

NEW ISSUE

SERIAL BONDS

Rating: S&P: "AA"
(See "RATING" herein)

In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Township (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

**TOWNSHIP OF DELAWARE,
IN THE COUNTY OF HUNTERDON, NEW JERSEY**

**\$3,245,000 GENERAL IMPROVEMENT BONDS
(Book-Entry-Only) (Bank-Qualified) (Callable)**

Dated Date: Date of Delivery

Due: February 15, as shown on the inside front cover hereof

The \$3,245,000 General Improvement Bonds (the "Bonds") of the Township of Delaware, in the County of Hunterdon, New Jersey (the "Township") will be issued in the form of one certificate for the principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as the securities depository. See "THE BONDS – Book-Entry-Only System" herein.

Proceeds from the sale and issuance of the Bonds will be used by the Township to: (i) currently refund \$2,710,000 of the Township's \$2,710,000 Bond Anticipation Note, dated and issued on July 23, 2019 and maturing on July 23, 2020; (ii) provide \$697,000 in new money to permanently finance various capital improvements in and by the Township; and (iii) provide funds for the payment of the costs in connection with the authorization, sale and issuance of the Bonds.

Interest on the Bonds will be payable semiannually on the fifteenth day of February and August in each year until maturity or earlier redemption, commencing February 15, 2021. The principal of and the interest due on the Bonds will be paid to DTC by the Township as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the "Record Dates" for the payment of interest on the Bonds).

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

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

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

The Bonds will be offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Township in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York on or about July 22, 2020.

FIDELITY CAPITAL MARKETS

**TOWNSHIP OF DELAWARE,
IN THE COUNTY OF HUNTERDON, NEW JERSEY**

**\$3,245,000 GENERAL IMPROVEMENT BONDS
(BOOK-ENTRY-ONLY) (BANK-QUALIFIED) (CALLABLE)**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2021	\$210,000	4.00%	0.35%	246447CD6
2022	215,000	4.00	0.38	246447CE4
2023	235,000	4.00	0.41	246447CF1
2024	270,000	4.00	0.47	246447CG9
2025	310,000	4.00	0.56	246447CH7
2026	325,000	3.00	0.85	246447CJ3
2027	420,000	2.00	1.05	246447CK0
2028	420,000	2.00	1.15*	246447CL8
2029	420,000	2.00	1.30*	246447CM6
2030	420,000	2.00	1.40*	246447CN4

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

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

**TOWNSHIP OF DELAWARE,
IN THE COUNTY OF HUNTERDON, NEW JERSEY**

TOWNSHIP COMMITTEE

Charles Herman, Mayor
James Waltman, Deputy Mayor
Susan D. Lockwood
Joseph Vocke
Daniel Kwasnik

TOWNSHIP CLERK

Jodi McKinney

CHIEF FINANCIAL OFFICER

Diane Soriero McDaniel

TOWNSHIP ATTORNEY

Joseph C. Tauriello, Esquire
Law Offices of Joseph C. Tauriello, Esq., P.C.
Princeton, New Jersey

AUDITOR

BKC, CPAs, PC
Flemington, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Township to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Township and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Township. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder, under any circumstances, shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Township during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Township from time to time (collectively, the "Official Statement"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Township.

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

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

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

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OFFICIAL STATEMENT
Relating to the

TOWNSHIP OF DELAWARE,
IN THE COUNTY OF HUNTERDON, NEW JERSEY

\$3,245,000 GENERAL IMPROVEMENT BONDS

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Township of Delaware (the "Township"), in the County of Hunterdon (the "County"), New Jersey (the "State"), in connection with the sale and issuance of \$3,245,000 General Improvement Bonds (the "Bonds"). This Official Statement has been executed by and on behalf of the Township by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

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

THE BONDS

General Description

The Bonds shall be dated their date of issuance and will mature on February 15 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date, payable semiannually on each February 15 and August 15 (each, an "Interest Payment Date"), commencing February 15, 2021, in each year until maturity or earlier redemption, at the interest rates shown on the inside front cover page hereof. Interest on the Bonds shall be computed on a 30-day month/360-day year basis.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the principal amount of \$5,000 or any integral multiple of \$5,000 except that those Bonds in excess of the largest principal amount not equaling a multiple of \$5,000 may be purchased in amounts of \$1,000 or any multiple thereof through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Township directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the "Record Dates" for the payment of interest on the Bonds). See "Book-Entry-Only System" herein.

Redemption

The bonds of this issue maturing prior to February 15, 2028 are not subject to redemption prior to their stated maturities. The bonds of this issue maturing on or after February 15, 2028 are redeemable at the option of the Township in whole or in part on any date on or after February 15, 2027 upon notice as required herein at par, plus in each case unpaid accrued interest to the date fixed for redemption.

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

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

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest, and other payments due on the Bonds to DTC Participants or Beneficial Owners (each as defined below), confirmation and transfer of beneficial ownership interests in the Bonds 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered global Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "DTC 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.

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

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

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

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

Redemption proceeds, if applicable, and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or paying agent, on payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Township, subject to any statutory or regulatory

requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or its paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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 does not take any responsibility for the accuracy thereof.

THE TOWNSHIP AS PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry-Only System

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

SECURITY AND SOURCE OF PAYMENT

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

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the State Statutes, as amended) (the "Local Bond Law"), the bond ordinances adopted by the Township Committee referred to in the chart below and by a resolution duly adopted by the Township Committee on June 29, 2020 (the "Resolution").

Bond Ordinance Number	Description of Improvement and Date of Adoption of Bond Ordinance	Refunding Amount	New Money Amount	Amount Funded from Bond Proceeds
13-03	Various road improvements, finally adopted 2/25/2013.	\$322,571	\$86,000	\$408,571
15-10	Acquisition of various equipment, finally adopted 7/13/2015.	93,004	0	93,004
17-07	Acquisition of a fire truck, finally adopted 6/12/2017.	570,000	0	570,000
17-08, as amended in its entirety by 19-05	2017 Road Program, finally adopted 6/12/2017, as amended 5/28/2019.	1,188,322	143,000	1,331,322
17-09	Various capital improvements, finally adopted 6/12/2017.	282,103	0	282,103
18-14, as supplemented by 19-06	Various road improvements, finally adopted 8/27/2018, as supplemented 5/28/2019.	167,000	118,000	285,000
19-07	Rosemont Ringoes Road sidewalk installation, finally adopted 5/28/2019.	87,000	105,000	192,000
20-01	Lower Ferry Road Improvement Project, finally adopted 2/24/2020.	<u>0</u>	<u>245,000</u>	<u>245,000</u>
	Total:	\$2,710,000	\$697,000	\$3,407,000*

Proceeds from the sale and issuance of the Bonds will be used by the Township to: (i) currently refund \$2,710,000 of the Township's \$2,710,000 Bond Anticipation Note, dated and issued on July 23, 2019 and maturing on July 23, 2020; (ii) provide \$697,000 in new money to permanently finance various capital improvements in and by the Township; and (iii) provide funds for the payment of the costs in connection with the authorization, sale and issuance of the Bonds.

* Includes \$162,000 of bond proceeds constituting original issue premium.

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

In the State, Governor Phil Murphy has issued multiple Executive Orders since March 16, 2020 including but not limited to aggressive social distancing measures, restrictions on local elections, restrictions on foreclosure and evictions, suspension of all elective surgeries, closing of schools and child care centers, the commandeering of property such as medical supplies, the cessation of all non-essential construction projects, extending insurance premium grace periods, the temporary reprieve to certain at-risk inmates and the extension of the permitted statutory grace period from May 11, 2020 to June 1, 2020 for quarterly property taxes due May 1, 2020. The Township expects ongoing actions will be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19. The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the Township. To secure the payment of the principal of and interest on the Obligations, the Township has pledged its full faith, credit and all available taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable real property within the Township.

Because of the evolving nature of the outbreak and federal, state and local responses thereto, the Township cannot predict how the outbreak will substantially impact the financial condition or operations of the Township, or if there will be any impact on the assessed values of property within the Township or deferral of tax payments to municipalities. The Township cannot predict costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or a substantial increase in operational costs incurred to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on the State’s websites, including <https://covid19.nj.gov/> or nj.gov/health. *The Township has not incorporated by reference the information on such websites and the Township does not assume any responsibility for the accuracy of the information on such websites.*

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be

retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Township, as annually determined by the State Director of Taxation is \$867,608,016.67.

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

The Township has not exceeded its statutory debt limit. As of December 31, 2019, the statutory net debt as a percentage of average equalized valuation was 1.046%. As noted above, the statutory limit is 3½%.

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Township may sell short-term “bond anticipation notes” to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit’s bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the bond anticipation notes’ maturity to the end of the tenth fiscal year in which the bond anticipation notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of bond anticipation notes that may be issued is decreased by the minimum amount required for the first year’s principal payment for a bond issue.

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

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

each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The local unit is authorized to issue “emergency notes” and “special emergency notes” pursuant to the Local Budget Law.

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

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

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

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

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

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

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the fiscal year. Appropriation reserves may also be transferred during the first three (3) months of the fiscal year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

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

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

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Township to levy *ad valorem* taxes upon all taxable real property within the Township to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing three years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next three years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

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

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

Tax bills are mailed annually in June by the Township. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax. Notwithstanding, and in response to the Pandemic, in June 2020 the Township mailed an estimated tax bill due August 1. The Township anticipates mailing the final tax bill in October, 2020, which tax bill will be payable November 1. Such tax bill will also contain the preliminary taxes due February 1 and May 1 of 2021.

By State statute, tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00, or such lower interest penalty rates as determined by the Township from time to time. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State statutes. A table detailing tax title liens is included in Appendix "A". The Township has not taken action to reduce the interest penalty rate.

Tax Appeals

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

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2019 for the Township is on file with the Clerk and is available for review during business hours.

TAX MATTERS

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

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

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

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

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

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

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

Original Issue Discount

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

Original Issue Premium

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

Bank Qualification

The Bonds will be designated as qualified under Section 265 of the Code by the Township for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

Additional Federal Income Tax Consequences of Holding the Bonds

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

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

Changes in Federal Tax Law Regarding the Bonds

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

State Taxation

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

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

LITIGATION

To the knowledge of the Township Attorney, Joseph C. Tauriello, Esquire, of the Law Offices of Joseph C. Tauriello, Esq., P.C., Princeton, New Jersey (the "Township Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

SECONDARY MARKET DISCLOSURE

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

(a) On or prior to September 30 of each fiscal year, beginning September 30, 2021 for the fiscal year ending December 31, 2020, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Township consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Township and certain financial information and operating data consisting of (i) Township indebtedness and overlapping indebtedness including a schedule of outstanding debt issued by the Township; (ii) property valuation information; and (iii) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with modified cash accounting as mandated by the State statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by State law;

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Township;
- (13) The consummation of a merger, consolidation or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Township, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Township, if any such event reflects financial difficulties.

For the purposes of the event identified in subparagraph (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Township in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Township, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Township.

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

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

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

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Township prior to their offering. Such officer is hereby authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such

contracts or undertakings or the undertakings set forth in this resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

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

The Township has previously entered into continuing disclosure undertakings under the Rule with respect to its own obligations and obligations of the New Jersey Economic Development Authority for which the Township is an obligated person. The Township appointed Phoenix Advisors, LLC, Bordentown, New Jersey in April of 2015 to act as continuing disclosure agent to assist in the filing of certain information on EMMA as required under its obligations.

MUNICIPAL BANKRUPTCY

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

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale, and the delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for the Township by the Township Attorney.

MUNICIPAL ADVISOR

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

UNDERWRITING

The Bonds have been purchased from the Township at a public sale by Fidelity Capital Markets, Boston, Massachusetts (the "Underwriter") at a price of \$3,459,157.02 (consisting of the par amount of the Bonds plus a bid premium of \$214,157.02). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AA" to the Bonds based upon the creditworthiness of the Township.

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

FINANCIAL STATEMENTS

Appendix "B" contains certain audited financial data of the Township for the fiscal year ended December 31, 2019. The audited financial data was extracted from the report prepared by BKC, CPAs, PC, Flemington, New Jersey (the "Auditor") to the extent and for the period set forth in their report appearing in Appendix "B" to this Official Statement. The Auditor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the audited financial data appearing in Appendix "B" hereto) and, accordingly, will express no opinion with respect thereto. See "APPENDIX B – Financial Statements of the Township of Delaware".

PREPARATION OF OFFICIAL STATEMENT

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

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

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Diane Soriero McDaniel, Chief Financial Officer, Township of Delaware, 570 Rosemont Ringoes Road, P.O. Box 500, Sergeantsville, New Jersey 08557, telephone (609) 397-3240 ext. 206 or by email dmcdaniel@delawaretwpnj.org, or to the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Township, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the Township since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

**TOWNSHIP OF DELAWARE, IN THE
COUNTY OF HUNTERDON, NEW JERSEY**

By: /s/ Diane Soriero McDaniel
Diane Soriero McDaniel,
Chief Financial Officer

Dated: July 14, 2020

APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION
ABOUT THE TOWNSHIP OF DELAWARE**

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INFORMATION REGARDING THE TOWNSHIP¹

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

General Information

The Township is a rural community within the County, comprising approximately thirty-seven (37) square miles. The Township is located approximately sixty-eight (68) miles southwest of New York City and fifty (50) miles north of Philadelphia. The Township is traversed by Wickecheoke Creek, which may be crossed via the last remaining covered bridge in the State.

The Township has a population of approximately 4,500 and is very active in preserving farmland. Mountains, farmland, streams and ponds are witness to the rural nature of the Township. The countryside is peaceful and serene, offering a wonderful place for children to thrive.

Form of Government

The Township was founded in 1838. The current form of government includes an elected five (5) member Township Committee.

The Township Committee elects a mayor each year from their own ranks. There are full-time and part-time municipal employees serving the Township.

Public Safety and Other Services

The Township utilizes police protection from the local Police Department. The Township has a volunteer fire department.

Residents of the Township are served by Hunterdon Medical Center, a full range medical, surgical, pediatric, obstetric and mental health facility, located in neighboring Raritan Township.

Outlet centers, which are located in Flemington Borough, are within ten (10) minutes of the Township. Three (3) large shopping centers (Bridgewater Commons in Somerset County, Quakerbridge Mall in Mercer County and Phillipsburg Mall in Warren County) are located within 30 miles of the Township.

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

¹ Source: The Township, unless otherwise indicated.

Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625 or is available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

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

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

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

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Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the 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	2,545	2,486	59	2.3%
2018	2,500	2,441	59	2.4%
2017	2,512	2,443	69	2.7%
2016	2,552	2,465	87	3.4%
2015	2,567	2,479	88	3.4%
<u>County</u>				
2019	64,523	62,742	1,781	2.8%
2018	63,651	61,614	2,037	3.2%
2017	63,549	61,304	2,245	3.5%
2016	64,277	61,855	2,422	3.8%
2015	64,880	62,124	2,756	4.2%
<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 Levels (as of 2018)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$112,719	\$112,535	\$79,363
Median Family Income	133,958	140,904	98,047
Per Capita Income	59,210	54,984	40,895

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

Population

The following tables summarize population increases and the decreases for 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>
2019 Estimate	4,425	-3.02%	124,371	-3.10%	8,882,190	1.03%
2010	4,563	1.90	128,349	5.21	8,791,894	4.49
2000	4,478	-0.75	121,989	13.19	8,414,350	8.85
1990	4,512	18.24	107,776	23.37	7,730,188	4.96
1980	3,816	17.45	87,361	25.31	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>
Texas Eastern Transmission Corp.	\$3,426,400	0.43%
Trap Rock Industries, Inc.	3,173,800	0.40%
Holly Farm Partners	2,720,900	0.34%
Sentinel Self Storage LLC	2,467,700	0.31%
Cane Poultry Farm, Inc.	2,442,700	0.31%
Individual Property Owner #1	2,222,000	0.28%
Individual Property Owner #2	2,092,900	0.26%
Individual Property Owner #3	1,921,900	0.24%
Individual Property Owner #4	1,902,400	0.24%
Individual Property Owner #5	<u>1,788,800</u>	<u>0.22%</u>
Total	<u>\$24,159,500</u>	<u>3.02%</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>
2019	\$20,288,844	\$19,972,131	98.44%
2018	20,337,712	20,122,208	98.94%
2017	20,039,234	19,732,809	98.47%
2016	19,861,875	19,573,620	98.55%
2015	20,039,700	19,764,316	98.63%

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>
2019	\$65,020	\$292,882	\$357,902	1.76%
2018	37,729	242,915	280,644	1.38%
2017	25,718	291,295	317,013	1.58%
2016	22,871	394,898	417,769	2.10%
2015	20,549	356,882	377,431	1.88%

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

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2019	\$0
2018	0
2017	0
2016	0
2015	0

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.

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2019	\$0.490	\$1.100	\$0.540	\$0.410	\$2.540
2018	0.475	1.072	0.590	0.413	2.550
2017	0.453	1.048	0.596	0.411	2.508
2016	0.440	1.020	0.600	0.430	2.490
2015	0.429	0.991	0.686	0.414	2.520

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2019	\$800,243,730	\$873,056,655	91.66%	\$0	\$873,056,655
2018	797,557,330	872,792,000	91.38	0	872,792,000
2017	796,237,930	881,574,325	90.32	434,134	882,008,459
2016	795,305,830	917,519,416	86.68	436,573	917,955,989
2015	792,694,330	880,771,478	90.00	458,540	881,230,018

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	\$5,323,320	\$543,247,600	\$225,393,010	\$18,069,700	\$7,270,600	\$939,500	\$800,243,730
2018	5,442,620	541,959,000	224,110,710	17,834,900	7,270,600	939,500	797,557,330
2017	6,357,320	537,507,700	226,194,210	17,968,600	7,270,600	939,500	796,237,930
2016	7,096,320	537,945,200	224,308,810	17,745,400	7,270,600	939,500	795,305,830
2015	6,913,420	536,516,600	223,780,610	17,273,600	7,270,600	939,500	792,694,330

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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fund Balance Utilized	\$295,437	\$357,031	\$357,000	\$357,000	\$407,000
Miscellaneous Revenues	738,064	661,278	649,707	727,796	732,712
Receipts from Delinquent Taxes	279,301	261,615	275,249	245,203	290,613
Amount to be Raised by Taxation	<u>3,015,863</u>	<u>3,130,000</u>	<u>3,309,862</u>	<u>3,401,000</u>	<u>3,417,415</u>
Total Revenue:	<u>\$4,328,665</u>	<u>\$4,409,924</u>	<u>\$4,591,818</u>	<u>\$4,730,999</u>	<u>\$4,847,740</u>
<u>Appropriations</u>					
General Appropriations	\$3,394,072	\$3,425,357	\$3,677,136	\$3,714,191	\$3,759,645
Operations (Excluded from CAPS)	73,987	40,161	48,361	65,277	68,495
Deferred Charges and Statutory Expenditures	12,000	0	0	0	0
Capital Improvement Fund	200,000	297,000	205,661	249,520	240,000
Municipal Debt Service	248,606	247,406	260,660	302,010	379,600
Reserve for Uncollected Taxes	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
Total Appropriations:	<u>\$4,328,665</u>	<u>\$4,409,924</u>	<u>\$4,591,818</u>	<u>\$4,730,999</u>	<u>\$4,847,740</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>
2019	\$863,718	\$407,000
2018	731,531	357,000
2017	671,610	357,000
2016	501,390	357,031
2015	489,472	295,437

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

Township Indebtedness as of December 31, 2019

General Purpose Debt

Serial Bonds	\$6,036,000
Bond Anticipation Notes	2,710,000
Bonds and Notes Authorized but Not Issued	330,850
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$9,076,850

Local School District Debt

Serial Bonds	\$3,865,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$3,865,000

Regional School District Debt

Serial Bonds	\$379,482
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$379,482

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$13,321,332

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	3,865,000
Regional School District Debt	379,482
Self-Liquidating Debt	<u>0</u>
Total:	\$4,244,482

TOTAL NET DEBT

\$9,076,850

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	\$3,865,000	100.00%	\$3,865,000
Regional School District	4,145,000	9.16%	379,482
County	83,452,933	4.00%	<u>3,338,754</u>
Net Indirect Debt			\$7,583,236
Net Direct Debt			<u>9,076,850</u>
Total Net Direct and Indirect Debt			<u>\$16,660,086</u>

Debt Limit

Average Equalized Valuation Basis (2017, 2018, 2019)	\$875,807,660
Permitted Debt Limitation (3 1/2%)	30,653,268
Less: Net Debt	<u>9,076,850</u>
Remaining Borrowing Power	<u>\$21,576,418</u>
Percentage of Net Debt to Average Equalized Valuation	1.036%
Gross Debt Per Capita based on 2010 population of 4,563	\$2,919
Net Debt Per Capita based on 2010 population of 4,563	\$1,989

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

FINANCIAL STATEMENTS OF THE TOWNSHIP OF DELAWARE

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TOWNSHIP OF DELAWARE

COUNTY OF HUNTERDON

REPORT OF AUDIT

December 31, 2019



**TOWNSHIP OF DELAWARE
COUNTY OF HUNTERDON**

REPORT OF AUDIT

For the Year Ended December 31, 2019

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Independent Auditors' Report

To the Honorable Mayor and Members
of the Township Committee
Township of Delaware, New Jersey

Report on the Financial Statements

We have audited the accompanying Comparative Balance Sheet - Regulatory Basis and the Comparative Statement of General Fixed Assets - Regulatory Basis of the various funds and account group of the Township of Delaware, in the County of Hunterdon, State of New Jersey (the Municipality) as of and for the years then ended December 31, 2019 and 2018, and the related Comparative Statement of Operations and Changes in Fund Balance for the years then ended, and the related Statement of Revenues - Regulatory Basis, Statement of Expenditures - Regulatory Basis for the fiscal year ended December 31, 2019 and the related Notes to the Financial Statements which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

Basis for Adverse Opinions on Accounting Principles Generally Accepted in the United States of America

As described in Note 1, the financial statements are prepared by the Municipality on the basis of financial reporting provisions of the Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the Divisions. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Municipality as of December 31, 2019 and 2018, or the results of its operations and changes in fund balance for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to previously present fairly, in all material respects, the Comparative Balance Sheet - Regulatory Basis and the Comparative Statement of General Fixed Assets - Regulatory Basis of the various funds and account group of the Municipality as of December 31, 2019 and 2018, and the results of operations and changes in fund balance for the years then ended and the related Statement of Revenues - Regulatory Basis, Statement of Expenditures - Regulatory Basis, except for the budgetary data and included, which was unaudited, for the year ended December 31, 2019 in conformity with accounting principles and practices prescribed by the Division, as described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Supplemental Schedules presented for the various funds, as listed in the Table of Contents, are presented for purposes of additional analysis as required by the Division and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the Division through the State of New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and is also not a required part of the financial statements.

The supplemental statements and schedules presented for the various funds and the Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the various fund financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental statements and schedules described in the previous paragraph are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The additional schedules as listed in the Table of Contents have not been subject 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2020 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 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 Municipality's internal control over financial reporting and compliance.



BKC, CPAs, PC



William M. Colantano
Certified Public Accountant
Registered Municipal Accountant

June 24, 2020
Flemington, New Jersey

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FINANCIAL STATEMENTS - REGULATORY BASIS

TOWNSHIP OF DELAWARE
Comparative Balance Sheet - Regulatory Basis
Current Fund
December 31,

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Assets			
Regular fund			
Cash - Treasurer	A-4	\$ 5,040,120	\$ 4,882,198
Change funds	A-11	175	175
		<u>5,040,295</u>	<u>4,882,373</u>
Delinquent property taxes receivable	A-7	292,882	242,915
Tax title liens receivable	A-8	65,020	37,729
Revenue accounts receivable	A-9	-	3,857
Due from other trust funds	A-10	-	2,035
		<u>357,902</u>	<u>286,536</u>
Deferred charges			
Over-expenditure of budget appropriations	A-13	-	5,513
Total regular fund		<u>5,398,197</u>	<u>5,174,422</u>
Federal and state grant fund			
Cash - Treasurer	A-4	215,512	202,550
Grants receivable	A-14	173,406	173,406
Due from trust fund	A-30	-	2,390
Total federal and state grant fund		<u>388,918</u>	<u>378,346</u>
Total assets		<u>\$ 5,787,115</u>	<u>\$ 5,552,768</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Comparative Balance Sheet - Regulatory Basis (continued)
Current Fund
December 31,

	Ref.	2019	2018
Liabilities, reserves and fund balance			
Regular fund liabilities			
Appropriation reserves	A-3;A-15	\$ 450,788	\$ 338,930
Encumbrances payable	A-16	9,241	23,728
Due to state of NJ Veteran's and Senior			
Citizen's deductions	A-6	21,680	21,585
Prepaid taxes	A-17	204,486	217,274
Tax overpayments	A-18	17,302	40,345
Regional high school taxes payable	A-19	1,159,224	1,271,347
Local school tax payable	A-20	2,298,720	2,230,037
County tax payable	A-21	8,183	6,880
Due county - food inspections	A-22	4,800	4,400
Due NJ - state training fees	A-23	2,053	1,829
Due NJ - marriage license and domestic			
partner fees	A-24	100	-
		4,176,577	4,156,355
Reserve for receivables	A	357,902	286,536
Fund balance	A-1	863,718	731,531
Total regular fund		5,398,197	5,174,422
Federal and state grant fund			
Encumbrances payable	A-31	156	30
Appropriated reserves for grants	A-27	360,854	353,476
Unappropriated reserves for grants	A-28	27,908	24,840
Total federal & state grant fund		388,918	378,346
Total liabilities, reserves and fund balance		\$ 5,787,115	\$ 5,552,768

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Comparative Statement of Operations and Change
in Fund Balance - Regulatory Basis
Current Fund
For the Years Ended December 31,

	Ref.	2019	2018
Revenues and other income realized			
Fund balance utilized	A-2	\$ 357,000	\$ 357,000
Miscellaneous revenue anticipated	A-2	796,564	708,310
Receipts from delinquent taxes	A-2	240,504	297,403
Receipts from current taxes	A-2	19,972,131	20,122,208
Non-budget revenue	A-2	18,000	28,752
Other credits to income			
Interfunds returned - net	A-2	2,035	32,832
Tax overpayments canceled	A-18	267	327
Unexpended balance of appropriation reserves	A-15	311,301	98,234
Total income		<u>21,697,802</u>	<u>21,645,066</u>
Expenditures			
Budget and emergency appropriations			
Operations			
Salaries and wages	A-3	1,853,792	1,756,855
Other expenses	A-3	1,478,210	1,560,788
Capital improvements	A-3	249,520	205,661
Debt service	A-3	301,853	260,656
Deferred charges & statutory expenditures	A-3	447,467	414,967
County taxes	A-21	3,250,379	3,291,991
County share of added taxes	A-21	8,183	6,879
Regional high school taxes	A-19	4,389,139	4,709,757
Local district school taxes	A-20	8,743,019	8,543,195
Municipal open space tax	A-26	481,203	480,999
Other debits to income			
Revenue accounts receivable			
refunds and adjustments	A-4	4,850	-
Prior year Senior Citizen deduction disallowed	A-6	1,000	1,250
Interfund receivable balance cancelled		-	660
Total expenditures		<u>21,208,615</u>	<u>21,233,658</u>
Excess in revenue		489,187	411,408

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Comparative Statement of Operations and Change
in Fund Balance - Regulatory Basis (continued)
Current Fund
For the Years Ended December 31,

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Adjustment to income before fund balance			
Expenditures included above which are by statute			
deferred charges to budgets of succeeding years			
Over-expenditure of budget appropriations	A-3	\$ -	\$ 5,513
Regulatory excess to fund balance		489,187	416,921
Balance January 1,	A	731,531	671,610
		<u>1,220,718</u>	<u>1,088,531</u>
Decreased by			
Utilized as anticipated revenue	A-2	<u>357,000</u>	<u>357,000</u>
Balance December 31,	A	<u><u>\$ 863,718</u></u>	<u><u>\$ 731,531</u></u>

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Revenues - Regulatory Basis
Current Fund
For the Year Ended December 31, 2019

	Ref.	Anticipated		Realized	Excess or Deficit
		Unaudited Budget	N.J.S.A. 40:4-87		
Fund balance anticipated	A-1	\$ 357,000	\$ -	\$ 357,000	\$ -
Miscellaneous revenues					
Licenses					
Alcoholic beverage	A-9	4,800	-	4,800	-
Fees and permits	A-2	17,000	-	28,356	11,356
Fines and costs					
Municipal court	A-9	50,388	-	49,903	(485)
Interest on investments and deposits	A-2	37,600	-	113,144	75,544
Uniform construction code fees	A-9	112,000	-	100,230	(11,770)
Interest & cost on taxes	A-4	57,000	-	47,308	(9,692)
Energy receipts tax	A-9	334,005	-	334,005	-
Garden state trust fund	A-9	27,412	-	27,412	-
Reserve for payment of bonds	A-25	28,114	-	28,114	-
NJ Division of Criminal Justice - body					
armor fund	A-14	1,137	-	1,137	-
Recycling grant	A-14	3,132	-	3,132	-
Holden Grant	A-14	800	-	800	-
Clean Communities Grant	A-14	21,708	-	21,708	-
Share of court costs - Franklin					
Township	A-9	32,700	-	36,515	3,815
	A-1	727,796	-	796,564	68,768
Receipts from delinquent taxes	A-1;A-2	245,203	-	240,504	(4,699)
Property tax for support of municipal budget appropriations					
Local tax for municipal purposes	A-2	3,401,000	-	3,532,321	131,321
Budget totals		4,730,999	-	4,926,389	\$ 195,390
Non-budget revenues	A-1;A-2	-	-	18,000	
		\$ 4,730,999	\$ -	\$ 4,944,389	
	<u>Ref.</u>	A-3	A-3		

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Revenues - Regulatory Basis (continued)
Current Fund
For the Year Ended December 31, 2019

	<u>Ref.</u>	
Analysis of realized revenues		
Allocation of current tax collections		
Tax collections	A-1;A-7	\$ 19,972,131
Allocated to		
Local district school taxes	A-7	8,806,417
Regional high school taxes	A-7	4,293,628
County taxes	A-7	3,258,562
Municipal open space tax	A-7	481,203
		<u>16,839,810</u>
Balance for support of municipal budget appropriations		3,132,321
Add: appropriation - reserve for uncollected taxes	A-3	<u>400,000</u>
Realized for support of municipal budget	A-2	<u><u>\$ 3,532,321</u></u>
Analysis of delinquent tax collections		
Receipts from delinquent tax collections	A-7;A-2	<u><u>\$ 240,504</u></u>
Fees and permits analysis		
Planning Board & Board of Adjustment		\$ 2,570
Police Department		599
Police services administration fees		12,505
Board of Health		16,180
Clerk		733
Assessor		530
	A-4	<u>33,117</u>
Less: fees refunded	A-4	<u>4,761</u>
	A-2	<u><u>\$ 28,356</u></u>
Interest on investments and deposits analysis		
Treasurer	A-2;A-4	<u><u>\$ 113,144</u></u>

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Revenues - Regulatory Basis (continued)
Current Fund
For the Year Ended December 31, 2019

Analysis of realized revenues (continued)

	<u>Ref.</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>Increase (Decrease)</u>
Interfund advances and returns analysis				
Due from other trust funds	A-10	\$ -	\$ 2,035	\$ (2,035)
	<u>Ref.</u>			<u>A-1</u>
Analysis of non-budget revenue	<u>Ref.</u>			
Treasurer				
Cable TV franchise fee				\$ 8,973
Veteran's and Senior Citizen's -				
Administrative fees				770
Homestead rebate processing fee				217
Insurance dividend				2,894
Voided prior year checks				5,129
Miscellaneous other				586
	A-4			<u>18,569</u>
Less: refunds	A-4			569
	A-2			<u>\$ 18,000</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Expenditures - Regulatory Basis
Current Fund
For the Year Ended December 31, 2019

	Unaudited		Expended by		Balance Canceled	Over- Expended
	Appropriations	Budget After	Paid or	Reserved		
	Budget	Modification	Charged			
Operations within CAPS						
General government						
Mayor and committee						
Salaries and wages	\$ 19,400	\$ 19,400	\$ 19,400	\$ -	\$ -	\$ -
Municipal clerk						
Salaries and wages	65,300	65,300	65,201	99	-	-
Postage & legal						
advertising	13,000	14,600	13,185	1,415	-	-
Other expenses	47,300	39,300	28,535	10,765	-	-
Elections						
Other expenses	4,200	4,200	3,607	593	-	-
Financial administration						
Salaries and wages	94,750	94,750	92,250	2,500	-	-
Other expenses	6,050	6,050	1,928	4,122	-	-
Audit services	30,500	30,500	30,500	-	-	-
Assessment of taxes						
Salaries and wages	36,300	36,300	36,240	60	-	-
Maintenance of						
tax map	3,000	3,000	145	2,855	-	-
Other expenses	1,600	2,000	1,901	99	-	-
Collection of taxes						
Salaries and wages	42,700	42,700	42,654	46	-	-
Other expenses	3,300	3,300	1,862	1,438	-	-
Legal services and costs						
Other expenses	41,500	33,000	16,968	16,032	-	-
Municipal prosecutor						
Salaries and wages	18,000	18,000	17,772	228	-	-
Engineering services						
and costs						
Other expenses	12,500	12,500	2,540	9,960	-	-
Public buildings and grounds						
Salaries and wages - Dilts Farm	8,500	8,500	8,480	20	-	-
Salaries and wages -						
buildings & grounds	7,000	7,000	4,146	2,854	-	-
Expense of Dilts Farm	13,750	25,650	25,433	217	-	-
Other expenses	28,200	28,200	26,205	1,995	-	-

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Expenditures - Regulatory Basis (continued)
Current Fund
For the Year Ended December 31, 2019

	Unaudited							
	Appropriations		Expended by				Balance	Over-
	Budget	Budget After	Paid or	Reserved			Canceled	Expended
Operations within CAPS (cont'd)								
General government (cont'd)								
Land use administration								
Planning board								
Salaries and wages	\$	10,620	\$	10,620	\$	10,612	\$	8
Other expenses		3,400		3,400		866		2,534
Zoning board								
Salaries and wages		8,200		8,200		7,772		428
Other expenses		1,250		1,250		1,169		81
Shade tree commission								
Other expenses		808		808		670		138
Board of adjustment								
Salaries and wages		13,375		13,375		13,363		12
Other expenses		21,380		21,380		19,712		1,668
Environmental commission								
Salaries and wages		1,600		1,600		1,592		8
Other expenses		2,525		2,525		2,275		250
Insurance								
Employee group health		440,000		440,000		375,186		64,814
Surety bond premiums		2,000		2,000		1,370		630
Other insurance premiums		160,000		160,000		129,852		30,148
Public safety								
Fire								
Aid to volunteer fire								
companies		84,300		84,300		83,500		800
Police								
Salaries and wages		818,037		818,037		775,098		42,939
Purchase of police car		10,000		8,500		7,451		1,049
Other expenses		49,350		49,350		33,793		15,557

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Expenditures - Regulatory Basis (continued)
Current Fund
For the Year Ended December 31, 2019

	Unaudited					
	Appropriations		Expended by		Balance Canceled	Over- Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Operations within CAPS (cont'd)						
Public safety (cont'd)						
Office of emergency management						
Salaries and wages	\$ 15,260	\$ 15,260	\$ 11,242	\$ 4,018	\$ -	\$ -
Other expenses	2,550	2,550	2,461	89	-	-
First aid organization - contribution	21,000	21,000	21,000	-	-	-
Streets and roads						
Road repairs and maintenance						
Salaries and wages	506,000	506,000	427,500	78,500	-	-
Other expenses	217,450	217,450	173,370	44,080	-	-
Health and welfare						
Board of health						
Salaries and wages	23,650	23,650	12,523	11,127	-	-
Other expenses	5,400	5,400	729	4,671	-	-
Expenses of visiting homemakers						
Other expenses	550	550	-	550	-	-
Municipal court						
Salaries and wages	58,000	58,000	50,928	7,072	-	-
Other expenses	28,650	28,650	19,641	9,009	-	-
Public defender						
Other expenses	2,200	2,200	1,873	327	-	-
Contribution to senior citizens center	4,000	4,000	4,000	-	-	-
Senior health services	220	220	-	220	-	-
Pet regulation	5,850	5,850	5,797	53	-	-

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Expenditures - Regulatory Basis (continued)
Current Fund
For the Year Ended December 31, 2019

	Unaudited					
	Appropriations		Expended by			
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Canceled	Over- Expended
Operations within CAPS(cont'd)						
General government (cont'd)						
Board of recreation commissioners						
Other expenses	\$ 19,000	\$ 19,000	\$ 19,000	\$ -	\$ -	\$ -
Historical preservation society						
Other expenses	4,000	4,000	3,915	85	-	-
Construction official						
Salaries and wages	62,000	62,000	61,816	184	-	-
Other expenses	6,600	6,600	4,760	1,840	-	-
Sub code officials						
Plumbing inspector						
Salaries and wages	16,000	16,000	14,566	1,434	-	-
Electrical inspector						
Salaries and wages	23,250	23,250	21,495	1,755	-	-
Unclassified						
Gasoline & diesel fuel	48,000	51,800	42,872	8,928	-	-
Fuel oil	8,500	8,500	8,332	168	-	-
Electricity	18,500	18,500	17,803	697	-	-
Telephone	24,000	24,000	19,960	4,040	-	-
Street lighting	6,200	6,200	4,353	1,847	-	-
Data processing services	16,500	16,500	16,433	67	-	-
Total operations within CAPS	3,267,025	3,266,725	2,869,602	397,123	-	-
Contingent	-	-	-	-	-	-
Total operations including contingent within CAPS	3,267,025	3,266,725	2,869,602	397,123	-	-
Detail						
Salaries and wages	1,853,792	1,853,792	1,700,447	153,345	-	-
Other expenses (including contingent)	1,413,233	1,412,933	1,169,155	243,778	-	-

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Expenditures - Regulatory Basis (continued)
Current Fund
For the Year Ended December 31, 2019

	Unaudited		Expended by		Balance	Over-
	Appropriations				Canceled	Expended
	Budget	Budget After Modification	Paid or Charged	Reserved		
Deferred charges						
Over-expenditure of						
budget appropriations	\$ 5,513	\$ 5,513	\$ 5,513	\$ -	\$ -	\$ -
Statutory expenditures						
Contribution to						
Public employees						
retirement system	120,393	120,393	120,393	-	-	-
Social Security						
system (OASI)	145,000	145,000	130,073	14,927	-	-
Police and Firemen's						
retirement system	173,661	173,661	173,661	-	-	-
Defined contribution retirement						
program	2,600	2,900	2,512	388	-	-
Total deferred charges and						
statutory expenditures -						
Municipal within CAPS	447,167	447,467	432,152	15,315	-	-
Total general appropriations						
for municipal purposes						
within CAPS	3,714,192	3,714,192	3,301,754	412,438	-	-
Operations excluded from CAPS						
LOSAP (Fire Company)						
Other expenses	30,000	30,000	-	30,000	-	-
NJPDES Storm water permit						
street division						
Other expenses	3,500	3,500	150	3,350	-	-
COAH compliance						
Other expenses	5,000	5,000	-	5,000	-	-

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Expenditures - Regulatory Basis (continued)
Current Fund
For the Year Ended December 31, 2019

	Unaudited Appropriations		Expended by		Balance	Over-
	Budget	Budget After Modification	Paid or Charged	Reserved	Canceled	Expended
Operations excluded from CAPS (cont'd)						
Other operations excluded from CAPS (cont'd)						
Public & private programs offset by revenues						
Clean Communities Program	\$ 21,708	\$ 21,708	\$ 21,708	\$ -	\$ -	\$ -
NJ Division of Criminal Justice - body armor fund	1,137	1,137	1,137	-	-	-
Recycling grant	3,132	3,132	3,132	-	-	-
Holden conservation endowment	800	800	800	-	-	-
Total operations excluded from CAPS	65,277	65,277	26,927	38,350	-	-
Detail						
Other expenses	65,277	65,277	26,927	38,350	-	-
Capital improvements - excluded from CAPS						
Reserves for						
Road improvements	50,000	50,000	50,000	-	-	-
Purchase of various road equipment	15,000	15,000	15,000	-	-	-
Purchase of fire equipment	48,000	48,000	48,000	-	-	-
Capital improvement fund	136,520	136,520	136,520	-	-	-
Total capital improvements excluded from CAPS	249,520	249,520	249,520	-	-	-

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Expenditures - Regulatory Basis (continued)
Current Fund
For the Year Ended December 31, 2019

	Unaudited		Expended by		Balance	Over-
	Appropriations		Paid or	Reserved		
	Budget	Budget After Modification	Charged		Canceled	Expended
Municipal debt service excluded from CAPS						
Payment of bond principal	\$ 145,000	\$ 145,000	\$ 145,000	\$ -	\$ -	\$ -
Interest on bonds	102,010	102,010	102,006	-	4	-
Interest on notes	55,000	55,000	54,847	-	153	-
Total debt service excluded from CAPS	302,010	302,010	301,853	-	157	-
Total general appropriations, for municipal Purposes excluded from CAPS	616,807	616,807	578,300	38,350	157	-
Subtotal general appropriations	4,330,999	4,330,999	3,880,054	450,788	157	-
Reserve for uncollected taxes	400,000	400,000	400,000	-	-	-
Total general appropriations	\$ 4,730,999	\$ 4,730,999	\$ 4,280,054	\$ 450,788	\$ 157	\$ -
<u>Ref.</u>	A-2	A-3	A-1;A-3	A;A-1		A-1; A-13

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Statement of Expenditures - Regulatory Basis (continued)
Current Fund
For the Year Ended December 31, 2019

	Ref.	Paid or Charged
Paid or charged		
Cash disbursed	A-4	\$ 3,683,677
Reserve for uncollected taxes	A-2	400,000
Appropriated deferred charges	A-13	5,513
Reserve for encumbrances	A-16	9,241
Due to general capital fund	A-25	249,520
Appropriated reserve for grants	A-27	26,777
		<u>4,374,728</u>
Less		
Appropriation refunds	A-4	<u>94,674</u>
	A-3	<u><u>\$ 4,280,054</u></u>
Appropriations		
Budget	A-2	\$ 4,730,999
Added by N.J.S.A. 40A:4-87	A-2	<u>-</u>
	A-3	<u><u>\$ 4,730,999</u></u>

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Comparative Balance Sheet - Regulatory Basis
Trust Fund
December 31,

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Assets			
Animal control fund			
Cash - Treasurer	B-1	<u>\$ 8,674</u>	<u>\$ 7,539</u>
Other trust funds			
Cash - Treasurer	B-1	590,691	612,733
LOSAP investments (unaudited)	B-1	527,449	426,144
Loans receivable	B-6	<u>55,141</u>	<u>55,141</u>
		<u>1,173,281</u>	<u>1,094,018</u>
Open space fund			
Cash - Treasurer	B-1	<u>1,032,720</u>	<u>980,829</u>
Total assets		<u><u>\$ 2,214,675</u></u>	<u><u>\$ 2,082,386</u></u>
Liabilities and reserves			
Animal control fund			
Reserve for animal control expenditures	B-3	\$ 8,669	\$ 7,539
Due to State of New Jersey	B-4	<u>5</u>	<u>-</u>
		<u>8,674</u>	<u>7,539</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Comparative Balance Sheet - Regulatory Basis (continued)
Trust Fund
December 31,

	Ref.	2019	2018
Liabilities and reserves (continued)			
Open space fund			
Reserve for open space	B-7	\$ 1,032,720	\$ 980,829
Other trust funds			
Due to current fund	B-5	-	2,035
Reserve for loans receivable	B-6	55,141	55,141
Reserve for road improvements	B-8	65,176	65,176
Reserve for road opening permits	B-9	4,000	4,000
Reserve for quarry ordinance	B-10	2,916	2,916
Reserve for cash bonds	B-11	1,019	1,019
Reserve for miscellaneous trust	B-12	1,786	1,786
Reserve for escrow	B-13	90,805	95,271
Reserve for unemployment	B-14	67,473	74,572
Reserve for recreation	B-15	11,566	6,242
Reserve for Sutton Burial Ground	B-17	8,628	8,500
Due to grant fund	B-18	-	2,390
Reserve for developer's deposits - COAH	B-19	142,905	129,568
Reserve for COAH - interest	B-20	29,631	27,425
Reserve for insurance	B-21	18,474	18,474
Reserve for Public Defender	B-22	4,662	4,392
Reserve for POAA	B-23	30	26
Reserve for fire fighter training & equipment	B-24	3,000	-
Reserve for environmental trust	B-25	1,795	-
Reserve for quarry reclamation fund	B-26	35,378	30,883
Reserve for tax premiums	B-27	57,800	95,200
Reserve for farmer's market	B-28	2,112	2,487
Reserve for retirement	B-29	10,018	5,018
Reserve for snow removal	B-30	13,000	12,996
Reserve for payroll withholdings	B-31	2,000	2,000
Reserve for police building	B-32	4,639	10,979
Reserve for police equipment insurance	B-33	4,378	4,378
Reserve for police cameras	B-34	7,500	5,000
Reserve for LOSAP (unaudited)	B-35	527,449	426,144
		<u>1,173,281</u>	<u>1,094,018</u>
Total liabilities and reserves		<u>\$ 2,214,675</u>	<u>\$ 2,082,386</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Comparative Balance Sheet - Regulatory Basis
General Capital Fund
December 31,

	Ref.	2019	2018
Assets			
Cash	C-2	\$ 1,036,825	\$ 895,400
Deferred charges to future taxation			
Funded	C-7	6,036,000	6,493,000
Unfunded	C-8	2,822,290	2,578,028
Total assets		<u>\$ 9,895,115</u>	<u>\$ 9,966,428</u>
Liabilities, reserves and fund balance			
General serial bonds payable	C-17	\$ 6,036,000	\$ 6,493,000
Bond anticipation note payable	C-19	2,710,000	2,000,000
Improvement authorizations			
Funded	C-9	168,561	141,409
Unfunded	C-9	565,431	1,109,524
Capital improvement fund	C-10	1,465	11,945
Reserves for			
Payment of debt service	C-11	-	28,069
Purchase of various equipment	C-12	121,608	122,337
Improvement of municipal facilities	C-13	10,000	30,000
Guard rails	C-14	2,325	2,325
Road improvements	C-15	1,928	2,603
Encumbrances	C-16	266,424	46
Fund balance	C-1	11,373	25,170
Total liabilities, reserves and fund balance		<u>\$ 9,895,115</u>	<u>\$ 9,966,428</u>
Bonds and notes authorized but not issued	C-18	<u>\$ 112,290</u>	<u>\$ 729,921</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Comparative Statement of Fund Balance - Regulatory Basis
General Capital Fund
For the Year Ended December 31,

	<u>Ref.</u>	<u>2019</u>	<u>2018</u>
Balance - January 1	C	\$ 25,170	\$ 13,498
Increased by			
Improvement authorizations canceled		-	112
Premium on bond anticipation note	C-5	11,249	11,560
		<u>36,419</u>	<u>25,170</u>
Decreased by			
Appropriated to Finance			
Improvement authorizations	C-9	25,000	-
Applied to reserve for debt service	C-11	46	-
		<u> </u>	<u> </u>
Balance - December 31	C	<u>\$ 11,373</u>	<u>\$ 25,170</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DELAWARE
Comparative Statement of General Fixed Assets - Regulatory Basis
General Fixed Assets Account Group
For the Year Ended December 31,

	<u>2019</u>	<u>2018</u>
General fixed assets		
Land	\$ 2,577,600	\$ 2,577,600
Building & building improvements	1,116,525	1,116,525
Machinery & equipment	619,226	576,418
Vehicles	<u>2,874,353</u>	<u>2,874,353</u>
	<u>\$ 7,187,704</u>	<u>\$ 7,144,896</u>

See accompanying notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 1 - Summary of significant accounting policies
Reporting entity

Except as noted below, the Financial Statements - Regulatory Basis of the Township of Delaware (the Municipality) include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Municipality, as required by N.J.S.A. 40A:5-5. Component units are legally separate organizations for which the Municipality is financially accountable. The Municipality is financially accountable for an organization if the Municipality appoints a voting majority of the organization's governing board and (1) the Municipality is able to significantly influence the programs or services performed or provided by the organization; or (2) the Municipality is legally entitled to or can otherwise access the organization's resources; the Municipality is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Municipality is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Municipality in that the Municipality approves the budget, the issuance of debt or the levying of taxes.

The financial statements of the component unit of the Municipality are not presented in accordance with Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. If the provisions of GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61 had been complied with, the financial statements of the following component unit would have been either blended or discretely presented with the financial statements of the Municipality, the primary government:

Delaware Township Municipal Utilities Authority
P.O. Box 103
Sergeantsville, NJ 08557

The Authority's financial statements are presented in a separate audit report as required by N.J.A.C. 5:31-7.6.

Description of funds and account group

The accounting policies of the Municipality conform to the accounting principles applicable to municipalities, which have been prescribed by the New Jersey 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 Municipality accounts for its financial transactions through the following separate funds and account groups:

Governmental Funds

Current Fund - resources and expenditures for governmental operations of a general nature, including Federal and State Grant Funds.

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

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 1 - Summary of significant accounting policies (continued)

Description of funds and account group (continued)

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

Account Groups

General Fixed Assets Account Group - to account for all fixed assets of the Municipality. Neither infrastructure nor depreciation of assets of the Municipality is recorded in the group.

Basis of accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from accounting policies generally accepted in the United States of America (GAAP). The more significant differences, which may be material, are discussed further in Note 1.

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

Budget and budgetary procedures - The State of New Jersey has promulgated the form and procedures for the Municipality's cash basis budget in the Local Budget Law (N.J.S.A. 40A:4-1). The Municipality is only required to adopt budgets for the Current Fund and any Utility Fund, if applicable.

The Municipality must introduce and approve its annual budget no later than February 10th and adopt no later than March 20th of its budget year, unless extended by the Director of the Division of Local Government Services (the Director). All budgets shall be introduced, approved, amended and adopted by resolution passed by not less than a majority of the full membership of the governing body. The approved budget must be advertised, and a public hearing must be held prior to adoption. No budget or amendment thereof shall be adopted unless the Director has certified his approval thereof.

Emergency and special emergency appropriations may be made by resolution adopted by a 2/3 vote of the full membership of the governing body. All emergency appropriations must be raised in full in the succeeding year's budget, while special emergency appropriations financed from surplus funds shall be raised in installments of a least 20% annually until fully provided for.

Transfers between current year appropriations are allowed only during the last two months of the fiscal year. Transfers between prior year appropriation reserves are allowed only during the first three months of the fiscal year.

Revenues - are recorded when received in cash except for certain amounts, which are due from other Governmental Units. Receipts from Federal and State grants are realized as revenue when anticipated in the Municipal budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Municipality's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Municipality which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 1 - Summary of significant accounting policies (continued)

Basis of accounting (continued)

Expenditures - are recorded on the budgetary basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at year-end are reported as a cash liability in the financial statements and constitute part of the Municipality's statutory appropriation reserve balance.

Appropriation Reserves - covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts, which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

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. Ordinarily it is the intention of the Municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason, the value of the foreclosed property has not been included in the general fixed assets account group. If such property is converted to a municipal use, it will be recorded in the general fixed assets account group.

Tax Title Liens - are taxes which have been put up for sale but not been purchased. The Municipality then accepts the lien which will earn 18% per annum until the lien is paid off by the property owner. The Municipality may choose to foreclose and return the property to the tax rolls.

The Municipality may choose to foreclose and return the property to the tax rolls.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies - the costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

Deferred Charges to Future Taxation - Funded and Unfunded (Capital Fund) - upon authorization of capital projects, the Municipality establishes deferred charges for the costs of the projects that are to be raised by future taxation. Deferred charges relating to permanent debt issued are shown as funded. All other deferred charges are shown as unfunded.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 1 - Summary of significant accounting policies (continued)

Basis of accounting (continued)

General Fixed Assets - in accordance with New Jersey Administrative Code Section 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the State of New Jersey, which differs in certain respects from generally accepted accounting principles, all local units are required to have and maintain a fixed assets accounting and reporting system. In accordance with this administrative code requirement, fixed assets acquired after December 31, 1985 shall be valued on the basis of actual cost; prior to that time, they may be valued at cost or estimated historical cost.

Fixed assets used in governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

No depreciation has been provided for in the financial statements.

Fixed assets acquired through grants in aid or contributed capital has not been accounted for separately.

Departures from generally accepted accounting principles

As noted, the accounting principles and practices used differ in some respects from generally accepted accounting principles (GAAP) for local governmental units. The more significant differences, which may be material, are as follows:

1. Revenues - GAAP records taxes, utility charges and other revenues as income when levied and there is no reserve for receivables for unpaid balances.
2. Expenditures - GAAP records expenditures when incurred and does not reflect appropriation reserve balances or deferred charges to future taxation.
3. Interfunds - GAAP does not require offsetting reserves for Interfund receivables and resulting revenue recognition when Interfunds are liquidated.
4. Inventories - GAAP requires inventories to be reported on the balance sheet at year-end.
5. Grant Accounting - GAAP requires that grants be recorded within a special revenue fund and revenues are not to be realized until earned.
6. Capital Funds - GAAP requires separate funds for the recording of capital projects and payment of debt service, while New Jersey requirements incorporates these transactions within one fund.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 1 - Summary of significant accounting policies (continued)

Departures from generally accepted accounting principles (continued)

7. Compensated absence liabilities for sick and vacation pay and for contributions to state administered pension plans are not recorded until paid.
8. Losses arising from tax appeals and other contingencies are not recorded until paid.
9. Financial Reporting Model - These statements are not presented on the requirements as promulgated by the following GASB Statements which made a dramatic change to the financial reporting requirements of State and Local governments as it relates to reporting for GAAP purposes:

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - Information regarding pension activity is disclosed rather than reported.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - Information regarding postemployment benefits other than pensions are disclosed rather than reported.

GASB Statement No. 84, *Fiduciary Activities* - This statement made dramatic changes to the financial reporting requirements relating to trust funds.

GASB Statement No. 87, *Leases* - Information regarding leases are disclosed rather than reported.

It is not practicable to determine the effect of these differences on the financial statements.

Note 2 - Deposits and investments

Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. The Municipality does not have any investments.

New Jersey Municipal Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Municipal Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the Municipality may invest with any one issuer.

The Cash Management Plan adopted by the Municipality requires it to deposit funds in public depositories protected from loss under provisions of the act.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 2 - Deposits and investments (continued)

Custodial credit risk - deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Municipality's deposits might not be recovered. The Municipality does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the Municipality relative to the happening of a future condition.

As of December 31, 2019 and 2018, the Municipality's bank balances of \$7,843,256 and \$7,568,013, respectively, were exposed to custodial credit risk as follows:

	2019	2018
Insured by the FDIC	\$ 340,504	\$ 347,705
Uninsured and collateralized with securities held by pledging financial institutions	7,502,752	7,220,308
Total	<u>\$ 7,843,256</u>	<u>\$ 7,568,013</u>

Note 3 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the Municipality, the Municipality's Local School, and the County, the tax rate is determined by the County Board of Taxation based on the certified amounts in each of the taxing municipalities for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4 et seq. Special taxing municipalities are permitted in New Jersey for various special services rendered to the properties located within the special municipalities.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 3 - Tax assessments and property taxes (continued)

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

Note 4 - Long-term debt

The Local Bond Law of the State of New Jersey governs the authorization of debt by municipalities to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded. Bond anticipation notes may also be issued to temporarily finance capital projects for periods not greater than one year and may be reissued in yearly installments not to exceed ten years. All bonds and notes issued by the Municipality are general full faith and credit obligations.

Summary of statutory debt condition - annual debt statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.02%.

	Gross Debt	Deductions	Net Debt
Local school district debt	\$ 3,865,000	\$ 3,865,000	\$ -
Regional school district debt	379,482	379,482	-
General debt	8,858,290	-	8,858,290
	<u>\$ 13,102,772</u>	<u>\$ 4,244,482</u>	<u>\$ 8,858,290</u>

Net debt \$8,858,290 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended, \$867,608,017 equals 1.02%.

Borrowing power under N.J.S.A. 40A:2-6 as amended

3 ½% of equalized valuation basis (Municipal)	\$ 30,366,281
Net debt	<u>8,858,290</u>
Remaining borrowing power	<u>\$ 21,507,991</u>

Changes in long-term debt

During the years ended December 31, 2018 and 2019, the following changes occurred in long-term debt.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 4 - Long-term debt (continued)
Changes in long-term debt (continued)

	Balance 01/01/18	Additions	Reductions	Balance 12/31/18
Issued debt				
General capital				
Bonds	\$ 6,945,000	\$ -	\$ 452,000	\$ 6,493,000
Notes	1,000,000	1,000,000	-	2,000,000
Authorized but not issued debt				
General capital				
Bonds and notes	1,504,671	306,850	1,081,600	729,921
Total	<u>\$ 9,449,671</u>	<u>\$ 1,306,850</u>	<u>\$ 1,533,600</u>	<u>\$ 9,222,921</u>

	Balance 01/01/19	Additions	Reductions	Balance 12/31/19
Issued debt				
General capital				
Bonds	\$ 6,493,000	\$ -	\$ 457,000	\$ 6,036,000
Notes	2,000,000	861,893	151,893	2,710,000
Authorized but not issued debt				
General capital				
Bonds and notes	729,921	671,325	1,288,956	112,290
Total	<u>\$ 9,222,921</u>	<u>\$ 1,533,218</u>	<u>\$ 1,897,849</u>	<u>\$ 8,858,290</u>

General Obligation Bonds - General obligation bonds at December 31, 2019 with their outstanding balances are comprised of the following individual issues:

\$4,190,000 - 2002 general obligation bonds due in annual installments of \$2,000 to \$232,000 beginning April 15, 2003 through October 15, 2022, interest at 2.00% to 5.25%.	\$ 6,000
\$2,350,000 - 2013 refunding bonds due in annual installments of \$235,000 to \$255,000 beginning October 15, 2013 through October 15, 2022, interest at 2.10%.	650,000
\$6,025,000 - 2015 refunding bonds due in annual installments of \$205,000 to \$375,000 beginning October 15, 2015 through October 15, 2038, interest at 2.00% to 4.00%.	5,380,000
Total	<u>\$ 6,036,000</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 4 - Long-term debt (continued)

Schedule of annual debt service for principal and interest for outstanding bonds

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 462,000	\$ 196,895	\$ 658,895
2021	457,000	182,678	639,678
2022	467,000	168,468	635,468
2023	265,000	156,313	421,313
2024	275,000	150,019	425,019
2025 - 2029	1,285,000	637,656	1,922,656
2030 - 2034	1,420,000	422,950	1,842,950
2035 - 2038	1,405,000	141,950	1,546,950
Total	<u>\$ 6,036,000</u>	<u>\$ 2,056,929</u>	<u>\$ 8,092,929</u>

Note 5 - Short-term debt - bond anticipation notes

The Municipality had outstanding bond anticipation notes at December 31, 2019 in the amount of \$2,710,000. These notes have a term from July 23, 2019 to July 23, 2020, with an interest rate of 2.00% payable at maturity. Principal and interest on the notes are paid from the current fund budget. The notes were issued in the amount of \$93,004 for Ordinance #15-10 Acquisition of Equipment, \$1,188,322 for Ordinance #17-08 Road Construction, \$570,000 for Ordinance #17-07 Fire Truck, \$282,103 for Ordinance #17-09 Road Equipment, \$322,571 for Ordinance #13-03 Improvement of Various Roads, \$167,000 for Ordinance #18-14 Zentek/Meszaros Road, and \$87,000 for Ordinance #19-07 Sidewalk Installation.

The Municipality had outstanding bond anticipation notes at December 31, 2018 in the amount of \$2,000,000. These notes have a term from July 26, 2018 to July 25, 2019, with an interest rate of 2.75% payable at maturity. Principal and interest on the notes are paid from the current fund budget. The notes were issued in the amount of \$95,000 for Ordinance #15-10 Acquisition of Equipment, \$580,429 for Ordinance #17-08 Road Construction, \$570,000 for Ordinance #17-07 Fire Truck, \$432,000 for Ordinance #17-09 Road Equipment, and \$322,571 for Ordinance #13-03 Improvement of Various Roads.

Note 6 - Fund balances appropriated

For the year ended December 31, 2019 and 2018, fund balances which were appropriated and included as anticipated revenue in their own respective funds were as follows:

	<u>2019</u>	<u>2018</u>
Current Fund	<u>\$ 357,000</u>	<u>\$ 357,000</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 7 - School taxes

Local Municipality Tax and Regional High School Tax have been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the Current Fund liabilities as follows:

	Local District School Tax		Regional High School Tax	
	Balance 12/31/19	Balance 12/31/18	Balance 12/31/19	Balance 12/31/18
Balance of tax	\$ 4,412,260	\$ 4,280,179	\$ 2,146,759	\$ 2,354,393
Deferred	2,113,540	2,050,142	987,535	1,083,046
Tax payable (prepaid)	<u>\$ 2,298,720</u>	<u>\$ 2,230,037</u>	<u>\$ 1,159,224</u>	<u>\$ 1,271,347</u>

Note 8 - Taxes collected in advance

Taxes collected in advance, include discounts allowed for prepayments and the amount set forth as cash liabilities in the financial statements as follows:

	Balance 12/31/19	Balance 12/31/18
Prepaid taxes	\$ 204,486	\$ 217,274
Less: discount allowed	-	-
Cash liability for taxes collected in advance	<u>\$ 204,486</u>	<u>\$ 217,274</u>

Note 9 - Pensions

Employees, who are eligible for a pension plan, are enrolled in one of three pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The three State-administered plans are:

- (1) The Public Employees' Retirement System
- (2) Defined Contribution Retirement Program
- (3) The Police and Firemen's Retirement System

Due to the basis of accounting described in Note 1, no liability has been recorded in the financial statements for the Municipal's share of net pension liability for the Public Employees' Retirement System.

Public employee's retirement system

Plan description

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

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.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)
Public employee's retirement system (continued)
Plan description (continued)

The following represents the membership tiers for PERS:

Tier	Definition
1	Members enrolled prior to July 1, 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members 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 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective Tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective Tier.

Allocation methodology

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages for each group as of June 30, 2019, are based on the ratio of each employer's contributions to total employer contributions of the group for the State fiscal year ended June 30, 2019.

Contributions

The contribution policy for PERS is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for non-contributory group insurance benefits is based on actual claims paid. For State Fiscal Year 2019, the State's pension contribution was less than the actuarial determined amount.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)
Public employee's retirement system (continued)
Contributions (continued)

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability 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.

The contribution rate was 7.50% of base salary effective July 1, 2018.

The Municipality's contractually required contribution rate for the year ended December 31, 2019 and 2018 was 13.10% and 16.02%, respectively, of the Municipality's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

The Municipality contributed \$99,655 and \$120,108 respectively for the year ending December 31, 2019 and 2018.

Collective net pension liability and actuarial information

The Municipality's proportionate share of the net pension liability for PERS as of December 31, 2019 and 2018 are as follows:

	2019	2018
Net pension liability	\$ 1,846,018	\$ 2,377,522
Proportionate share	0.0101743556%	0.0120750800%
Plan fiduciary net position as a percentage of the total pension liability	56.27%	53.60%

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)
Public employee's retirement system (continued)
Collective net pension liability and actuarial information (continued)
Actuarial Assumptions

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

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases (based on years of service)	
Through 2026	2.00% - 6.00%
Thereafter	3.00% - 7.00%
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Public employee's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Long-term expected rate of return

In accordance with state statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.0%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Public employee's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the Municipality's proportionate share of the collective net pension liability of as of December 31, 2019 and 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% point lower or 1% point higher than the current rate:

<u>Municipality's proportionate share of the net pension liability</u>	<u>2019</u>
At current discount rate (6.28%)	\$ 1,846,018
At a 1% lower rate (5.28%)	2,331,821
At a 1% higher rate (7.28%)	1,436,660
 <u>Municipality's proportionate share of the net pension liability</u>	 <u>2018</u>
At current discount rate (5.66%)	\$ 2,377,522
At a 1% lower rate (4.66%)	2,989,461
At a 1% higher rate (6.66%)	1,864,146

Collective deferred outflows of resources and deferred inflows of resources

At December 31, 2019 and 2018, the Municipality reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,134	\$ 8,155	\$ 45,340	\$ 12,259
Changes of assumptions	184,332	640,747	391,776	760,205
Net difference between projected and actual earnings on pension plan investments	-	29,140	-	22,301
Changes in proportion and differences between Municipality contributions and proportionate share of contributions	46,725	363,414	73,726	44,954
Total	<u>\$ 264,191</u>	<u>\$ 1,041,456</u>	<u>\$ 510,842</u>	<u>\$ 839,719</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Public employee's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended December 31, 2019 and 2018:

<u>December 31, 2019</u>	<u>Beginning Balance</u>	<u>Net Change in Activity</u>	<u>Ending Balance</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 45,340	\$ (12,206)	\$ 33,134
Changes of assumptions	391,776	(207,444)	184,332
Deferred inflows of resources			
Differences between expected and actual experience	(12,259)	4,104	(8,155)
Changes of assumptions	(760,205)	119,458	(640,747)
Differences between projected and actual earnings on pension plan investments	(22,301)	(6,839)	(29,140)
Net changes in deferred outflows (inflows) of resources	<u>\$ (357,649)</u>	<u>\$ (102,927)</u>	<u>\$ (460,576)</u>
 <u>December 31, 2018</u>	 <u>Beginning Balance</u>	 <u>Net Change in Activity</u>	 <u>Ending Balance</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 67,034	\$ (21,694)	\$ 45,340
Changes of assumptions	573,547	(181,771)	391,776
Differences between projected and actual earnings on pension plan investments	19,385	(19,385)	-
Deferred inflows of resources			
Differences between expected and actual experience	-	(12,259)	(12,259)
Changes of assumptions	(571,445)	(188,760)	(760,205)
Differences between projected and actual earnings on pension plan investments	-	(22,301)	(22,301)
Net changes in deferred outflows (inflows) of resources	<u>\$ 88,521</u>	<u>\$ (446,170)</u>	<u>\$ (357,649)</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Public employee's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

Deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from the Municipality's contributions subsequent to the measurement date, and deferrals from change on proportion) will occur in future periods for the year ending December 31, 2019 and 2018 as follows:

	2019		2018
2020	\$ (53,305)	2019	\$ 16,501
2021	(172,919)	2020	(22,846)
2022	(154,407)	2021	(163,826)
2023	(72,502)	2022	(142,007)
2024	(7,443)	2023	(45,471)
Total	<u>\$ (460,576)</u>	Total	<u>\$ (357,649)</u>

Pension expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the Municipality for the year ending December 31, 2019 and 2018 are as follows:

	2019	2018
Service cost	\$ 71,096	\$ 112,225
Interest on total pension liability	210,725	269,792
Member contributions	(48,970)	(64,444)
Administrative expense	1,297	1,785
Expected investment return net of investment expense	(130,753)	(169,386)
Pension expense related to specific liabilities of individual employers	(612)	(992)
Recognition of deferred inflows/outflows of resources		
Amortization of expected versus actual experience	15,865	18,199
Amortization of assumption changes or inputs	(48,489)	(20,953)
Amortization of projected versus actual investment earnings on pension plan investments	15,426	(14,428)
Pension expense	<u>\$ 85,585</u>	<u>\$ 131,798</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15:c-1 et seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established maximum compensation limits; employees enrolled in PFRS after May 21, 2010, who earn salary in excess of established maximum compensation limits; employees otherwise eligible to enroll in 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 PERS after May 21, 2010, who do not work the minimum number of hours per week required for Tiers 4 or 5 enrollment, but who earn salary of at least \$5,000 annually. For the year ended December 31, 2019 and 2018, the Municipality contributed \$2,720 and \$643 respectively. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program website: www.prudential.com/njdcrp.

Vesting and benefit provisions

All members who become eligible for DCRP are immediately vested. Benefits include a defined contribution retirement plan distribution that can be received in a lump sum or in portions upon retirement, life insurance coverage, and long-term disability coverage.

Police and fireman's retirement system

Plan description

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

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:

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

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)
Police and fireman's retirement system (continued)

Plan description (continued)

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For Fiscal Year 2019, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The Actuaries will determine the unfunded liability of those retirement systems, 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.

The contribution policy for PFRS is set by New Jersey state statutes and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employee contributions are a percentage of annual compensation, as defined, and are 10.00% of employees' annual contractual compensation.

The Township's contractually required contribution rate for the year ended December 31, 2019 and 2018 was 28.64% and 28.45%, respectively, of the Township's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

The Municipality contributions were \$181,913 and \$173,661 for the year ending December 31, 2019 and 2018.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Police and fireman's retirement system (continued)

Special funding situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

During the fiscal year ended June 30, 2019, the State of New Jersey contributed \$23,448 to the PFRS for normal pension benefits on behalf of the Municipality, which is less than the contractually required contributions of \$40,435.

Collective net pension liability and actuarial information

The Municipality's proportionate share of the net pension liability for PFRS as of December 31, 2019 and 2018 are as follows:

	2019	2018
Municipality proportionate share of net pension liability	\$ 2,551,940	\$ 2,730,144
Less: State proportionate share of net pension liability	348,005	326,496
Net pension liability	<u>\$ 2,203,935</u>	<u>\$ 2,403,648</u>
Proportionate share	0.0180092161	0.0177631539
Plan fiduciary net position as a percentage of the total pension liability	65.00%	62.48%

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Police and fireman's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Actuarial assumptions

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

Inflation rate

Price	2.75%
Wage	3.25%

Salary increases (based on years of service)

Through all future years	3.25% - 15.25%
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Investment rate of return

7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2019 are summarized in the following table:

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Police and fireman's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging market equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount rate

The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Police and fireman's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the Municipality's proportionate share of the collective net pension liability of as of December 31, 2019 and 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% point lower or 1% point higher than the current rate:

<u>Municipality's proportionate share of the net pension liability</u>	<u>2019</u>
At current discount rate (6.85%)	\$ 2,551,940
At a 1% lower rate (5.85%)	3,449,294
At a 1% higher rate (7.85%)	1,809,252
 <u>Municipality's proportionate share of the net pension liability</u>	 <u>2018</u>
At current discount rate (6.51%)	\$ 2,730,144
At a 1% lower rate (5.51%)	3,653,958
At a 1% higher rate (7.51%)	1,968,164

Collective deferred outflows of resources and deferred inflows of resources

At December 31, 2019 and 2018, the Municipality reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,604	\$ 13,954	\$ 24,454	\$ 9,947
Changes of assumptions	75,519	712,292	206,321	616,013
Net difference between projected and actual earnings on pension plan investments	-	29,863	-	13,150
Changes in proportion and differences between Municipality contributions and proportionate share of contributions	73,207	-	73,726	-
Total	<u>\$ 167,330</u>	<u>\$ 756,109</u>	<u>\$ 304,501</u>	<u>\$ 639,110</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Police and fireman's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended December 31, 2019 and 2018:

<u>December 31, 2019</u>	<u>Beginning Balance</u>	<u>Net Change in Activity</u>	<u>Ending Balance</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 24,454	\$ (5,850)	\$ 18,604
Changes of assumptions	206,321	(130,802)	75,519
Deferred inflows of resources			
Differences between expected and actual experience	(9,947)	(4,007)	(13,954)
Changes of assumptions	(616,013)	(96,279)	(712,292)
Differences between projected and actual earnings on pension plan investments	(13,150)	(16,713)	(29,863)
Net changes in deferred outflows (inflows) of resources	<u>\$ (408,335)</u>	<u>\$ (253,651)</u>	<u>\$ (661,986)</u>
 <u>December 31, 2018</u>	 <u>Beginning Balance</u>	 <u>Net Change in Activity</u>	 <u>Ending Balance</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ -	\$ 24,454	\$ 24,454
Changes of assumptions	468,272	(261,951)	206,321
Differences between projected and actual earnings on pension plan investments	236,887	(236,887)	-
Deferred inflows of resources			
Differences between expected and actual experience	22,162	(32,109)	(9,947)
Changes of assumptions	-	(616,014)	(616,013)
Differences between projected and actual earnings on pension plan investments	-	(13,151)	(13,150)
Net changes in deferred outflows (inflows) of resources	<u>\$ 727,321</u>	<u>\$ (1,135,658)</u>	<u>\$ (408,335)</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 9 - Pensions (continued)

Police and fireman's retirement system (continued)

Collective net pension liability and actuarial information (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from the Municipality's contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense for the year ending December 31, 2019 and 2018 as follows:

	2019		2018
2020	\$ (115,543)	2019	\$ 20,672
2021	(242,542)	2020	(69,683)
2022	(171,771)	2021	(194,948)
2023	(84,671)	2022	(125,143)
2024	(47,459)	2023	(39,233)
Total	<u>\$ (661,986)</u>	Total	<u>\$ (408,335)</u>

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the Municipality for the year ending December 31, 2019 and 2018 are as follows:

	2019	2018
Service cost	\$ 151,380	\$ 160,069
Interest on total pension liability	476,962	450,121
Member contributions	(64,606)	(61,559)
Administrative expense	1,014	681
Expected investment return net of investment expense	(302,019)	(283,102)
Transfers between State and Local employers	-	(4,150)
Pension expense related to specific liabilities of individual employers	(1,463)	(627)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs	(71,819)	(21,984)
Amortization of expected versus actual experience	(2,098)	(44)
Amortization of projected versus actual investment earnings on pension plan investments	49,981	(14,305)
Less: state proportionate share of employer expense	40,435	(38,673)
Pension expense	<u>\$ 196,897</u>	<u>\$ 186,427</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 10 - Postretirement benefits

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

The SHBP provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation agreement.

The Municipality has adopted a resolution to participate in the SHBP.

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Postretirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

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

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 10 - Postretirement benefits (continued)

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Municipality monthly. Premiums are funded entirely by the Municipality and are based on the type of coverage selected by the employee.

The Municipality's contributions to the SHBP for postretirement benefits for the years ended December 31, 2019 and 2018 were \$127,886 and \$203,566, respectively, which equaled the required benefit contribution for each year. In addition, certain retirees were reimbursed for personally paid health benefits for the years ended December 31, 2019 and 2018 were \$12,030 and \$9,040, respectively.

Allocation methodology

GASB Statement No 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and non-employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and non-employer may result in immaterial differences.

Components of net OPEB liability

The Municipality's proportionate share of the net OPEB liability of the participating employers in the SHBP as of December 31, 2019 and 2018 were as follows:

	2019	2018
Net OPEB liability	\$ 3,270,563	\$ 4,084,444
Proportionate share	0.024144%	0.026071%
Plan fiduciary net position as a percentage of the total OPEB liability	1.98%	1.97%

The net OPEB liability as of December 31, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. Salary increases are based on the defined benefit plan that the member is enrolled in and the member's age. The actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 10 - Postretirement benefits (continued)

Components of net OPEB liability (continued)

Inflation rate	2.50%
Salary increases (based on years of service)	
PERS	
Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
PFRS	
Rate for all future years	3.25% to 15.25%

Mortality:

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

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

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

Healthcare trend assumptions

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

Discount rate

The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the state. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 10 - Postretirement benefits (continued)

Sensitivity of net OPEB liability to changes in the discount rate

The following presents the collective net OPEB liability of the participating employers as of December 31, 2019 and 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2019	2018
At current discount rate (3.50% and 3.87%)	\$ 3,270,563	\$ 4,084,444
At a 1% lower rate (2.50% and 2.87%)	3,781,603	4,792,133
At a 1% higher rate (4.50% and 4.87%)	2,855,276	3,519,161

Sensitivity of net OPEB liability to changes in the healthcare trend rate

The following presents the collective net OPEB liability of the participating employers as of December 31, 2019 and 2018, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2019	2018
Healthcare cost trend rate	\$ 3,270,563	\$ 4,084,444
At a 1% lower rate (1% decrease)	2,759,952	3,407,081
At a 1% higher rate (1% increase)	3,921,934	4,961,052

Collective deferred outflows of resources and deferred inflows of resources

At December 31, 2019 and 2018, the Municipality reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 956,440	\$ -	\$ 829,288
Changes of assumptions	-	1,159,015	-	1,036,073
Net difference between projected and actual earnings on OPEB plan investments	2,694	-	2,158	-
Changes in proportion and differences between Municipality contributions and proportionate share of contributions	57,477	609,768	66,838	269,363
Total	<u>\$ 60,171</u>	<u>\$ 2,725,223</u>	<u>\$ 68,996</u>	<u>\$ 2,134,724</u>

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended December 31, 2019 and 2018, respectively:

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 10 - Postretirement benefits (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

Sensitivity of net OPEB liability to changes in the healthcare trend rate (continued)

<u>December 31, 2019</u>	<u>Beginning Balance</u>	<u>Net Change in Activity</u>	<u>Ending Balance</u>
Deferred outflows of resources			
Differences between projected and actual investment earnings on OPEB plan investments	\$ 1,999	\$ 695	\$ 2,694
Deferred inflows of resources			
Differences between expected and actual experience	(767,992)	(188,448)	(956,440)
Changes of assumptions	(959,493)	(199,522)	(1,159,015)
Net changes in deferred outflows (inflows) of resources	<u>\$ (1,725,486)</u>	<u>\$ (387,275)</u>	<u>\$ (2,112,761)</u>

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

Year ending December 31, 2019,

2020	\$ (344,101)
2021	(344,101)
2022	(344,312)
2023	(344,653)
2024	(344,965)
Thereafter	(390,629)
Total	<u>\$ (2,112,761)</u>

<u>December 31, 2018</u>	<u>Beginning Balance</u>	<u>Net Change in Activity</u>	<u>Ending Balance</u>
Deferred outflows of resources			
Differences between projected and actual investment earnings on OPEB plan investments	\$ 912	\$ 1,246	\$ 2,158
Deferred inflows of resources			
Differences between expected and actual experience	-	(829,288)	(829,288)
Changes of assumptions	(590,763)	(445,310)	(1,036,073)
Net changes in deferred outflows (inflows) of resources	<u>\$ (589,851)</u>	<u>\$ (1,273,352)</u>	<u>(1,863,203)</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 10 - Postretirement benefits (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

Sensitivity of net OPEB liability to changes in the healthcare trend rate (continued)

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

Year ending December 31, 2018,

2019	\$ (273,586)
2020	(273,586)
2021	(273,586)
2022	(273,815)
2023	(274,183)
Thereafter	(494,447)
Total	<u>\$ (1,863,203)</u>

The year of deferral for the differences between projected and actual investment earnings on OPEB plan investments was 2018 and 2019 and the amortization period was 5 years for each year. The year of deferral for the change of assumptions was 2018 and 2019 and the amortization period was 8.14 years and 8.05 years, respectively.

Changes in proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.14 years for the 2018 amounts and 8.05 years for 2019.

OPEB (benefit) expense

The components of allocable OPEB (benefit) expense, which exclude OPEB (benefit) expense related to specific liabilities of individual employers, for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Service cost	\$ 160,939	\$ 233,657
Interest on total OPEB liability	153,576	199,204
Expected investment return	(2,725)	(2,448)
Administrative expense	2,288	2,138
Changes in benefit terms	(460)	-
Current period recognition (amortization) of deferred inflows/outflows of resources	(149,549)	(116,147)
Changes of assumptions	(195,416)	(158,036)
Differences between projected and actual investment earnings on OPEB plan investments	864	597
Total OPEB (benefit) expense	<u>\$ (30,483)</u>	<u>\$ 158,965</u>

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 11 - Accrued sick and vacation benefits

The Township has permitted certain employees to accrue unused sick pay which may be taken off as time or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits have not been accrued by charges to operations or to budgets of prior years. At December 31, 2019 and 2018, the Municipality has estimated the liability to be approximately \$84,910 and \$86,701, respectively. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. The policy of not reflecting the accrued benefit in the financial statements is not in agreement with GASB but is in accordance with reporting procedures promulgated by the State of New Jersey.

Note 12 - Fixed assets

The following schedule is a summarization of the changes in general fixed assets for the years ended December 31, 2019 and 2018:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
Land	\$ 2,577,600	\$ -	\$ -	\$ 2,577,600
Building & building improvements	1,116,525	-	-	1,116,525
Furniture, machinery, & equipment	576,418	42,808	-	619,226
Vehicles	2,874,353	-	-	2,874,353
Total	<u>\$ 7,144,896</u>	<u>\$ 42,808</u>	<u>\$ -</u>	<u>\$ 7,187,704</u>

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Land	\$ 2,577,600	\$ -	\$ -	\$ 2,577,600
Building & building improvements	1,116,525	-	-	1,116,525
Furniture, machinery, & equipment	576,418	-	-	576,418
Vehicles	1,969,506	904,847	-	2,874,353
Total	<u>\$ 6,240,049</u>	<u>\$ 904,847</u>	<u>\$ -</u>	<u>\$ 7,144,896</u>

Note 13 - Litigation

The Municipality is involved with various litigations matters. The attorneys' letters did not indicate any litigation, claims, or contingent liabilities that are either not covered by the Municipality's insurance carrier or would have a material financial impact on the Municipality.

Grantor agencies

Receipts and/or receivables from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Township expects such amount, if any, to be immaterial.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 14 - Contingent liabilities

The Township is not economically dependent on any one business or industry located within the Municipality.

Note 15 - Interfunds receivable and payable

As of December 31, 2019, there were no interfund balances.

The following interfund balances remained on the various balance sheets of the Municipality as of December 31, 2018:

December 31, 2018	Interfund Receivable	Interfund Payable
Current Fund		
Other Trust Funds	\$ 2,035	\$ -
Grant Fund		
Trust Funds	2,390	-
Other Trust Funds		
Current Fund	-	2,035
Grant Fund	-	2,390
	\$ 4,425	\$ 4,425

Interfund balances are primarily a result of prior year activities which have not been cleared at the end of the current year.

Note 16 - Risk management

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

Property and Liability Insurance - The Municipality maintains commercial insurance coverage for property, liability, and surety bonds. Significant losses are covered by commercial insurance for all major programs and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

The Municipality is a member of the Somerset County Joint Insurance Fund (the Fund). The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Fund was established for the purpose of providing low cost insurance coverage as well as providing stability in coverage.

All members' contributions to the Fund are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 16 - Risk management (continued)

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

- a) Workers' Compensation and Employers' Liability
- b) General Liability and Auto Liability-Including Law Enforcement
- c) Property Damage
- d) Boiler and Machinery
- e) Motor Vehicle
- f) Public Officials' Liability
- g) School Board Legal Liability
- h) Nurses Medical Malpractice

Financial statements for the Somerset County Joint Insurance Fund can be found at <https://www.scjif.org/financials>.

New Jersey Unemployment Compensation Insurance

The Municipality has elected to fund its NJ Unemployment Compensation Insurance under the Benefit Reimbursement Method. Under this plan, the Municipality is required to reimburse the NJ Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the state. The Municipality is billed quarterly for amounts due to the state. The following is a summary of Municipality contributions, and interest earnings, employee contributions, reimbursements to the state for benefits paid and the ending balance of the Municipality's Unemployment Trust Fund:

<u>Years</u>	<u>Municipal Deposits</u>	<u>Amount Reimbursed</u>	<u>Employee Contributions</u>	<u>Ending Balance</u>
2019	\$ -	\$ 10,830	\$ 3,731	\$ 67,473
2018	-	6,483	2,733	74,572

Note 17 - Union contracts

As of December 31, 2019, the Municipality's employees are organized into two collective bargaining units which is the Teamsters Local Union 469 affiliated with the International Brotherhood of Teamsters (the Union) and the Hunterdon County PBA Local 188 (the PBA). The Union is the representative for all the members of the public works department excluding all managerial executives, confidential employees, professional employees, police, craftsmen, and supervisors. The term of the union contract was from January 1, 2017 to December 31, 2020. The PBA is the exclusive representative of all full-time patrol officers, corporals, and sergeants and excluding all lieutenants, captains and the chief of police. The term of the PBA contract was from January 1, 2018 to December 31, 2020.

TOWNSHIP OF DELAWARE
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 18 - Length of service award program (unaudited)

The voters of the Municipality approved the establishment of a Length of Service Award Program (LOSAP) Deferred Compensation Plan. The Program is a defined contribution program covering volunteers in the Fire Department of the Township of Delaware who have performed sufficient services to earn 60 points (as defined by the plan document) per calendar year as approved by the voters of the Municipality by referendum at the general election on November 3, 2003. The establishment of this LOSAP complies with New Jersey Public Law 1997, Chapter 388.

All investments are maintained with the Lincoln Financial Group, an authorized provider approved by the Division of Local Government Services in accordance with N.J.A.C. 5:30-14.37; and are retained in the name of the Municipality. According to the Program, all forfeited account balances are to be returned to the Municipality. For the years ending December 31, 2019 and 2018, no account balances were forfeited. The balance in the account on December 31, 2019 and 2018 amounted to \$527,449 and \$426,144, respectively. Contributions by the Municipality for qualified participants were \$25,300 and \$23,690 for 2019 and 2018, respectively.

Note 19 - Subsequent events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (The “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Municipality’s financial condition, liquidity, and future results of operations. The spread of the COVID-19 Coronavirus has resulted in stay-at-home orders issued by the State of New Jersey and the duration of the impact may be only temporary. However, the related financial impact cannot be reasonably estimated at this time.

The Municipality has determined that no material events or transactions other than those noted above, have occurred subsequent to December 31, 2019 and through June 24, 2020 the date of the Municipality’s financial statement issuance, which requires additional financial disclosure in the Municipality’s financial statements.

APPENDIX C

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

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_____, 2020

Township Committee of the
Township of Delaware, in the
County of Hunterdon, New Jersey

Dear Township Committee Members:

We have acted as bond counsel to the Township of Delaware, in the County of Hunterdon, New Jersey (the "Township") in connection with the issuance by the Township of \$3,245,000 General Improvement Bonds dated the date hereof (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Township adopted June 29, 2020 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

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

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

under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,