O.A.S.I.)	1,491,746.00	1,541,746.00	1,479,011.89		62,734.11	
Police & Firemen's Retirement System	1,741,037.00	1,741,037.00	1,741,037.00		-	
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et. seq.)	40,000.00	40,000.00	40,000.00		-	
Defined Contribution Retirement Plan	26,000.00	26,000.00	20,417.85		5,582.15	
Total Def. Charges and Statutory Expend. Municipal Within "CAPS"	5,048,391.70	5,098,391.70	5,017,110.44	-	81,281.26	-
Total General Appropriations for Municipal Purposes Within "CAPS"	40,661,484.70	40,661,484.70	36,579,949.79	894,737.73	3,186,797.18	-
<u>OPERATIONS EXCLUDED FROM "CAPS"</u>						
911 System						
Salaries and Wages	176,007.00	176,007.00	176,007.00		-	
Other Expenses	23,900.00	23,900.00	20,763.33	404.60	2,732.07	
Maintenance of Free Public Library	3,645,922.00	3,645,922.00	3,645,922.00		-	
NJPDES Stormwater Permit [N.J.S.A. 40A:4-45.3(cc)]:						
Division of Streets and Roads - Salaries and Wages	213,411.00	213,411.00	213,411.00		-	
Division of Streets and Roads - Other Expenses	211,565.00	211,565.00	161,723.96	13,244.78	36,596.26	
Vehicle Maintenance - Salaries and Wages	4,212.00	4,212.00	4,212.00		-	
Vehicle Maintenance - Other Expenses	7,000.00	7,000.00	7,000.00		-	
Solid Waste and Recycling - Other Expenses	70,000.00	70,000.00	70,000.00	-	-	
Recycling Tax	7,000.00	7,000.00	5,490.69	1,209.58	299.73	
<u>SHARED SERVICE AGREEMENTS</u>						
Shared Service (Fire Districts and Board)						
Other Expenses	54,000.00	54,000.00	50,827.98	1,287.27	1,884.75	
Shared Service (Recycling)						
Other Expenses	350,000.00	350,000.00	278,323.18	16,473.99	55,202.83	
Shared Service (County Health)						
Other Expenses	97,158.00	97,158.00	93,291.29		3,866.71	
<u>ADDITIONAL APPROPRIATIONS OFFSET BY REVENUES</u>						
Ambulance Services						
Salaries and Wages	1,328,153.00	1,328,153.00	1,328,153.00		-	
Other Expenses	761,847.00	761,847.00	616,947.88	75,594.76	69,304.36	
Clinical Coordinator Training Fees						
Salaries and Wages	10,000.00	10,000.00	10,000.00		-	
Other Expenses	16,000.00	16,000.00	5,925.37	3,913.92	6,160.71	

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

			EXPENDED			UNEXPENDED
			PAID OR			BALANCE
	2018 BUDGET	BUDGET AFTER	CHARGED	ENCUMBERED	RESERVED	CANCELLED
		MODIFICATION				
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
SFSP Fire District Payment	8,757.00	8,757.00	8,757.00		-	
Drunk Driving Enforcement Fund	-	8,996.61	8,996.61		-	
Recycling Tonnage Grant	171,436.12	171,436.12	171,436.12		-	
Clean Communities Program	-	85,474.25	85,474.25		-	
Municipal Court Alcohol Education Rehabilitation Program	-	1,318.18	1,318.18		-	
Senior Outreach	16,000.00	26,000.00	26,000.00		-	
Cultural Arts Council	5,000.00	5,000.00	5,000.00		-	
Occupant Protection - Click It or Ticket		5,500.00	5,500.00		-	
Distracted Driving Grant	6,600.00	6,600.00	6,600.00		-	
Total Operations Excluded from "CAPS"	7,183,968.12	7,295,257.16	7,007,080.84	112,128.90	176,047.42	-
DETAIL:						
Salaries and Wages	1,747,783.00	1,757,783.00	1,757,783.00	-	-	-
Other Expenses	5,436,185.12	5,537,474.16	5,249,297.84	112,128.90	176,047.42	-
<u>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>						
Capital Improvement Fund	100,000.00	100,000.00	100,000.00		-	
	-					
Total Capital Improvements Excl. from "CAPS"	100,000.00	100,000.00	100,000.00	-	-	-
<u>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</u>						
Payment of Bond Principal	4,222,867.00	4,222,867.00	4,222,867.00		-	
Payment of Bond Anticipation Notes and Capital Notes	366,000.00	366,000.00	366,000.00		-	
Interest on Bonds	1,078,681.00	1,078,681.00	1,078,681.00		-	-
Interest on Notes	260,895.00	260,895.00	260,894.44		-	0.56
Green Trust Loan Program Principal and Interest	16,179.00	16,179.00	16,178.03		-	0.97
MCIA Revenue Bonds - Loans						
Principal	885,822.00	885,822.00	885,621.61		-	200.39
Interest	110,092.00	110,092.00	110,091.90		-	0.10
Capital Lease Obligations						
Principal	78,115.00	78,115.00	78,114.97		-	0.03
Interest	8,770.00	8,770.00	8,769.01		-	0.99
Total Municipal Debt Service - Excl. from "CAPS"	7,027,421.00	7,027,421.00	7,027,217.96	-	-	203.04

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

			EXPENDED		UNEXPENDED
	2018 BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	BALANCE CANCELLED
<u>DEFERRED CHARGES - MUNICIPAL EXCLUDED FROM "CAPS"</u>					
Deferred Charges					
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	35,000.00	35,000.00	35,000.00	-	
Total Deferred Charges - Municipal Excluded from "CAPS"	35,000.00	35,000.00	35,000.00	-	-
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	14,346,389.12	14,457,678.16	14,169,298.80	112,128.90	203.04
Subtotal General Appropriations	55,007,873.82	55,119,162.86	50,749,248.59	1,006,866.63	203.04
Reserve for Uncollected Taxes	3,850,000.00	3,850,000.00	3,850,000.00	-	
Total General Appropriations	<u>\$ 58,857,873.82</u>	<u>\$ 58,969,162.86</u>	<u>\$ 54,599,248.59</u>	<u>\$ 1,006,866.63</u>	<u>\$ 203.04</u>
				A	A
Adopted Budget		\$ 58,857,873.82			
Approp. by N.J.S.A. 40A:4-87		111,289.04			
		<u>\$ 58,969,162.86</u>			
Disbursed			\$ 50,403,923.43		
Reserve for Uncollected Taxes			3,850,000.00		
Due to Grant Fund			310,325.16		
Deferred Charges - Emergency Authorizations			35,000.00		
			<u>\$ 54,599,248.59</u>		

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>BALANCE DEC. 31,2018</u>	<u>BALANCE DEC. 31,2017</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>BALANCE DEC. 31,2018</u>	<u>BALANCE DEC. 31,2017</u>
Animal Control Fund:			Animal Control Fund:		
Cash and Investments	\$ 26,001.31	\$ 32,115.36	Reserve for Encumbrances	\$ 20,355.00	\$ 13,408.00
Due from State of NJ - License Fees	1.20	-	Reserve for Animal Control Expenditures	5,647.51	18,707.36
Total	26,002.51	32,115.36	Total	26,002.51	32,115.36
Trust-Other Fund:			Trust-Other Fund:		
Cash and Investments	4,481,535.99	4,614,445.56	Reserve for Community Development	153,025.03	388,665.53
Due From Water Sewer Operating	161,488.15	161,488.15	Reserve for Encumbrances	338,671.94	170,416.42
Community Development Grants Receivable	413,790.85	523,407.31	Due to Payroll Trust	14,842.00	14,842.00
Total	5,056,814.99	5,299,341.02	Reserve for Various Deposits	4,550,276.02	4,725,417.07
Affordable Housing Trust Fund:			Affordable Housing Trust Fund:		
Cash and Investments	12,217,953.03	11,857,382.20	Reserve for Encumbrances	266,954.40	226,598.64
Total	12,217,953.03	11,857,382.20	Reserve for Affordable Housing Trust	11,950,998.63	11,630,783.56
Unemployment Trust Fund:			Unemployment Trust Fund:		
Cash and Investments	173,529.54	183,294.06	Reserve for Unemployment Trust	193,529.54	203,294.06
Due from Water Sewer Operating	20,000.00	20,000.00	Total	193,529.54	203,294.06
Total	193,529.54	203,294.06			
Payroll Trust:			Payroll Trust:		
Cash and Investments	486,647.27	421,949.45	Payroll Deductions Payable	504,115.16	439,426.93
Due from Water Sewer operating	2,625.89	2,635.48	Total	504,115.16	439,426.93
Due From Other Trust	14,842.00	14,842.00			
Total	504,115.16	439,426.93			

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUNDS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>BALANCE DEC. 31, 2018</u>	<u>BALANCE DEC. 31, 2017</u>
Developers' Escrow:			Developers' Escrow:		
Cash and Investments	12,815,154.81	11,967,044.60	Reserve for Encumbrances	36,362.05	31,205.87
Cash and Investments	5,234,643.36	5,029,342.02	Due to Water and Sewer Operating Fund	106,807.77	103,313.04
			Due to Water and Sewer Capital Fund	1,963.47	1,963.47
			Developers' Escrow Funds-Utility	5,125,872.12	4,924,065.51
			Developers' Escrow Funds	12,778,792.76	11,935,838.73
Total	18,049,798.17	16,996,386.62	Total	18,049,798.17	16,996,386.62
Self Insurance:			Self Insurance:		
Cash and Investments	652,251.81	659,431.63	Reserve for Encumbrances	42,789.78	30,347.13
Due from Water Sewer operating	180.52	188.97	Reserve for Self Insurance	609,642.55	629,273.47
Total	652,432.33	659,620.60	Total	652,432.33	659,620.60
Open Space Trust Fund:			Open Space Trust Fund:		
Cash and Investments	6,204,627.82	6,051,545.06	Reserve for Encumbrances	132,155.81	286,905.31
			Reserve for Open Space	6,072,472.01	5,764,639.75
Total	6,204,627.82	6,051,545.06	Total	6,204,627.82	6,051,545.06
	\$ 42,905,273.55	\$ 41,539,111.85		\$ 42,905,273.55	\$ 41,539,111.85

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

	Ref.	December 31, 2018	December 31, 2017
Assets			
Cash	C-2	\$ 6,172,527.35	\$ 8,998,497.20
Cash - affordable housing capital fund	C-2	1,625,265.77	1,611,907.29
Due from developer	C-4	-	15,500.00
Grants receivable	C-7	3,702,440.01	4,600,614.06
Deferred charges to future taxation:			
Funded	C-5	46,185,063.54	50,693,886.40
Unfunded	C-6	36,602,809.75	34,139,309.75
		<u>\$ 94,288,106.42</u>	<u>\$ 100,059,714.70</u>
Liabilities, reserves and fund balance			
Green trust loan program	C-15	\$ 98,149.96	\$ 112,154.57
General serial bonds	C-14	42,575,000.00	47,305,000.00
Bond anticipation notes	C-13	20,072,000.00	19,600,000.00
MCIA loan program	C-15	2,151,339.12	3,036,960.73
MCIA lease purchase agreements	C-15	1,360,574.46	239,771.10
Reserve for encumbrances	C-9	2,588,634.24	3,310,273.71
Improvement authorizations:			
Funded	C-9	3,648,248.43	4,547,049.98
Unfunded	C-9	18,504,091.69	18,016,491.22
Reserve for receivables	Reserve	310,000.00	325,500.00
Reserve for affordable housing	C-8	1,625,265.77	1,611,907.29
Capital improvement fund	C-10	147,600.00	184,000.00
Miscellaneous reserves	C-11	547,990.68	545,557.03
Reserve for debt service	C-12	403,000.00	709,500.00
Fund balance	C-1	256,212.07	515,549.07
		<u>\$ 94,288,106.42</u>	<u>\$ 100,059,714.70</u>
Bonds and notes authorized but not issued (Exhibit C-16)		<u>\$ 16,532,909.75</u>	<u>\$ 14,539,309.75</u>

Note: See Notes to the Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
 STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Ref.</u>	December 31,	
		2018	2017
Balance, January 1	C	\$ 515,549.07	\$ 885,548.22
Increased by:			
Premium on Bond Anticipation Notes		240,663.00	154,690.07
Canceled Funded Improvement Authorizations		-	310.78
		<u>240,663.00</u>	<u>155,000.85</u>
		756,212.07	1,040,549.07
Decreased by:			
Appropriated to Capital Ordinance		-	25,000.00
Appropriated to Budget Revenue		<u>500,000.00</u>	<u>500,000.00</u>
		500,000.00	525,000.00
Balance, December 31	C	<u><u>\$ 256,212.07</u></u>	<u><u>\$ 515,549.07</u></u>

Note: See Notes to the Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY FUND
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCES</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Operating Fund:				Operating Fund:			
Cash and Investments - Treasurer	D- 5	\$ 14,800,451.13	\$ 10,838,396.09	Liabilities:			
Due from Developer Escrow	D-11	106,807.77	103,313.04	Appropriation Reserves	D-4, D-10	\$ 2,204,397.20	\$ 1,898,222.40
Due From Water-Sewer Capital Fund	D-11	-	85,915.48	Reserve for Encumbrances	D-4, D-10	514,221.51	576,521.45
		<u>14,907,258.90</u>	<u>11,027,624.61</u>	Accounts Payable	D-10	179,976.14	197,438.50
				Various Reserves	D-9	271,841.42	294,626.67
				Due to Payroll	D-11	2,625.89	2,635.48
				Due to Water-Sewer Capital Fund	D-11	2,940,827.07	-
				Due to Trust Fund	D-11	161,488.15	161,488.15
				Due to Unemployment Trust	D-11	20,000.00	20,000.00
				Due to Self Insurance Trust	D-11	180.52	188.97
Receivables and Inventory With				Accrued Interest Payable	D-8	591,238.59	527,336.25
Full Reserves:				Bond Indenture Reserve	D-9	2,291,000.00	2,291,000.00
Consumer Accounts Receivable	D-7	<u>1,063,714.10</u>	<u>1,012,214.48</u>				
		<u>1,063,714.10</u>	<u>1,012,214.48</u>				
				Reserve for Receivables	Reserve	9,177,796.49	5,969,457.87
				Fund Balance	D- 1	1,063,714.10	1,012,214.48
						<u>5,729,462.41</u>	<u>5,058,166.74</u>
Total Operating Fund		<u>15,970,973.00</u>	<u>12,039,839.09</u>	Total Operating Fund		<u>15,970,973.00</u>	<u>12,039,839.09</u>

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY FUND
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>	<u>LIABILITIES, RESERVES</u> <u>AND FUND BALANCES</u>	<u>REF.</u>	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
Capital Fund:				Capital Fund:			
Cash and Investments - Treasurer	D- 5	\$ 6,892,728.97	\$ 9,919,436.41	Serial Bonds Payable	D-18	\$ 31,490,000.00	\$ 32,810,000.00
Due from Water-Sewer Operating Fund	D-11	2,940,827.07	-	Bond Anticipation Note Payable	D-17	7,928,000.00	6,928,000.00
Due from Developer Escrow	D-11	1,963.47	1,963.47	Loans Payable - NJEIT	D-19	1,356,375.06	1,485,345.05
Fixed Capital	D-12	147,338,667.37	147,338,667.37	Reserve for Encumbrances	D-14	1,443,106.59	1,270,438.89
Fixed Capital Authorized and Uncompleted	D-13	<u>55,369,500.00</u>	<u>55,369,500.00</u>	Retainage Payable	D-20	42,058.50	42,058.50
				Improvement Authorizations:			
				Funded	D-14	4,422,303.47	4,570,589.82
				Unfunded	D-14	14,802,740.11	15,915,011.60
				Interfunds Payable	D-11	-	85,915.48
				Reserve for:			
				Capital Outlay	D-15	207,013.49	214,145.24
				Various Reserves	D-20	531,897.69	531,897.69
				Amortization	D-20	146,890,751.78	145,441,781.79
				Deferred Amortization	D-20	1,181,000.00	1,181,000.00
				Reserve for Debt Service	D-20	267,757.23	267,757.23
				Reserve for Bond Resolution	D-16	1,017,971.74	1,017,971.74
				Fund Balance	D- 2	<u>962,711.22</u>	<u>867,654.22</u>
Total Capital Fund		<u>212,543,686.88</u>	<u>212,629,567.25</u>	Total Capital Fund		<u>212,543,686.88</u>	<u>212,629,567.25</u>
		<u>\$ 228,514,659.88</u>	<u>\$ 224,669,406.34</u>			<u>\$ 228,514,659.88</u>	<u>\$ 224,669,406.34</u>

There were Bonds and Notes Authorized but not Issued at December 31, 2018 in the amount of \$13,647,515.00 and December 31, 2017 in the amount of \$14,647,515.00 (See Exhibit D-21).

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

<u>REVENUE AND OTHER INCOME</u>	<u>REF.</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
Fund Balance Utilized		\$ 1,577,040.00	\$ 1,385,575.00
Utility Service Charges		16,899,034.74	15,475,439.47
Miscellaneous Revenues		1,372,839.85	968,416.93
Non Budget Revenues		146.34	-
Other Credits to Income:			
Accounts Payable/Accrued Interest Adjustments		1,619.90	-
Unexpend. Balance of Appropriation Reserves		<u>1,402,332.65</u>	<u>987,400.68</u>
Total Revenues		<u>21,253,013.48</u>	<u>18,816,832.08</u>
<u>EXPENDITURES</u>			
Budget and Emergency Appropriations:			
Operating		14,309,687.00	14,268,005.00
Capital Improvements		300,000.00	300,000.00
Debt Service		2,744,990.81	2,907,491.91
Deferred Charges and Statutory Expend.		<u>650,000.00</u>	<u>600,000.00</u>
Total Expenditures		<u>18,004,677.81</u>	<u>18,075,496.91</u>
Excess/(Deficit) in Revenues		3,248,335.67	741,335.17
<u>FUND BALANCE</u>			
Balance - January 1,	D	<u>5,058,166.74</u>	<u>7,002,406.57</u>
		8,306,502.41	7,743,741.74
Decreased by:			
Utilized as Anticipated Revenue		1,577,040.00	1,385,575.00
Appropriated in Current Fund Budget		<u>1,000,000.00</u>	<u>1,300,000.00</u>
Balance - December 31,	D	<u>\$ 5,729,462.41</u>	<u>\$ 5,058,166.74</u>

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY CAPITAL FUND
 STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	REF.		
Balance - January 1, 2018	D	\$	867,654.22
Increased by:			
Premium on Sale of Bond Anticipation Notes			<u>95,057.00</u>
Balance - December 31, 2018	D	\$	<u><u>962,711.22</u></u>

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY OPERATING FUND
 STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 <u>BUDGET</u>	<u>REALIZED</u>	EXCESS OR (<u>DEFICIT</u>)
Operating Surplus Anticipated	\$ 1,577,040.00	\$ 1,577,040.00	\$ -
Water-Sewer Utility Service Charges	15,475,000.00	16,899,034.74	1,424,034.74
Miscellaneous Revenues	<u>953,825.00</u>	<u>1,372,839.85</u>	<u>419,014.85</u>
	<u>\$ 18,005,865.00</u>	<u>\$ 19,848,914.59</u>	<u>\$ 1,843,049.59</u>

Analysis of Realized Revenues:

Analysis of Water-Sewer Utility Charges:

Service Charges- Residential and Commercial	\$ 10,460,672.16
Service Charges- Schools,Municipal,Institution	199,083.36
Service Charges- Fire Protection	990,543.06
Service Charges-Interlocals	834,578.15
Service Charges Connection Fees	2,896,750.87
Service Charges-Review and Inspection	390,546.95
Service Charges-Cell Tower Lease	438,093.64
Service Charges-Miscellaneous	<u>688,766.55</u>
	<u>\$ 16,899,034.74</u>

Analysis of Miscellaneous Revenues:

Developer Fees	\$ 1,076,394.56
Interest on Investments	144,021.77
Meter Purchase	8,100.00
Miscellaneous	<u>144,323.52</u>
	<u>\$ 1,372,839.85</u>

Note: See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

WATER-SEWER UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED		RESERVED	UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED		
Operating:						
Salaries and Wages	\$ 3,963,087.00	\$ 3,963,087.00	\$ 3,647,061.65	\$ -	\$ 316,025.35	\$ -
Other Expenses	10,346,600.00	10,346,600.00	8,225,789.56	441,839.96	1,678,970.48	-
Capital Improvements:						
Capital Outlay	300,000.00	300,000.00	87,018.45	72,381.55	140,600.00	-
Debt Service:						
Payment of Bond Principal	1,320,000.00	1,320,000.00	1,320,000.00			-
Interest on Bonds	1,087,675.00	1,087,675.00	1,087,675.00			-
Interest on Notes	135,869.00	135,869.00	135,869.00			-
NJEIT 2012 Loan	165,725.00	165,725.00	164,537.81			1,187.19
Monroe Township MCIA Debt Service	36,909.00	36,909.00	36,909.00			-
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	340,000.00	340,000.00	336,135.00		3,865.00	-
Social Security System (O.A.S.I.)	300,000.00	300,000.00	245,063.63		54,936.37	-
Unemployment Compensation Insurance (N.J.S.A. 43:21-3 et seq.)	10,000.00	10,000.00			10,000.00	-
	<u>\$ 18,005,865.00</u>	<u>\$ 18,005,865.00</u>	<u>\$ 15,286,059.10</u>	<u>\$ 514,221.51</u>	<u>\$ 2,204,397.20</u>	<u>\$ 1,187.19</u>

Ref.

D

D

Disbursed	\$ 14,026,947.28
Accrued interest on notes	135,869.00
Interest on NJEIT Loan	35,567.82
Accrued interest on bonds	1,087,675.00
	<u>\$ 15,286,059.10</u>

Note: See Notes to Financial Statements.

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

STATEMENT OF GOVERNMENTAL FIXED ASSETS
 REGULATORY BASIS
DECEMBER 31, 2018 AND DECEMBER 31, 2017

	<u>BALANCE</u> <u>DEC. 31, 2018</u>	<u>BALANCE</u> <u>DEC. 31, 2017</u>
General Fixed Assets:		
Land	\$ 3,769,000.00	\$ 3,769,000.00
Land Improvements	4,495,603.75	4,495,603.75
Buildings	22,703,740.16	22,703,740.16
Equipment	<u>18,779,987.62</u>	<u>18,197,520.59</u>
Total General Fixed Assets	<u>\$ 49,748,331.53</u>	<u>\$ 49,165,864.50</u>
Investment in General Fixed Assets	<u>\$ 49,748,331.53</u>	<u>\$ 49,165,864.50</u>

See Notes to Financial Statements

TOWNSHIP OF MONROE
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
FOR YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1: FORM OF GOVERNMENT

The Township is managed under the Faulkner Act form of government authorized under NJSA: 40:69A-31 et. seq. Voters elect the Township Council of five (5) members to staggered, four-year terms. The Mayor is the chief executive and is directly elected to a four-year term. The Township Council is the legislative body of the municipality. The Mayor appoints department heads with Council approval. By ordinance, the business administrator supervises administration of departments, subject to the Mayor's direction.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Township of Monroe include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Monroe, as required by N.J.S.A. 40A: 5-5. Accordingly, the financial statements-regulatory basis of the Township of Monroe, do not include the operations of the local school board, municipal library and the local fire companies and the first aid squads.

B. Description of Funds

The accounting policies of the Township of Monroe 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, the Township of Monroe 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.

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.

Water and Sewer Utility Fund - resources and expenditures for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

Governmental Fixed Assets - the Governmental Fixed Asset System is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

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

C. Basis of Accounting and Measurement Focus

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 the Township. 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.

As indicated above, the basis of accounting utilized by New Jersey municipalities is as prescribed by the Division of Local Government Services. The basis of accounting for 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 reporting of entity-wide financial statements, 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 Township budget. Receivables for property taxes and utility consumer charges are recorded with offsetting reserves within the Current Fund and Water and Sewer Utility Fund, respectively. Other amounts that are due to the Township, which are susceptible to accrual are recorded as receivables with offsetting reserves. These reserves are liquidated and revenues are recorded as realized upon receipt of cash. GAAP requires the recognition of revenues for general operations in the accounting period in which they become available and measurable, with the exception of utility consumer charges, which should be recognized in the period they are earned and become measurable.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Township "budgetary" basis of accounting. Generally, these expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the encumbrance accounting system. Reserves for un-liquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, except for amounts, which may be cancelled by the governing body. Appropriation reserves are available until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

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

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

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Township requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories 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.

Compensated Absences - The Township 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 (Utility) fund on a full accrual basis.

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 governmental 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.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. Although the expenditure method of accounting for purchases of supplies is in accordance with GAAP, the cost of inventory on hand at the close of the year should be reported on the balance sheet with an offsetting reserve for conformity with GAAP.

Sale of Municipal Assets - Cash proceeds from the sale of Township 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.

Fixed Assets - Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized. Property and equipment purchased by the Utility Fund are recorded in their capital accounts at cost and are adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements, and costs funded from sources other than bonded debt of the utility. The utility does not record depreciation on fixed assets. 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.

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

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

Disclosures About Pension Liabilities – The Township has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in the Notes to the Financial Statements and the accompanying required supplementary information. As the Township does not 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. 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 - With the implementation of GASB 75 for disclosure purposes, the Township has included information for OPEB (Postemployment Benefits Other Than Pensions) liabilities relating to healthcare benefits provided to its retirees within the Notes to the Financial Statements and the accompanying required supplementary information, if applicable. As the Township does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the OPEB liability of the defined benefit healthcare plans in which its retirees are enrolled. GAAP requires the recognition of the OPEB liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Governmental Fixed Assets – New Jersey Administrative Code 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985. Fixed assets used in governmental operations are accounted for in the Governmental Fixed Assets. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets, sidewalks and drainage systems are not capitalized. All fixed assets have been valued at cost or estimated historical cost if the actual cost is not available, except for land and buildings at January 1, 1996, which have been valued at the assessed value.

Disclosures About Fair Value of Financial Instruments - The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

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 - The Township’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 the Township’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. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 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]). The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB issued Statement No. 86, "Certain Debt Extinguishment Issues" in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

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 by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB issued Statement No. 88 "Certain Disclosures Relate to Debt, Including Direct Borrowings and Direct Placements" in April 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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. 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

The Township does not prepare its financial statements in accordance with generally accepted accounting principles in the United States of America. The adoption of these new standards will not adversely affect the reporting on the Township's financial condition.

Use of Estimates – The preparation of the financial statements requires management of the Township 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.

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

Water and Sewer Utility Fund – Effective February 1, 2009, pursuant to N.J.S.A. 40A:5A-20, the adoption of local ordinances and resolutions and the approval of the Local Finance Board, Department of Community Affairs, State of New Jersey, the Monroe Township Municipal Utilities Authority (MUA) was dissolved and its operations were absorbed by the Township of Monroe. The activity of the utility operations are recorded and reported within the Water and Sewer Utility Fund section of the Township's financial statements. The MUA, the previous entity, operated as a separate authority and reported its financial statements in accordance with accounting principles generally accepted in the United States. Upon this transition, the Township Water and Sewer Utility Fund reports its financial statements for the period February 1, 2009 through December 31, 2009, under the OCBOA form of accounting as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The primary differences between these accounting principles are as described above. In accordance with the establishment of the Water and Sewer Utility Fund, the Township converted the balance sheet reported by the MUA under the GAAP basis of accounting at January 31, 2009, to a balance sheet prepared by the Township as the Water and Sewer Utility Fund under the Township's OCBOA form of accounting as of February 1, 2009.

NOTES TO FINANCIAL STATEMENTS

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. The Township's debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	<u>2018</u>	<u>2017</u>
<u>Issued:</u>		
General:		
Serial Bonds	\$ 42,575,000.00	\$ 47,305,000.00
Bond Anticipation Notes	20,072,000.00	19,600,000.00
Green Acres Trust Loans	98,149.96	112,154.57
MCIA Loan and Lease Programs	3,511,913.58	3,276,731.83
Water - Sewer Utility:		
Serial Bonds	31,490,000.00	32,810,000.00
NJEIT Loans	1,356,375.06	1,485,345.05
Bond Anticipation Notes	<u>7,928,000.00</u>	<u>6,928,000.00</u>
Total Issued	<u>107,031,438.60</u>	<u>111,517,231.45</u>
Net Issued	<u>107,031,438.60</u>	<u>111,517,231.45</u>
<u>Authorized But Not Issued:</u>		
General:		
Bonds and Notes	16,532,909.75	14,539,309.75
Water - Sewer Utility:		
Bonds and Notes	<u>13,647,515.00</u>	<u>14,647,515.00</u>
Total Authorized But Not Issued	<u>30,180,424.75</u>	<u>29,186,824.75</u>
Total Bonds and Notes Issued and Authorized but not Issued	<u>\$ 137,211,863.35</u>	<u>\$ 140,704,056.20</u>

NOTES TO FINANCIAL STATEMENTS

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

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

Summarized below are the Township's individual bond and loan issues which were outstanding at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<u>General Debt:</u>		
<u>Serial Bonds and Bond Anticipation Notes:</u>		
\$30,075,000, General Obligation Bonds - 2012 serial bond issued 2012 with final maturity 2027, remaining interest rates at 2.00% to 3.00%	\$ 18,000,000.00	\$ 20,000,000.00
\$5,055,000, General Obligation Refunding Bonds - 2012 serial bond issued 2012 with final maturity 2019, remaining interest rates at 2.94% to 4.00%	820,000.00	1,645,000.00
\$28,235,000, General Obligation Bonds - 2013 serial bond issued 2013 with final maturity 2033, remaining interest rates at 2.25% to 3.00%	22,500,000.00	24,000,000.00
\$2,435,000, General Obligation Refunding Bonds - 2015 serial bond issued 2015 with final maturity 2021, remaining interest rates at 3.00% to 4.00%	1,255,000.00	1,660,000.00
\$19,600,000, General Capital Bond Anticipation Notes - 2017 issued 8/2/17, due on 6/13/18, interest 2.00%	-	19,600,000.00
\$20,072,000, General Capital Bond Anticipation Notes - 2018 issued 6/12/18, due on 6/11/19, interest 3.00%	<u>20,072,000.00</u>	<u>-</u>
Subtotal - Bonds and Bond Anticipation Notes	62,647,000.00	66,905,000.00
<u>Loans:</u>		
\$658,110.06, MCIA Loan Program issued 10/28/13 with final maturity 2018 interest 2.00% to 4.00%	-	140,051.21
\$796,721.23, MCIA Loan Program issued 9/30/14 with final maturity 2019 interest 1.50% to 3.00%	167,626.66	330,370.99
\$593,245.14, MCIA Loan Program issued 9/17/15 with final maturity 2020 interest 1.50% to 4.00%	247,568.89	365,391.51
\$1,272,775.86, MCIA Loan Program issued 9/26/16 with final maturity 2021 interest 2.00% to 4.00%	786,609.73	1,031,259.52
\$1,169,887.50, MCIA Loan Program issued 9/1/17 with final maturity 2022 interest 3.00%	949,533.84	1,169,887.50
MCIA Lease Program - Various - Item E	1,360,574.46	239,771.10
\$265,600.16, N.J. Green Trust Loan issued 1/11/05 with final maturity 2025 interest 2.000%	<u>98,149.96</u>	<u>112,154.57</u>
Subtotal - Loans	3,610,063.54	3,388,886.40
Subtotal - General Debt	<u>66,257,063.54</u>	<u>70,293,886.40</u>

NOTES TO FINANCIAL STATEMENTS

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

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

Summarized below are the Township's individual bond and loan issues which were outstanding at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<u>Water and Sewer Utility Debt:</u>		
<u>Serial Bonds:</u>		
\$30,000,000, Water-Sewer Capital Revenue Bonds serial bond issued 2015 with final maturity 2039, remaining interest rates at 3.000% to 4.000%	\$ 27,550,000.00	\$ 28,450,000.00
\$4,750,000, Water-Sewer Revenue Refunding Bonds serial bond issued 2016 with final maturity 2026, interest rates at 2.000% to 4.000% & NIC of 1.926%	3,940,000.00	4,360,000.00
\$6,928,000, Water - Sewer Bond Anticipation Notes issued 8/2/17, due on 6/13/18, interest 2.000%	-	6,928,000.00
\$7,928,000, Water - Sewer Bond Anticipation Notes issued 6/12/18, due on 6/11/19, interest 3.000%	7,928,000.00	-
\$1,060,000, NJ Environmental Infrastructure Trust Loan issued 2012 with final maturity 8/1/28 remaining interest rates at 3.000% to 5.000%	755,000.00	810,000.00
\$1,060,000, NJ Environmental Infrastructure Trust Loan issued 2012 with final maturity 8/1/28 remaining interest rates at 0.000%	<u>601,375.06</u>	<u>675,345.05</u>
Subtotal - Water and Sewer Utility Debt	<u>40,774,375.06</u>	<u>41,223,345.05</u>
Total Outstanding Debt	<u>\$ 107,031,438.60</u>	<u>\$ 111,517,231.45</u>

NOTES TO FINANCIAL STATEMENTS

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

B. Summary of Statutory Debt Condition - Annual Debt Statement

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

<u>2018</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 116,320,000.00	\$ 116,320,000.00	\$ -
Water - Sewer Utility Debt	54,421,890.06	54,421,890.06	-
General Debt	<u>82,789,973.29</u>	<u>17,208,240.00</u>	<u>65,581,733.29</u>
	<u>\$ 253,531,863.35</u>	<u>\$ 187,950,130.06</u>	<u>\$ 65,581,733.29</u>

Net Debt \$ 65,581,733.29 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 8,761,371,331.67 = 0.75%

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 122,300,000.00	\$ 122,300,000.00	\$ -
Water - Sewer Utility Debt	55,870,860.05	55,870,860.05	-
General Debt	<u>84,833,196.15</u>	<u>17,770,273.00</u>	<u>67,062,923.15</u>
	<u>\$ 263,004,056.20</u>	<u>\$ 195,941,133.05</u>	<u>\$ 67,062,923.15</u>

Net Debt \$ 67,062,923.15 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 8,356,824,743.00 = 0.80%

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

	<u>2018</u>	<u>2017</u>
3 1/2% of Equalized Valuation Basis Municipal Net Debt	<u>\$ 306,647,996.61</u> <u>65,581,733.29</u>	<u>\$ 292,488,866.01</u> <u>67,062,923.15</u>
Remaining Borrowing Power	<u>\$ 241,066,263.32</u>	<u>\$ 225,425,942.86</u>

NOTES TO FINANCIAL STATEMENTS

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

B. Summary of Statutory Debt Condition - Annual Debt Statement

Calculation of "Self-Liquidating Purpose"

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

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

	<u>2018</u>	<u>2017</u>
Cash Receipts From Fees, Rents or Other Charges for the year	\$ 19,849,060.93	\$ 17,829,431.40
Deductions:		
Operating and Maintenance Costs	14,959,687.00	14,868,005.00
Debt Service	<u>2,744,990.81</u>	<u>2,907,491.91</u>
Total Deductions	<u>17,704,677.81</u>	<u>17,775,496.91</u>
Excess in Revenue	<u>\$ 2,144,383.12</u>	<u>\$ 53,934.49</u>

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

	<u>2018</u>	<u>2017</u>
Excess in Revenues - Cash Basis (D-1)	\$ 3,313,715.77	\$ 741,335.17
Add: Capital Improvements	<u>300,000.00</u>	<u>300,000.00</u>
	3,613,715.77	1,041,335.17
Less: Unexpend. Balance of Appropriation Reserves	1,402,332.65	987,400.68
Accounts Payable Cancelled	<u>67,000.00</u>	<u></u>
Excess in Revenue	<u>\$ 2,144,383.12</u>	<u>\$ 53,934.49</u>

NOTES TO FINANCIAL STATEMENTS

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 at December 31, 2018:

Calendar Year	General		Water - Sewer Utility*		Total
	Principal	Interest	Principal	Interest	
2019	\$ 4,735,000.00	\$ 1,179,225.00		\$ 1,062,075.00	\$ 8,341,300.00
2020	3,915,000.00	1,042,975.00		1,006,875.00	7,354,850.00
2021	3,925,000.00	941,375.00		950,975.00	7,252,350.00
2022	3,500,000.00	819,375.00		893,875.00	6,668,250.00
2023	3,500,000.00	740,000.00		835,275.00	6,580,275.00
2024	3,500,000.00	662,812.50		774,775.00	6,492,587.50
2025	3,500,000.00	562,500.00		712,075.00	6,389,575.00
2026	3,500,000.00	457,500.00		663,350.00	6,290,850.00
2027	3,500,000.00	352,500.00		618,750.00	5,971,250.00
2028	1,500,000.00	247,500.00		573,750.00	3,821,250.00
2029	1,500,000.00	112,500.00		528,750.00	3,641,250.00
2030	1,500,000.00	180,000.00		483,750.00	3,663,750.00
2031	1,500,000.00	135,000.00		438,750.00	3,573,750.00
2032	1,500,000.00	90,000.00		393,750.00	3,483,750.00
2033	1,500,000.00	45,000.00		346,875.00	3,391,875.00
2034	-	-		300,000.00	1,800,000.00
2035	-	-		251,250.00	1,751,250.00
2036	-	-		202,500.00	1,702,500.00
2037	-	-		153,750.00	1,653,750.00
2038	-	-		103,125.00	1,603,125.00
2039	-	-		52,500.00	1,552,500.00
Total	<u>\$ 42,575,000.00</u>	<u>\$ 7,568,262.50</u>		<u>\$ 11,346,775.00</u>	<u>\$ 92,980,037.50</u>

The detail of the Township financings are contained within the supplementary schedules section included within this report.

* Includes Water-Sewer Refunding bonds issued 2/10/16

As described previously within the Notes to the Financial Statements, effective February 1, 2009, the Township dissolved the Monroe Township Utilities Authority and created a Municipal Water and Sewer Utility. In connection with this transition, the Water and Sewer Utility assumed the responsibility for the MUA's previously issued debt. Pursuant to the 1977 General Bond Resolution, certain reserves are required to be maintained until the bonds are retired.

NOTES TO FINANCIAL STATEMENTS

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

D. Loan Agreements:

Loan Agreements - Middlesex County Improvement Authority

The Township has entered into various loan financings with the Middlesex County Improvement Authority for improvement programs. The improvement programs are financed through debt issued by the Middlesex County improvements Authority. During the year ended December 31, 2018, the Township made payments to the Middlesex County Improvement Authority with respect to the loan improvement programs in the amount of \$885,621.61.

New Jersey Green Trust Loan

The Township has contracted for the funding of Ballfield Improvements through the N.J. Green Trust Loan Program in the amount of \$265,600.16. Pursuant to the provisions of N.J.S.A. 40A: 2-1 et seq. the loan principal in the amount of \$98,149.97 and \$112,154.57 at December 31, 2018 and 2017 has been included in the calculation of the Township's statutory debt condition.

Schedule of Annual Debt Service for Principal and Interest for the Loan Agreements Issued and Outstanding at December 31, 2018

Calendar Year	MCIA Loans		NJ Green Trust		Total
	Principal	Interest	Principal	Interest	
2019	\$ 767,937.51	\$ 80,387.68	\$ 14,286.10	\$ 1,891.92	\$ 864,503.21
2020	622,053.64	52,384.17	14,573.25	1,604.77	690,615.83
2021	513,337.99	26,704.42	14,866.18	1,311.86	556,220.45
2022	248,009.98	7,440.30	15,164.98	1,013.04	271,628.30
2023	-	-	15,469.80	708.22	16,178.02
2024	-	-	15,780.75	397.29	16,178.04
2025	-	-	8,008.91	80.09	8,089.00
Total	<u>\$ 2,151,339.12</u>	<u>\$ 166,916.57</u>	<u>\$ 98,149.97</u>	<u>\$ 7,007.19</u>	<u>\$ 2,423,412.85</u>

The payment schedules for the respective loan agreements are set forth in the General Capital section of this report.

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

E. Lease Agreements - Middlesex County Improvement Authority

The Township has entered into various lease/purchase agreements with the Middlesex County Improvement Authority for capital equipment. During the year ended December 31, 2018, the Township made principal lease payments in the amount of \$78,114.97. The lease payment schedules for the respective lease agreements are set forth in the General Capital section of this report. The following is a combined schedule of the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at December 31, 2018:

Year Ended December 31:	
2019	\$ 340,910.88
2020	324,934.27
2021	299,942.42
2022	284,785.26
2023	269,165.70
Total minimum lease payments	<u>1,519,738.53</u>
Less amount representing interest/fees	<u>159,164.07</u>
Present value of future minimum lease payments	<u><u>\$ 1,360,574.46</u></u>

As a result of legislation that impacted and provided for limitations on increases in tax levy amounts (P.L. 2007, c.62), the characterization of certain lease payment obligations have been modified as of July 1, 2007. As of and subsequent to that date, any lease obligations that involve asset acquisitions or projects with estimated lives of five (5) years or greater, those obligations due to the conduit issuer are to be classified as debt, in accordance with debt authorized under N.J.S.A. 40 A-2-3 et seq. Lease obligations issued with respect to assets with estimated useful lives of less than five years and all lease obligations issued prior to July 1, 2007, are not considered debt of the local unit.

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

F. Loan Agreements

Department of Environmental Protection

Environmental Infrastructure Loans

The Township has contracted with the State of New Jersey, Department of Environmental Protection to fund a portion of the costs incurred for improvements to wells 17 and 19. Total final loan amount was \$2,612,985 which included \$522,595 of Principal Forgiveness. Information relating to these loans is as follows:

	<u>Loan #1</u>	<u>Loan #2</u>
Drawn Down Date	11/21/2016	11/21/2016
Final Loan Amount	\$1,060,000.00	1,183,520.00
Interest Rates	Various	0.00%
Due Dates	Aug. 1 & Feb. 1	Feb. 1 & Aug. 1
Number of Payments	19	19
Final Payment Date	08/01/28	08/01/27

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 the Township's statutory debt condition within the Water and Sewer Utility.

Schedule of Annual Debt Service for Principal and Interest for the
NJEIT Debt Issued and Outstanding at December 31, 2018:

<u>Calendar Year</u>	<u>Fund Loan</u>	<u>Trust Loan</u>		<u>Total</u>
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 73,969.99	\$ 60,000.00	\$ 34,150.00	\$ 168,119.99
2020	73,969.99	65,000.00	31,150.00	170,119.99
2021	73,969.99	65,000.00	27,900.00	166,869.99
2022	73,969.99	70,000.00	24,650.00	168,619.99
2023	73,969.99	75,000.00	21,150.00	170,119.99
2024	73,969.99	75,000.00	17,400.00	166,369.99
2025	73,969.99	80,000.00	13,650.00	167,619.99
2026	73,969.99	85,000.00	9,650.00	168,619.99
2027	9,615.14	90,000.00	5,400.00	105,015.14
2028	-	90,000.00	2,700.00	92,700.00
Total	<u>\$ 601,375.06</u>	<u>\$ 755,000.00</u>	<u>\$ 187,800.00</u>	<u>\$ 1,544,175.06</u>

The detail of the Township financings are contained within the supplementary schedules section included within this report.

NOTES TO FINANCIAL STATEMENTS

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>Fund Balance Dec. 31, 2018</u>	<u>Utilized in Succeeding Budget</u>	<u>Utilized in Current Fund Budget</u>
Current Fund	\$12,185,835.52	\$8,950,000.00	N/A
Water -Sewer Utility Fund	5,729,462.41	1,300,000.00	\$900,000.00
	<u>Fund Balance Dec. 31, 2017</u>	<u>Utilized in Succeeding Budget</u>	<u>Utilized in Current Fund Budget</u>
Current Fund	\$13,283,729.96	\$8,100,000.00	N/A
Water -Sewer Utility Fund	5,058,166.74	1,577,040.00	\$1,000,000.00

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, 2018 and 2017, the Township of Monroe had the following deferred charges to be raised in succeeding budgets:

	<u>2018</u>	<u>2017</u>
Special Emergency – (40A:4-53):		
Master Plan	\$ 105,000.00	\$ 140,000.00

Note 6: DEPOSITS AND INVESTMENTS

State statutes set forth deposit requirements and investments that may be purchased by local units and the Township 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.

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

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, 2018 and 2017, the cash and cash equivalents and investments of the Township on deposit and on-hand consisted of the following:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$94,614,271.37	\$108,341,813.87
Change Funds (On-Hand)	<u>900.00</u>	<u>900.00</u>
Total	<u>\$94,615,171.37</u>	<u>\$108,342,713.87</u>

Based upon GASB criteria, the Township considers change funds, cash in banks and investments in certificates of deposit as cash and cash equivalents. At December 31, 2018, the carrying amount of the Township's deposits and investments was \$90,937,539.25 and the amount on deposit was \$94,614,271.37. As of December 31, 2018, with respect to Custodial Credit Risk for Township, the amounts reported were as follows; \$2,000,000.00 was covered by the Federal Depository Insurance Corporation and \$92,614,271.37 was considered covered under the provisions of NJGUDPA.

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

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

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

(b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Township 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, the Township does not have an investment policy regarding Credit Risk except to the extent outlined under the Township'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. The Township 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.

The Township does not have a deposit policy for custodial risk. Based upon the existing deposit and investment practices, the Township is generally not exposed to credit risks, custodial credit risks (FDIC and NJGUDPA coverage's) for its deposits and investments; concentration of credit risks and interest rate risks for its investments; nor is it exposed to foreign currency risks for its deposits and investments.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Township 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 the Township or bonds or other obligations of school districts of which the Township 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

Note 6: DEPOSITS AND INVESTMENTS (CONT'D.)

8. Agreements for the repurchase of fully collateralized securities, if:

- a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
- 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.

Note 7: ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Tax Assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Township, Local School District and County 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 the Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes annually and set forth the final tax for the tax year. The bill contains 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 the Township 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 8: FIXED ASSETS

The Township's fixed assets are reported as follows:

	Balance December 31, 2017	Increase	Decrease	Balance December 31, 2018
Land	\$3,769,000.00	\$ -	\$ -	\$3,769,000.00
Land Improvements	4,495,603.75	-	-	4,495,603.75
Buildings	22,703,740.16	-	-	22,703,740.16
Machinery & equipment	<u>18,197,520.59</u>	<u>582,467.03</u>	<u>-</u>	<u>18,779,987.62</u>
	<u>\$49,165,864.50</u>	<u>\$582,467.03</u>	<u>\$ -</u>	<u>\$49,748,331.53</u>

Note 9. PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 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 (PERS) - 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 local jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2018 and 2017:

	2018	2017
Inactive plan members or beneficiaries currently receiving benefits	174,904	170,124
Inactive plan members entitled to but not yet receiving benefits	589	650
Active plan members	<u>254,780</u>	<u>254,685</u>
Total	<u>430,273</u>	<u>425,459</u>
Contributing Employers	1,708	1,705

Note 9. PENSION PLANS (CONT'D.)

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

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. 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, 2018 and 2017, the Township's total payrolls for all employees were \$30,401,395 and \$28,228,167, respectively. Total PERS covered payrolls were \$15,969,979 and \$14,947,634, respectively. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. 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% for State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended December 31, 2018 and 2017 were \$2,019,115 and \$1,880,700, respectively. Township Contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Township payments to PERS for the years ending December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Normal Cost	\$255,249	\$283,372
Amortization of Accrued Liability	<u>1,589,506</u>	<u>1,442,111</u>
Total Pension	1,844,755	1,725,483
NCGI Premiums	<u>94,526</u>	<u>86,116</u>
Total Regular Billing	1,939,281	1,811,599
LTD Expense	16,606	5,873
Additional Billings:		
ERI	<u>63,228</u>	<u>63,228</u>
Total PERS Payment	<u>\$2,019,115</u>	<u>\$1,880,700</u>

Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances.

Note 9. PENSION PLANS (CONT'D.)

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

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

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

The following represents the membership tiers for PERS:

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

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

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 the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township 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 liability of \$19,689,501,539 for its Non-State Employer Member Group. The Township's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Township was \$42,327,453 or 0.214975%. At June 30, 2017, the PERS reported a net pension liability of \$23,278,401,588 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Township was \$48,730,239 or 0.209337%.

Note 9. PENSION PLANS (CONT'D.)

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

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

Inflation	2.25%
Salary Increases: Through 2026	1.65-4.15% Based on age
Thereafter	2.65-5.15% Based on age
Investment rate of return	7.00%

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Note 9. PENSION PLANS (CONT'D.)

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

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 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	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

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

Note 9. PENSION PLANS (CONT'D.)

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

Sensitivity of Net Pension Liability – the following presents the net pension liability of PERS participating employers as of June 30, 2018, calculated using the discount rates as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease (4.66%)	At current discount rate (5.66%)	At 1% increase (6.66%)
State	\$27,413,044,035	\$23,704,298,093	\$20,597,322,253
Local	<u>24,757,279,564</u>	<u>19,689,501,539</u>	<u>15,437,959,879</u>
PERS Plan Total	<u>\$52,170,323,599</u>	<u>\$43,393,799,632</u>	<u>\$36,035,282,132</u>
Township's proportionate share of the net pension liability	<u>\$53,221,895</u>	<u>\$42,327,453</u>	<u>\$33,187,713</u>

Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2018 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$30,434,600,657	\$42,431,573,511	\$72,866,174,168
Plan Fiduciary Net Position	<u>6,730,302,564</u>	<u>22,742,071,972</u>	<u>29,472,374,536</u>
Net Pension Liability	<u>\$23,704,298,093</u>	<u>\$19,689,501,539</u>	<u>\$43,393,799,632</u>

At December 31, 2018, the Township's deferred outflow of resources and deferred inflow of resources related to PERS were from the following sources, if GASB 68 was recognized:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expended and actual experience	\$807,191	\$218,254
Change in assumptions	6,974,863	13,534,068
Net difference between projected and actual earnings		
On pension plan investments		397,033
Changes in proportion and differences between Township		
Contributions and proportionate share of contributions	2,453,528	147,113
Township contributions subsequent to the measurement date	<u>2,019,115</u>	<u>0</u>
Total	<u>\$12,254,697</u>	<u>\$14,296,468</u>

Note 9. PENSION PLANS (CONT'D.)

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

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – \$2,019,115 is reflected above as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2019	\$810,085
2020	205,278
2021	(2,260,550)
2022	(2,143,852)
2023	(671,849)
Total	<u>\$(4,060,889)</u>

Changes in Proportion - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57 and 5.72 years for the 2018, 2017, 2016, and 2015 amounts, respectively.

Additional Information

Collective balances at June 30, 2018

Collective deferred outflows of resources	\$4,684,852,302
Collective deferred inflows of resources	7,646,736,226
Collective net pension liability – Local group	19,689,501,539
Township's Proportion	0.21497473%

Note 9. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) - 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 or 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Inactive plan members or beneficiaries currently receiving benefits	43,755	43,011
Inactive plan members entitled to but not yet receiving benefits	39	47
Active plan members	<u>41,517</u>	<u>40,789</u>
Total	<u>85,311</u>	<u>83,847</u>
Contributing Employers	586	586

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

For the year ended December 31, 2018 and 2017, the Township's total payrolls for all employees were \$30,401,395 and \$28,228,167, respectively. Total PFRS covered payrolls were \$7,099,193 and \$6,597,767, respectively. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan.

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such 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 PFRS, 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.

Note 9. PENSION PLANS (CONT'D.)

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

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 was 10.0% in State fiscal year 2018. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Township's cash basis contributions to the Plan for the years ended December 31, 2018 and 2017 were \$1,741,037 and \$1,531,217, respectively. Township Contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Township payments to PFRS for the years ending December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Normal Cost	\$518,313	\$499,982
Amortization of Accrued Liability	<u>1,131,799</u>	<u>944,670</u>
Total Pension	1,650,112	1,444,652
NCGI Premiums	<u>70,551</u>	<u>66,651</u>
Total Regular Billing	1,720,663	1,511,303
Additional Billings:		
ERI	<u>20,374</u>	<u>19,914</u>
Total PFRS Payment	<u>\$1,741,037</u>	<u>\$1,531,217</u>

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

The following represents the membership tiers for PFRS:

<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 to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year 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.

Note 9. PENSION PLANS (CONT'D.)

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

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 the Township's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Township does not recognize pension liabilities for any current or prior period until fiscal period in which such payments will become due and payable.

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. The Township's proportionate share of the net pension liability for the Non-State, Non-Special Funding Situation Employer Member Group was \$26,531,308 or 0.196069%. At June 30, 2017, the PFRS reported a net pension liability of \$15,438,066,691 for its Non-State, Non-Special Funding Situation Employer Member Group. The Township's proportionate of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$30,014,866 or 0.194421%.

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

Inflation	2.25%
Salary Increases: Through 2026	2.10-8.98% Based on age
Thereafter	3.10-9.98% Based on age
Investment rate of return	7.00%

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

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

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

Note 9. PENSION PLANS (CONT'D.)

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

Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

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

Note 9. PENSION PLANS (CONT'D.)

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

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1% Decrease (5.51%)	At current discount rate (6.51%)*	At 1% increase (7.51%)
State	\$ 5,090,302,750	\$ 4,329,304,276	\$ 3,702,605,881
Local	<u>20,570,435,198</u>	<u>15,369,699,278</u>	<u>11,080,039,474</u>
PFRS Plan Total	<u>\$25,660,737,948</u>	<u>\$19,699,003,554</u>	<u>\$14,782,645,355</u>
Township's proportionate share of the net pension liability	<u>\$40,332,155</u>	<u>\$26,531,308</u>	<u>\$21,724,473</u>

*- Local Share includes \$1,838,050,687 of Special Funding Situation allocated to the State of NJ as a non-employer.

Components of Net Pension Liability – The components of the net pension liability for PFRS, including the State of New Jersey, at June 30, 2018 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 5,837,506,505	\$40,960,053,149	\$46,797,559,654
Plan Fiduciary Net Position	<u>1,508,202,229</u>	<u>25,590,353,871</u>	<u>27,098,556,100</u>
Net Pension Liability	<u>\$ 4,329,304,276</u>	<u>\$15,369,699,278</u>	<u>\$19,699,003,554</u>

At December 31, 2018, the Township's deferred outflow of resources and deferred inflow of resources related to PFRS were from the following sources, if GASB 68 was recognized:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expended and actual experience	\$269,921	\$109,793
Change in assumptions	2,277,356	6,799,516
Net difference between projected and actual earnings		
On pension plan investments		145,150
Changes in proportion and differences between Township		
Contributions and proportionate share of contributions	2,537,540	10,000
Township contributions subsequent to the measurement date	<u>1,741,037</u>	<u>0</u>
Total	<u>\$6,825,855</u>	<u>\$7,064,459</u>

Note 9. PENSION PLANS (CONT'D.)

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

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – \$1,741,037 is reflected above as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date. Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2019	\$922,987
2020	96,287
2021	(1,410,625)
2022	(1,175,369)
2023	(412,918)
Total	<u>\$(1,979,637)</u>

Changes in Proportion - The previous amounts include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.73, 5.59, 5.58, and 5.53 years for the 2018, 2017, 2016 and 2015 amounts, respectively.

Additional Information

Collective balances at June 30, 2018

Collective deferred outflows of resources	\$1,988,215,695
Collective deferred inflows of resources	4,286,994,294
Collective net pension liability – Local group	15,369,699,278

Township's Proportion	0.196068555%
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Special Funding Situation - The Township 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 the Local employers of the PFRS. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers based upon the provisions of several legislative actions. The provisions of GASB Statement No. 68 define this relationship as a "special funding situation", and the State of New Jersey is defined as a "non-employer contributing entity".

Unaudited data provided by the PFRS indicates that the total Non-employer contributions made to the PFRS by the State for the year ended June 30, 2018 was \$108,857,000. The portion of that contribution allocated to the Township was \$213,434 or 0.1960685551%. The State special funding situation pension expense of \$217,714,180 at June 30, 2018 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 \$1,838,050,687 at June 30, 2018 and represents the accumulated difference between the actuarially determined annual contributions required and the actual State contributions through the valuation date. The Township's allocated shares of the special funding situation pension expense for the year ended June 30, 2018 and its share of the special funding situation NPL at that date were \$426,869 and \$3,603,839, respectively.

Note 9. PENSION PLANS (CONT'D.)

C. Defined Contribution Retirement System (DCRP)

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 TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF 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 TPAF 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. At June 30, 2017, the membership in the DCRP, based on the information within the Division's database, was 46,557.

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, 2018 and 2017, the Township's total payrolls for all employees were \$30,401,395 and \$28,228,167, respectively. Total DCRP covered payrolls were \$720,469 and \$613,879, respectively. Covered payroll refers to all compensation paid by the Township to active employees covered by the Plan. Township and employee contributions to the DCRP for the year ended December 31, 2018 were \$21,614 and \$39,626, respectively and for the year ended December 31, 2017 were \$18,416 and \$33,763, respectively.

D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 42,327,453	\$10,235,582	\$14,296,468	\$2,968,434
PFRS	<u>26,531,308</u>	<u>5,084,818</u>	<u>7,064,459</u>	<u>2,899,815</u>
Total	<u>\$ 68,858,761</u>	<u>\$15,320,400</u>	<u>\$21,360,927</u>	<u>\$5,868,249</u>

Note 10: POST-RETIREMENT HEALTH CARE BENEFITS

The Township provides medical, prescription drug and Medicare Part B reimbursement to retirees and their covered dependents, in accordance with applicable resolutions and collective bargaining agreements. The Township maintains a single-employer, defined benefit health plan with benefits provided through insurance carriers and by third party claims administrators. All active employees who retire from the Township and meet the eligibility criteria receive these benefits.

The Township currently funds the costs to provide postemployment benefits on a pay-as-you-go basis. The Township establishes and has the power to amend benefits and contribution obligations, subject to collective bargaining agreements.

Based upon the requirements set forth by the State of New Jersey, Department of Community Affairs, Division of Local Government Services, the Township's reporting obligation is to issue standalone financial statements, prepared on a GAAP basis. With respect to the Authority, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017, which supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and which was implemented by the Township during the year ended December 31, 2018, requires the reporting of annual post-employment benefit (OPEB) cost (expense) on a full accrual basis, including the amortization of unfunded accrued liability, as opposed to the other comprehensive basis of accounting (OCBOA) reporting requirements imposed by the Division of Local Government Services for Counties and Municipalities, which requires note disclosure only for OPEB costs. As such, under OCBOA standards, the Township's unrestricted net assets would be increased by the amount of OPEB costs accrued at each balance sheet date.

The Township's annual post-employment benefit (OPEB) cost (expense) is calculated based on amounts actuarially determined in accordance with the parameters of GASB Statement 75.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health-care cost trend. Amounts determined regarding the funded status of the plan and the annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Employees covered by benefit terms

At December 31, 2018, the following employees were covered by the benefit terms:

Active employees	283
Retirees and surviving spouses	85
	<hr/>
	368

Note 10: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D.)

Summary of Post-retirement Welfare (Health) BenefitsA. Eligibility

Post-retirement medical benefits are provided to bargained and non-bargained employees who:

- Retired with 25 or more years of service in the Public Employees Retirement System (PERS) or the Police and Firemen's Retirement System (PFRS) and have at least 15 years of service to the Township if non-bargained or at least 25 years of service to the Township if bargained;
- Retire under a disability retirement in the PERS or PFRS and have at least 15 years of service to the Township.

B. Health Benefits

Major medical and hospitalization benefits are provided through the Horizon NJ Health Direct Access Plan.

Prescription drug coverage is provided through the Horizon NJ Health Direct Access plan with co-payments of \$5 Generic and \$15 Brand Name. Supplemental coverage is provided to certain grandfathered retirees with \$2/\$4 co-pays.

C. Dental and Vision

No dental or vision benefits are provided to retirees.

D. Survivor Medical Benefits

In the event of the death of an active employee with 25 or more years of service, medical and prescription drug coverage is provided for the lifetime of the surviving spouse and to age 26 for dependents.

E. Contributions

Current retirees, dependents and survivors are not required to contribute toward the cost of the post-retirement medical and prescription drug coverage. All costs are paid 100% by the Township.

Any employee who retires after satisfying the eligibility requirements who had less than 20 years of PERS or PFRS as of June 28, 2011, shall be required to contribute toward the cost of post-retirement healthcare benefits. The retiree contributions are based on a percentage of the post-retirement healthcare cost. The contribution percentages vary based on healthcare coverage tier and amount of PERS or PFRS pension amounts, pursuant to the requirement of P.L. 2011 c. 78 (Chapter 78).

F. Medicare

The Township reimburses Medicare Part B premium charges for retirees and their dependents who met the eligibility rules in Section A above. Any Medicare Part D subsidy for which the Township may be eligible is not considered in this valuation. The accounting treatment for the Retiree Drug Subsidy is defined under GASB Technical Bulletin No. 2006-1.

G. Death Benefits

There are no death benefits paid to retirees by the Township.

Note 10: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D.)

Change in the Total OPEB Liability

Balance – 12/31/2017	\$ 169,634,059
Changes for the year:	
Service cost	4,932,058
Interest cost	6,070,541
Benefit payments	(2,244,200)
Actuarial assumption changes	(23,691,900)
Actuarial demographic (gain) or loss	394,680
Net changes	<u>(14,538,821)</u>
Balance – 12/31/2018	<u>\$155,095,238</u>

Changes in plan fiduciary net position during year

Balance - 12/31/17	\$ 0
Changes for the year:	
Employer contributions	2,244,200
Benefit payments	<u>(2,244,200)</u>
Net Changes	<u>0</u>
Balance - 12/31/18	<u>\$ 0</u>
Net OPEB Liability at end of year	<u>\$ 155,095,238</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%
Covered-employee payroll	\$22,282,838
Total OPEB liability as a percentage of covered-employee payroll	696.03%

Total employer contributions for the retiree plan were for benefit payments and there were no fiduciary plan assets at the beginning or end of the year.

Benefit assumptions are based upon blended plan rates to produce annual composite rates. The monthly per capita claims cost for post-65 Medicare Part B premium reimbursements is \$135.50. Salary increases are scheduled at 3% per year. Retiree contributions assumes the cost for current Premium Free retirees and their dependents is 100% paid by the Township Administration prior to the application of Chapter 78. Direct Bill retirees and their dependents pay 100% of the costs to continue medical coverage.

In accordance with Local Finance Notice 2007-15 issued by the New Jersey Department of Community Affairs, the Township demographic and health care assumptions utilized are consistent with the assumptions used by the New Jersey Division of Pensions and Benefits and the State Health Benefits Plan as reported in their July 1, 2016 Actuarial Valuation to value the GASB obligations. The valuation results as of January 1, 2017 and December 31, 2017 are based on a valuation date of January 1, 2017 using the same valuation assumptions as set forth in the January 1, 2017 report.

NOTES TO FINANCIAL STATEMENTS

Note 10: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D.)

Changes since the prior valuation include the mortality table projection scale was updated to MP-2018; the discount rate was revised to reflect current market rates, and the prescription drug trend rates were revised to incorporate current expected trend rates.

The assumptions for the plan used the "20-Bond GO Index" to establish a discount rate of 3.75% at January 1, 2017, 3.50% at December 31, 2017 and 4.10% at December 31, 2018. Inflation is assumed at 2.5% per year.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it was calculated using a discount rate that is 1-percent-point lower or 1-percent-point higher than the current discount rate:

	<u>1% Decrease</u> <u>3.10%</u>	<u>Current Rate</u> <u>4.10%</u>	<u>1% Increase</u> <u>5.10%</u>
Total OPEB liability	\$193,593,485	\$155,095,238	\$126,273,419

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following represents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percent-point lower or 1-percent-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$123,923,260	\$155,095,238	\$197,801,143

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual demographic experience	\$ 328,900	\$ -
Changes of assumptions	4,444,284	19,743,250
	<u>\$ 4,773,184</u>	<u>\$ 19,743,250</u>

Note 10: POST-RETIREMENT HEALTH CARE BENEFITS (CONT'D.)

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

Year ended December 31,	
2019	\$ (2,771,799)
2020	(2,771,799)
2021	(2,771,799)
2022	(2,771,799)
2023	(3,882,870)
Total	<u>\$ (14,970,066)</u>

The actuarial cost method used to determine the GASB 75 plan's cost is the Entry Age Normal Cost Method. Under the entry age normal cost method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The Service Cost is the portion of this actuarial present value allocated to a valuation year. The Total Pension Liability is the portion of this actuarial present value not provided for at the valuation date by the actuarial present value of future service costs. The plan is currently unfunded.

Note 11: ACCRUED SICK AND VACATION BENEFITS

The Township has permitted employees to accrue unused sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost of such unpaid sick and vacation pay would approximate \$3,108,796 and \$2,880,499.00 for 2018 and 2017. This amount represents the current value of all accumulations, and is not intended to portray amounts that would be recorded under GAAP. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which payments are made as part of the current year's operating budget appropriations.

Note 12: RISK MANAGEMENT

The Township is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; natural disasters; workers. The Township has obtained insurance coverage to guard against these events which will provide minimum exposure to the Township should they occur.

Effective August 1, 2010, the Township joined the Middlesex County Joint Insurance Funds covering risk of loss. The Fund, which is organized and operated pursuant to the regulatory authority of the Departments 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. At December 31, 2014, the most recent report made available, the Fund reported for all years combined, total assets of \$23,433,522; liabilities and reserves of \$35,411,258; which includes case reserves of \$13,404,367 and IBNR of \$21,635,334 and a deficit fund balance for all years of \$11,977,736.

Effective January 1, 2019, the Township joined the Garden State Municipal Joint Insurance Funds covering risk of loss.

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

Note 13: DEFERRED COMPENSATION

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

Note 14: TAX APPEALS

There are 91 direct tax appeals pending, requesting a reduction of assessed valuation for 2018 and prior years, of which 14 are considered to be small claim appeals and 77 non-small claim appeals. The aggregate assessed valuation of the properties under appeal totals \$1,134,675,600. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement. The Township has established a reserve for tax appeals that is funded by either budget appropriations or charges to the current year Current Fund operations. To the extent tax appeals exceed the amount of reserves established, appeals may be funded from the Township's tax levy, direct charges to the Township's operations or through the issuance of refunding bonds per N.J.S.A. 40A:2-51.

Note 15: LONG TERM TAX EXEMPTIONS

The Township 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. The exemptions provided by the Township are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Township is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Township did not have any PILOT programs during 2018.

Note 16: INTERFUNDS

The following interfund balances were on the balance sheets of the respective funds at December 31, 2018:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Current Fund	\$ -	\$ 606,990.64
Grant Fund	606,990.64	
Trust - Other	161,488.15	14,842.00
Unemployment Trust	20,000.00	
Developers' Escrow		108,771.24
Self Insurance	180.52	
Payroll Trust	17,467.89	
Water-Sewer Operating	106,807.77	3,125,121.63
Water-Sewer Capital	2,942,790.54	
Totals	<u>\$ 3,855,725.51</u>	<u>\$ 3,855,725.51</u>

Note 17: COMMITMENTS AND CONTINGENCIES

The Township 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. The Township does not believe that any material liabilities would result from such audits, should they occur.

Contractual Commitments

As of December 31, 2018, the Township of Monroe was a party to various construction contracts and commitments that totaled \$2,588,634. Various Capital Improvements with total commitments of \$1,550,442; Cultural and Heritage Museum Improvement with total commitments of \$684; Various Applegarth Road Intersections Improvement with total commitments of \$1,534; Affordable Housing Improvements with total commitments of \$3,339; Computer Equipment/Software with total commitments of \$1,002; Forge Road Drainage Improvements with total commitments of \$2,157; Dey Farm Homestead Property Improvements with total commitments of \$18,529; Police and EMS Building Preliminary Planning with total commitments of \$262,955; Acquisition of Federal/Perrineville Rd Land with total commitments of \$5,324; Acquisition of Open Space with total commitments of \$6,286; Acquisition of Road Paver with total commitments of \$9,000; Purchase of Police Department Equipment of \$223,031; EMS Radios Upgrade of \$17,044; Purchase of Library Books of \$112,118; MCIA Revenue Bonds Equipment with total commitments of \$375,190.

Litigation

As of the date of this report, the Township has litigation pending that traditionally would be covered through the procurement of liability insurance coverages.

Note 18: SUBSEQUENT EVENTS

The following bond ordinances were adopted subsequent to December 31, 2018:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>	<u>Debt Authorized</u>
	General Capital:		
02/04/19	Various Capital Improvements	\$1,400,000	\$1,333,300
06/05/19	Pedestrian and Roadway Improvements	820,000	262,800
06/24/19	Various Capital Improvements	1,040,000	990,000
	Utility Capital:		
06/24/19	Various Utility Improvements	\$1,130,000	\$1,130,000

Subsequent to December 31, 2018, the Township issued Bond Anticipation Notes dated June 10, 2019 with a maturity date of June 10, 2020. The BAN's were issued for \$6,000,000 with a coupon rate of 2.50% with a net interest cost of 1.49%. \$5,000,000 were for the General Capital Fund and \$1,000,000 were for the Water and Sewer Utility Fund.

APPENDIX C

FORM OF APPROVING LEGAL OPINION FOR THE NOTES

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

June 9, 2020

Mayor and Township Council
of the Township of Monroe
Monroe Township, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Township Council of the Township of Monroe, in the County of Middlesex (the "Township"), a body politic and corporate organized and existing under the laws of the State of New Jersey, and other proofs submitted to us relative to the authorization, issuance, and sale of the Township's \$12,830,000 aggregate principal amount of Bond Anticipation Notes, Series 2020, consisting of \$9,700,00 aggregate principal amount of General Improvement Bond Anticipation Notes, Series 2020 (the "General Improvement Notes"), and \$3,130,000 aggregate principal amount of Water-Sewer Utility Bond Anticipation Notes, Series 2020 (the "Water-Sewer Utility Notes", and together with the General Improvement Notes, the "Notes"). The Notes are dated June 9, 2020, mature on June 8, 2021 and bear interest at the rate of one and twenty-five hundredths per centum (1.25%) per annum.

The Notes are issued in fully registered book-entry-only form, without coupons, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Individual purchases of the Notes will be made in book-entry-only form, without certificates, in principal denominations of \$5,000 each or any integral multiple thereof, except that any Notes in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Notes, payments of principal of and interest on the Notes will be made by the Township or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The Notes are not subject to redemption prior to maturity.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); and (ii) various bond ordinances duly adopted by the Township Council of the Township, approved by the Mayor, and published as required by law.

The Notes are being issued to (i) refund, on a current basis, \$6,000,000 aggregate principal amount of Bond Anticipation Notes, Series 2019, of the Township, consisting of \$5,000,000 General Improvement Bond Anticipation Notes, Series 2019, and \$1,000,000 Water-Sewer Utility Bond Anticipation Notes, Series 2019, dated June 10, 2019 and maturing on June 10, 2020; (ii) temporarily finance the costs of various general capital improvements in and by the Township in the amount of \$4,700,000, including paying the costs associated with the issuance of the General Improvement Notes; and (iii) temporarily finance the costs of various water and sewer utility capital improvements in and by the Township in the amount of \$2,130,000, including paying the costs associated with the issuance of the Water-Sewer Utility Notes.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the authorization, issuance and sale of the Notes pursuant to the Local Bond Law, (ii) the Notes are valid and legally binding general obligations of the Township, and (iii) the Township has pledged its full faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, all the taxable property within the Township is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of the issuance and delivery of the Notes. The Township has covenanted in a tax certificate relating to the Notes to maintain the exclusion of the interest on the Notes from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Township with the requirements of the Code and the aforementioned covenants and representations stated in its tax certificate, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. The Notes are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Notes will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

We are also of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Notes. Furthermore, we express no opinion as to any Federal, state or local tax law consequences

with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other bond counsel.

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Notes may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof.

We have examined the form of the unexecuted Note and, in our opinion, the form of the Note is regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES

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CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES

I, GEORGE J. LANG, Chief Financial Officer of the Township of Monroe, in the County of Middlesex (the "Township"), a body politic and corporate organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY in connection with the authorization, issuance and sale of the Township's \$12,830,000 aggregate principal amount of Bond Anticipation Notes, Series 2020, consisting of \$9,700,00 aggregate principal amount of General Improvement Bond Anticipation Notes, Series 2020 (the "General Improvement Notes"), and \$3,130,000 aggregate principal amount of Water-Sewer Utility Bond Anticipation Notes, Series 2020 (the "Water-Sewer Utility Notes", and together with the General Improvement Notes, the "Notes"), dated June 9, 2020 and maturing on June 8, 2021, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Township will provide notice of certain material events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a Portable Document File (PDF File) to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable, if material: (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 or other material events effecting the tax-exempt status of the security; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and lender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event; (13) consummation of a merger, consolidation, or acquisition, or sale of all or substantially all of the assets of the Township other than in the ordinary course of business, entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or change of name of a trustee, if material; (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Noteholders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *"Financial Obligation"* shall not include municipal securities as to which a final official statement has been provided to the MSRB, through the EMMA system, consistent with the Rule.

Whenever the Township obtains actual knowledge of the occurrence of any of the aforementioned events and when the occurrence of such events constitute material information to the holders of the Notes, the Township shall file a Notice of each such

occurrence with the MSRB via EMMA on a timely basis but no later than ten (10) business days after the receipt of actual knowledge of such material events.

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

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

This Certificate shall inure solely to the benefit of the Township, the purchaser and the holders from time to time of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the Township this 9th day of June, 2020.

**TOWNSHIP OF MONROE, IN THE
COUNTY OF MIDDLESEX, STATE OF
NEW JERSEY**

(SEAL)

GEORGE J. LANG,
Chief Financial Officer

PATRICIA REID, RMC, CMR
Township Clerk