

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 8, 2020

NEW ISSUE

**RATINGS: S&P: “AA” (Bonds)
“SP-1+” (Note)
(See “RATINGS” herein)**

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

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

\$6,121,000*
GENERAL IMPROVEMENT BONDS, SERIES 2020
(Book-Entry-Only) (Callable)

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

\$12,984,000
BOND ANTICIPATION NOTE, SERIES 2020
(Book-Entry-Only) (Non-Callable)

Dated: April 29, 2020
Due: April 29, 2021

The \$6,121,000* General Improvement Bonds, Series 2020 (the “Bonds”), of the Township of Readington, in the County of Hunterdon, New Jersey (the “Township”), will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository. See “THE OBLIGATIONS – Book-Entry-Only System” herein.

Interest on the Bonds will be payable semiannually on April 1 and October 1 in each year until maturity or earlier redemption, commencing on April 1, 2021. Principal of and interest due on the Bonds will be paid to DTC by the Township or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the “Record Dates” for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

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

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

The \$12,984,000 Bond Anticipation Note, Series 2020 (the “Note” and, together with the Bonds, the “Obligations”) will be issued in the form of one certificate and when issued will be registered in the name of DTC, which will act as securities depository. Interest on the Note will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to the maturity date set forth above. See “THE OBLIGATIONS – Book-Entry-Only System” herein.

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

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

The Obligations are offered when, as and if issued and delivered to the Underwriters (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor in connection with the issuance of the Obligations. Delivery is anticipated to be via DTC in New York, New York, on or about April 29, 2020.

ELECTRONIC SUBMISSIONS FOR THE BONDS WILL BE RECEIVED VIA PARITY UNTIL 11:00 A.M. ON APRIL 15, 2020. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

ELECTRONIC SUBMISSIONS FOR THE NOTES WILL BE RECEIVED VIA PARITY UNTIL 11:30 A.M. ON APRIL 15, 2020. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.

* Preliminary, subject to change.

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

\$6,121,000* GENERAL IMPROVEMENT BONDS, SERIES 2020

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

<u>Year</u> <u>(April 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2021	\$176,000	%	%	
2022	200,000			
2023	215,000			
2024	225,000			
2025	235,000			
2026	250,000			
2027	260,000			
2028	275,000			
2029	350,000			
2030	350,000			
2031	335,000			
2032	325,000			
2033	325,000			
2034	325,000			
2035	325,000			
2036	325,000			
2037	325,000			
2038	325,000			
2039	325,000			
2040	325,000			
2041	325,000			

\$12,984,000 BOND ANTICIPATION NOTE, SERIES 2020

Interest Rate: ____%

Yield: ____%

CUSIP:** _____

* Preliminary, subject to change.

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

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

TOWNSHIP COMMITTEE

Jonathan Heller, Mayor
Juergen Huelsebusch, Deputy Mayor
Betty Ann Fort
John Albanese
Benjamin A. Smith

TOWNSHIP CLERK

Vita Mekovetz

CHIEF FINANCIAL OFFICER

Thomas Carro

TOWNSHIP ATTORNEY

Sharon A. Dragan, Esquire
Princeton, New Jersey

INDEPENDENT ACCOUNTANT

Lerch, Vinci & Higgins, LLP
Fair Lawn, 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 Obligations other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Township and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness and such information is not to be construed as a representation or warranty by the Underwriters or, as to information from sources other than itself, by the Township. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

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

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

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Obligations in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Township or the Underwriters. This Official Statement is submitted in connection with the sale of the Obligations referred to herein and may not be used, in whole or in part, for any other purpose.

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.

TABLE OF CONTENTS

INTRODUCTION	1
THE OBLIGATIONS	1
General Description	1
Book-Entry-Only System	2
Discontinuation of Book-Entry-Only System	4
Redemption.....	4
AUTHORIZATION AND PURPOSE OF THE OBLIGATIONS	5
The Bonds.....	5
The Note	5
SECURITY AND SOURCE OF PAYMENT	6
INFECTIOUS DISEASE OUTBREAK – COVID-19	7
MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES	8
Local Bond Law (N.J.S.A. 40A:2-1 <u>et seq.</u>).....	8
Local Budget Law (N.J.S.A. 40A:4-1 <u>et seq.</u>).....	8
Tax Assessment and Collection Procedure.....	10
Tax Appeals.....	11
Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 <u>et seq.</u>)	11
TAX MATTERS.....	12
Exclusion of Interest on the Obligations From Gross Income for Federal Tax Purposes	12
Original Issue Discount	13
Original Issue Premium	13
Bank-Qualification	13
Additional Federal Income Tax Consequences of Holding the Obligations	14
Changes in Federal Tax Law Regarding the Obligations	14
State Taxation	14
FINANCIAL STATEMENTS	14
LITIGATION.....	15
SECONDARY MARKET DISCLOSURE.....	15
The Bonds.....	15
The Note	17
The Obligations	17
MUNICIPAL BANKRUPTCY	17
APPROVAL OF LEGAL PROCEEDINGS	18
UNDERWRITING	18
The Bonds.....	18
The Note	18
RATINGS	18
MUNICIPAL ADVISOR.....	19
PREPARATION OF OFFICIAL STATEMENT	19
ADDITIONAL INFORMATION.....	19
MISCELLANEOUS	19
 CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE TOWNSHIP OF READINGTON, IN THE COUNTY OF HUNTERDON, NEW JERSEY.....	 Appendix A
 FINANCIAL STATEMENTS OF THE TOWNSHIP OF READINGTON, IN THE COUNTY OF HUNTERDON, NEW JERSEY	 Appendix B
FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL.....	Appendix C

OFFICIAL STATEMENT
Relating to the
TOWNSHIP OF READINGTON,
IN THE COUNTY OF HUNTERDON, NEW JERSEY
\$6,121,000* GENERAL IMPROVEMENT BONDS, SERIES 2020
and
\$12,984,000 BOND ANTICIPATION NOTE, SERIES 2020

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Township of Readington (the “Township”), in the County of Hunterdon (the “County”), New Jersey (the “State”), in connection with the sale and the issuance of \$6,121,000* General Improvement Bonds, Series 2020 (the “Bonds”) and a \$12,984,000 Bond Anticipation Note, Series 2020 (the “Note” and, together with the Bonds, the “Obligations”). This Official Statement has been executed by and on behalf of the Township by its Chief Financial Officer and may be distributed in connection with the sale of the Obligations described herein.

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

THE OBLIGATIONS

General Description

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

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

* Preliminary, subject to change.

successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Township directly to Cede & Co. (or any successor or assign), as nominee for DTC.

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

Book-Entry-Only System*

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

* Source: The Depository Trust Company.

Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

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

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

Redemption proceeds, if any, and principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and shall be the responsibility of such Participant and not of DTC or its nominee, the paying agent, if any, or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

Discontinuation of Book-Entry-Only System

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

Redemption

The Bonds

The Bonds maturing prior to April 1, 2028 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after April 1, 2028 are redeemable at the option of the Township in whole or in part on any date on or after April 1, 2027 at 100% of the principal amount outstanding (the “Redemption Price”) plus interest accrued to the date of redemption upon notice as required herein.

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

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

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

The Note

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

AUTHORIZATION AND PURPOSE OF THE OBLIGATIONS

The Bonds

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the “Local Bond Law”), the bond ordinances adopted by the Township Council referred to in the chart below and by a resolution duly adopted by the Township Council on February 18, 2020 (the “Resolution”).

Proceeds from the sale and issuance of the Bonds will be used by the Township to: (i) currently refund \$6,121,000 of the Township’s \$17,015,000 Bond Anticipation Note, dated and issued on January 27, 2020 and maturing on April 30, 2020 (the “Prior Notes”); and (ii) pay the costs incurred in connection with the authorization, sale and issuance of the Bonds.

Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Amount of Bonds to be Issued
09-22	Acquisition of property, finally adopted September 8, 2009.	\$631,605.60
09-23	Acquisition of property, finally adopted September 8, 2009.	1,406,411.20
09-31	Acquisition of COAH Unit, finally adopted December 7, 2009.	63,370.58
14-21	Acquisition of property, finally adopted November 17, 2014.	396,468.00
15-04	Various capital improvements, finally adopted May 4, 2015.	2,135,721.81
04-16	Various capital improvements, finally adopted May 2, 2016.	<u>1,487,422.81</u>
	Total:	\$6,121,000.00

The Note

The Note is issued pursuant to the Local Bond Law and the bond ordinances of the Borough set forth below. Proceeds from the sale and issuance of the Note will be used by the Township to: (i) currently refund the remaining \$10,894,000 of the Prior Notes; (ii) provide \$2,090,000 in new money to

temporarily finance various capital improvements in and by the Township; and (iii) pay the costs incurred in connection with the authorization, sale and issuance of the Note.

Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Refunding Amount	New Money Amount	Aggregate Amount of Notes to be Issued
04-16	Various capital improvements, finally adopted May 2, 2016.	\$694.56	\$0	\$694.56
07-17	Various capital improvements, finally adopted April 17, 2017.	1,666,300.00	0	1,666,300.00
08-17	Reacquisition of available sewer capacity previously allocated and reserved for various developers by the State, finally adopted June 5, 2017.	410,923.00	0	410,923.00
09-17	Reacquisition of available sewer capacity previously allocated and reserved for various private developers, finally adopted June 5, 2017.	3,420,000.00	0	3,420,000.00
12-17	Acquisition of properties for affordable housing purposes, finally adopted September 5, 2017.	840,000.00	0	840,000.00
01-18	Acquisition of property, finally adopted February 5, 2018.	74,750.00	0	74,750.00
05-18	Various capital improvements, finally adopted April 16, 2018.	1,725,200.00	0	1,725,200.00
10-18	Acquisition of properties for affordable housing purposes, finally adopted July 2, 2018.	752,055.44	0	752,055.44
19-09	Various capital improvements, finally adopted March 6, 2019.	0	1,425,000.00	1,425,000.00
19-20	Acquisition of fire truck, finally adopted October 7, 2019.	0	665,000.00	665,000.00
19-23	Acquisition of property, finally adopted December 2, 2019.	<u>2,004,077.00</u>	<u>0</u>	<u>2,004,077.00</u>
Total:		\$10,894,000.00	\$2,090,000.00	\$12,984,000.00

SECURITY AND SOURCE OF PAYMENT

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

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the “Pandemic”) by the World Health Organization and is currently affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States 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 New Jersey, Governor Murphy declared a state of emergency on March 9, 2020, and has since issued multiple Executive Orders regarding the Pandemic. Pursuant to such Executive Orders, Governor Murph has ordered, among other things: all State residents remain home or at their place of residence unless they meet one or more enumerated exceptions; all State residents practice social distancing and stay six (6) feet apart wherever practicable; gatherings of individuals, such as parties, celebrations and social events are cancelled; non-essential businesses cease operations from 8:00 p.m. to 5:00 a.m.; all restaurants and bars close except for delivery or takeout services; casinos, racetracks, in-person sports wagering, gyms and fitness centers, and entertainment centers be closed; all county and municipal libraries be closed; all business and non-profits accommodate telework or work-from-home arrangements; all Pre-K through 12 schools be closed; all universities and colleges in the State cease in-person instruction; no lessee, homeowner nor any other person can be removed from a residential property by foreclosure or eviction; and no foreclosure or eviction proceedings be initiated or continued while the applicable Executive Order is in effect.

The Township cannot reasonably predict how long the acute phase of the COVID-19 pandemic in New Jersey is expected to last, how the outbreak may impact the financial condition or operations of the Township, whether there will be any impact on the assessed values of property within the Township or deferral of tax payments to the Township, or the costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs of the Township.

On March 24, 2020, the Division of Local Government Services in the New Jersey Department of Community Affairs extended the date for introduction of municipal budgets to April 28, 2020 (or the next regularly scheduled governing body meeting thereafter), and the date for municipal budget adoption to May 30, 2020 (or the next regularly scheduled governing body meeting thereafter). The New Jersey Legislature is considering legislation that, if enacted, would permit the extension of any additional deadlines under the Local Budget Law, the Local Fiscal Affairs Law and the laws with respect to the issuance of tax bills. Such proposed legislation would also permit municipalities to institute an extended grace period for the receipt of property tax payments, and to extend the dates for the payment of taxes by a municipality due to a county, a school district or any other taxing district. A proposed amendment to such proposed legislation would also provide that any shortfall in the property tax payments received by the municipality would be borne pro rata by the municipality, the county and the school district(s). There can be no assurance that this legislation, or any other actions, will be enacted by the New Jersey Legislature. The Township does not plan to issue any updates or revisions regarding this legislation, or any other actions enacted by the New Jersey Legislature, if or when such legislation or other actions are enacted.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Township are general full faith and credit obligations.

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Township, as annually determined by the State Director of Taxation is \$3,215,023,302.00.

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 1.874%. As noted above, the statutory limit is 3.5%.

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

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

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Assessment and Collection Procedure

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

purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

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

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

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

Tax Appeals

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

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2018 for the Township is on file with the Clerk and is available for review during business hours.

TAX MATTERS

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

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

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

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

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

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

Original Issue Discount

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

Original Issue Premium

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

Bank-Qualification

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

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

Additional Federal Income Tax Consequences of Holding the Obligations

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

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

Changes in Federal Tax Law Regarding the Obligations

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

State Taxation

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

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

FINANCIAL STATEMENTS

Appendix B contains certain unaudited financial data of the Township extracted from the unaudited Annual Financial Statement for the fiscal year ending December 31, 2019 and certain audited financial data of the Township for the fiscal years ending December 31, 2018 and 2017. The audited financial data was extracted from the report prepared by Lerch, Vinci & Higgins, LLP, Fair Lawn, 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 information contained in Appendix A and 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 Readington, in the County of Hunterdon, New Jersey”.

LITIGATION

To the knowledge of the Township Attorney, Sharon A. Dragan, Esquire, 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 Obligations, or the levy or the collection of any taxes to pay the principal of or the interest on the Obligations, or in any manner questioning the authority or the proceedings for the issuance of the Obligations or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

The Township was Plaintiff in a matter captioned Township of Readington v. Solberg Aviation Co., et al., Superior Court of New Jersey Law Division, Docket No. HNT-L-468-06. At issue was whether the taking by the Township of certain land owned by Solberg Hunterdon Airport was proper under New Jersey’s Eminent Domain Act, N.J.S.A. 20:3-35. On May 4, 2015, the Superior Court issued a decision in favor of Defendant, Solberg Aviation Co., invalidating the taking by the Township of such property owned by the Defendant, and re-vesting fee simple ownership to such property in Defendant. The Superior Court further awarded to the Defendant (i) counsel fees and expenses, including expert fees, in connection with the above-captioned action, and (ii) counsel fees and expenses, including expert fees, incurred in connection with prior efforts in 2001 by the Township to condemn the subject property (collectively, the “Defendant Litigation Expenses”), which the Township has paid subject to appeal. The Township filed an appeal of the trial court’s decision, Docket No. A-3964-15T4. After hearing the oral argument on January 7, 2019, the court awarded in favor of the Defendant on April 9, 2019. In companion zoning case involving the same parties, the Township has been ordered to pay similar Defendant Litigation Expenses in connection with that matter. If those expenses are ultimately required to be paid by the Township, they will not be current expenses that would have to be paid from the budget. They will instead be bonded in one fashion or another. The Township is however continuing to negotiate with the property owners to determine if it is feasible to purchase the property without eminent domain.

SECONDARY MARKET DISCLOSURE

The Bonds

The Township, pursuant to the Resolution, has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Township shall provide:

(a) On or prior to September 30 of each year, beginning September 30, 2021, electronically to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system or such other repository designated by the Securities and Exchange Commission to be an authorized

repository for filing secondary market disclosure information, if any, annual financial information with respect to the Township consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Township and certain financial information and operating data consisting of (i) the Township and overlapping indebtedness including a schedule of outstanding debt issued by the Township, (ii) the Township's property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

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

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

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

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

The Note

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

The Obligations

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

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

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

MUNICIPAL BANKRUPTCY

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

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

impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

APPROVAL OF LEGAL PROCEEDINGS

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

UNDERWRITING

The Bonds

The Bonds have been purchased from the Township at a public sale by _____ (the “Bond Underwriter”) at a price of \$_____ (consisting of the par amount of the Bonds plus a bid premium of \$_____). The Bond Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement.

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

The Note

The Note has been purchased from the Township at a public sale by _____ (the “Note Underwriter” and, together with the Bond Underwriter, the “Underwriters”) at a price of \$_____ (consisting of the par amount of the Note plus an original issue premium of \$_____).

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

RATINGS

S&P Global Ratings, acting through Standard & Poor’s Financial Services, LLC (the “Rating Agency”) has assigned a rating of “AA” to the Bonds and a short-term rating of “SP-1+” to the Note.

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

or withdrawal of such ratings may have an adverse effect on the marketability or market price of the Obligations.

MUNICIPAL ADVISOR

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

PREPARATION OF OFFICIAL STATEMENT

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

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

Lerch, Vinci & Higgins, LLP assisted in the preparation of information contained in this Official Statement and takes responsibility for the financial statements to the extent specified in the Accountant’s Compilation Report and the Independent Auditor’s Report.

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

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Thomas J. Carro, Chief Financial Officer, Township of Readington, 509 Route 523, Whitehouse Station, New Jersey 08889, telephone (908) 823-0209, 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 Underwriters and the holders of any of the Obligations. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as

opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Obligations 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 READINGTON,
IN THE COUNTY OF HUNTERDON, NEW
JERSEY**

Thomas J. Carro,
Chief Financial Officer

Dated: April __, 2020

APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE TOWNSHIP OF
READINGTON, IN THE COUNTY OF HUNTERDON, NEW JERSEY**

INFORMATION REGARDING THE TOWNSHIP¹

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

General Information

The official history of the Township dates back to June 15, 1730 when it was formed by Royal Charter out of portions of Amwell Township. Originally created as Readings or Readings Town, the Township adopted its current name in 1798. During the early Eighteenth Century, Dutch settlers began more modern development in the area, and many of their descendants still live in the Township. The Township is situated approximately 50 miles west of City of New York (“New York City”). The Township is an area of approximately 47.8 square miles, making it geographically the largest Township in the County and one of the largest in the State. Surrounding municipalities include Raritan Township, Clinton Township, Tewksbury Township, and Branchburg Township. The population has steadily increased since 1960 due to the accessibility to major employers within New Jersey and the demand for semi-rural lifestyle.

Form of Government

The Township is governed by a Township Committee (the “Committee”). Five Committee members are elected at large, and the Committee selects one of its members to serve as Mayor each year. By law, the Committee has responsibility for all legislative matters ranging from the enactment of all ordinances and resolutions to general citizen representation. A number of special advisory boards and committees, as well as input from citizens who attend official meetings, assist the Committee with policy formulation. The governing body meets on the first and third Monday of each month. The meetings are open to the public and public discussion and comments are allowed. Administrative responsibilities of the Township are vested in a full-time Township Administrator (the “Administrator”). Charged with the day-to-day operations of the Township, the Administrator directs all Township services and enforcement of municipal ordinances. Appointed by and serving at the pleasure of the Committee, the Administrator is a professionally trained individual whose basic responsibility is the efficient and economic operation of the Township government.

Transportation

Routes 78, 22, 202, 31 and County Road 523 pass directly through the Township. The Whitehouse Station railway station is located in the Whitehouse Station area of Readington and connects residents to New Jersey Transit’s Raritan Valley Line, which runs from the Borough of High Bridge to Pennsylvania Station in the City of Newark, with connections available to New York City and the Northeast Corridor rail line. Solberg Airport is also located within the Township and services single and twin engine piston aircraft, hot air balloons and business turbines for business and personal travel.

¹ Source: The Township, unless otherwise indicated.

Public Works and Utilities

Other than the Police Department, the largest amount spent in the Township's budget is for the operation and maintenance of roads, streets and central facilities for recycling. The Department of Public Works (the "Department") provides maintenance services to all Township public roads, storm sewers, sanitary sewer distribution lines, traffic and street sign posting, sight distance and road shoulder clearing, street sweeping, pothole patching, chip seal, and snow and ice removal. The Township is responsible for approximately 141 miles of roads.

The Township continues its Capital Improvement Bonding program where the Department contracts out (or by local work force) drainage and reconstruction upgrades on the main road surface. All major subdivisions are required to install infrastructure improvements before final approval is given. All improvements are Class I standard with full depth of pavement, drainage and necessary curbing. A two year maintenance bond is held on all improvements, after the roads are taken into the system by the Township.

The Township has continually strived to improve the condition and safety of its roadways through a program of various improvements. Specific attention is given to visibility, drainage, grading and widening. The Township also continues to apply for New Jersey Department of Transportation funds as they become available for such types of improvements.

Gas service is provided by Public Service Electric & Gas and Elizabethtown Gas. Jersey Central Power and Light provides the Township's electrical service. Water service is provided by New Jersey American Water, while sewer service is provided by the Readington/Lebanon Sewerage Authority and the Raritan Township Municipal Utilities Authority. Comcast provides cable television to residents while CenturyLink provides local phone service.

Education

The Readington Township Public Schools serve students in grades kindergarten through grade eight. Students in public school for grades 9 - 12 attend the Hunterdon Central Regional High School. Other municipalities that send students to Hunterdon Central Regional High School are Delaware Township, East Amwell Township, Flemington Borough and Raritan Township.

Free Public Library

The Readington Library is located in the former Whitehouse Railroad Station (the "Station). Designed in a style known as Richardson Romanesque, the Station was completed in 1892. As New Jersey's railroads gradually declined in the 1960's and early 1970's, the Station fell into disrepair. Ticket sales were discontinued and the Station locked to prevent vandalism. During 1980, it became evident that New Jersey Transit was interested in leasing the Station to the Committee. Volunteer labor helped restore the building and money to provide materials was raised through the combined efforts of the Committee, the Hunterdon County Library and various fundraisers sponsored by local service organizations. On December 17, 1981, the Library officially opened for business and has been increasing its collection, patrons and circulation steadily. Since the building was restored and not renovated, the Whitehouse Station has been

included on the National Register of Historic Buildings. Also, there is a free public library located in the three bridges section of the Township.

Culture and Recreation

The Township has a number of recreational facilities. The Township is home to eight parks with athletic fields and courts, picnic tables and playgrounds. The Recreation Department provides year-round sports and activities for the residents of the Township. In addition, the Committee established a Historic Preservation Committee and a Museum Committee to protect buildings and artifacts.

Economic Development

The Township's growth is guided by a long-term master plan that was adopted by the Planning Board of January 20, 1990. The plan provides for the comprehensive and rational development of the remaining vacant land of the Township. It also provides a long-term framework and pattern for land use, roads and community facilities. Every six years, the Planning Board and Township Committee must review and update the Township's Master Plan and development regulations as required by the New Jersey Municipal Land Use Law.

The Township previously was home to the global headquarters of Merck & Co., one of the largest pharmaceutical companies in the world. Merck & Co. recently moved their global headquarters out of the Township and relocated their headquarters in Summit, New Jersey in 2015. During the summer of 2018 Merck & Co. sold its campus to UNICOM Corp. UNICOM Corp. has been occupying the property since October 2018.

In addition, the headquarters of Quick Chek, a convenience store with over 120 locations in New York and New Jersey, is located in the Township. Readington also benefits from its proximity to major highways and business centers in New Jersey.

Retirement Systems

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of two retirement systems depending upon their employment status. These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the "Division"), is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information²

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other

² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

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>				
2018	8,244	7,979	265	3.2%
2017	8,319	8,012	307	3.7%
2016	8,374	8,066	308	3.7%
2015	8,423	8,084	339	4.0%
2014	8,518	8,112	406	4.8%
<u>County</u>				
2018	63,020	60,971	2,049	3.3%
2017	63,474	61,229	2,245	3.5%
2016	64,215	61,793	2,422	3.8%
2015	64,834	62,076	2,758	4.3%
2014	65,322	62,135	3,187	4.9%
<u>State</u>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%

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

Income (as of 2017)

	<u>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$133,320	\$110,969	\$76,475
Median Family Income	159,462	136,895	94,337
Per Capita Income	70,305	54,200	39,069

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

Population

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

	<u>Township</u>		<u>County</u>		<u>State</u>	
<u>Year</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2018 Estimate	15,840	-1.77%	124,714	-2.83%	8,908,520	1.33%
2010	16,126	2.04	128,349	5.21	8,791,894	4.49
2000	15,803	17.93	121,989	13.19	8,414,350	8.85
1990	13,400	23.45	107,776	23.37	7,730,188	4.96
1980	10,855	41.19	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 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Union Science Technology Park Inc.	\$97,457,200	3.73%
Federal Insurance Co	55,507,800	2.12%
Lamington River Farms	12,303,200	0.47%
Individual Property Owner #1	9,898,600	0.38%
Transcontinental Gas Pipeline	8,274,600	0.32%
Whitehouse Mall	6,587,400	0.25%
Somerville Associates	5,851,800	0.22%
Salem Realty II LLC	5,540,000	0.21%
Bishop & Bishop Land Partnership	5,539,700	0.21%
Readington Farms Inc.	<u>5,528,700</u>	<u>0.21%</u>
Total	<u>\$212,489,000</u>	<u>8.13%</u>

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

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2019U	\$78,242,603	\$77,538,820	99.10%
2018	76,761,008	76,140,674	99.19%
2017	75,061,553	74,462,784	99.20%
2016	73,004,964	72,209,785	98.91%
2015	72,230,387	71,469,125	98.95%

U: Unaudited

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

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2019U	\$117,857	\$683,881	\$801,738	1.02%
2018	114,671	565,874	680,545	0.89%
2017	111,535	569,374	680,909	0.91%
2016	108,472	702,441	810,913	1.11%
2015	105,482	1,114,876	1,220,358	1.69%

U: Unaudited

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

Property Acquired by Tax Lien Liquidation

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

U: Unaudited

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

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

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

<u>Year</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2019	\$0.570	\$0.020	\$1.190	\$0.740	\$0.460	\$2.980
2018	0.562	0.020	1.160	0.729	0.465	2.936
2017	0.553	0.020	1.122	0.715	0.458	2.868
2016	0.528	0.020	1.112	0.700	0.440	2.800
2015	0.519	0.020	1.101	0.692	0.423	2.755

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	\$2,613,976,657	\$3,239,931,404	80.68%	\$483,414	\$3,240,414,818
2018	2,605,206,893	3,189,138,074	81.69	257,705	3,189,395,779
2017	2,612,035,548	3,216,000,428	81.22	257,705	3,216,258,133
2016	2,593,075,355	3,209,648,911	80.79	257,705	3,209,906,616
2015	2,609,123,074	3,097,249,613	84.24	257,705	3,097,507,318

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	\$20,033,957	\$2,095,940,300	\$123,441,200	\$319,552,000	\$53,912,800	\$1,096,400	\$2,613,976,657
2018	23,944,836	2,076,043,900	126,808,957	323,400,000	53,912,800	1,096,400	2,605,206,893
2017	26,021,500	2,058,524,200	129,917,648	342,292,300	53,912,800	1,367,100	2,612,035,548
2016	31,194,600	2,036,191,100	128,032,755	342,902,000	53,386,800	1,368,100	2,593,075,355
2015	35,541,000	2,023,142,400	130,658,674	366,926,100	51,486,800	1,368,100	2,609,123,074

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. This summary should be used in conjunction with the tables from which it is derived.

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fund Balance Utilized	\$1,190,678	\$1,055,000	\$1,756,000	\$1,852,000	\$1,935,000
Miscellaneous Revenues	3,248,673	3,201,329	3,234,328	2,993,682	3,036,414
Receipts from Delinquent Taxes	850,000	746,000	700,000	568,000	565,000
Amount to be Raised by Taxation	<u>13,542,704</u>	<u>13,692,799</u>	<u>14,445,980</u>	<u>14,667,315</u>	<u>14,954,264</u>
Total Revenue:	<u>\$18,832,055</u>	<u>\$18,695,128</u>	<u>\$20,136,308</u>	<u>\$20,080,997</u>	<u>\$20,490,678</u>
<u>Appropriations</u>					
General Appropriations	\$13,789,723	\$14,103,176	\$14,801,012	\$14,732,368	\$15,064,480
Operations (Excluded from CAPS)	75,000	110,100	108,600	70,000	75,000
Deferred Charges and Statutory Expenditures	550,397	125,448	685,743	0	0
Judgments	0	0	0	0	0
Capital Improvement Fund	270,000	290,000	235,000	375,000	360,000
Municipal Debt Service	2,946,935	2,866,404	3,208,953	3,703,629	3,841,198
Reserve for Uncollected Taxes	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,100,000</u>	<u>1,200,000</u>	<u>1,150,000</u>
Total Appropriations:	<u>\$18,832,055</u>	<u>\$18,695,128</u>	<u>\$20,139,308</u>	<u>\$20,080,997</u>	<u>\$20,490,678</u>

Source: Annual Adopted Budgets of the Township

Fund Balance

Current Fund

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

<u>Fund Balance - Current Fund</u>		
	<u>Balance</u>	<u>Utilized in Budget</u>
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2019U	\$2,854,794	--
2018	2,968,929	1,935,000
2017	2,709,779	1,852,000
2016	2,654,687	1,756,000
2015	2,110,057	1,055,000

U: Unaudited

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

Sewer Utility Operating Fund

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

<u>Fund Balance - Sewer Utility Operating Fund</u>		
	Balance	Utilized in Budget
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2019U	\$581,388	--
2018	454,617	31,000
2017	494,685	74,686
2016	325,019	81,390
2015	302,212	57,992

U: Unaudited

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

[Remainder of Page Intentionally Left Blank]

Township Indebtedness as of December 31, 2019

General Purpose Debt

Serial Bonds	\$39,791,000
Bond Anticipation Notes	16,000,000
Bonds and Notes Authorized but Not Issued	4,915,211
Other Bonds, Notes and Loans	517,350
Total:	<u>\$61,223,561</u>

Local School District Debt

Serial Bonds	\$12,925,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$12,925,000</u>

Regional School District Debt

Serial Bonds	\$1,406,215
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$1,406,215</u>

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$75,554,776

Less: Statutory Deductions	
General Purpose Debt	\$989,077
Local School District Debt	12,925,000
Regional School District Debt	1,406,215
Self-Liquidating Debt	0
Total:	<u>\$15,320,292</u>

TOTAL NET DEBT

\$60,234,484

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2019)

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$12,925,000	100.00%	\$12,925,000
Regional School District	4,145,000	33.93%	1,406,215
County (2018)	83,452,933	14.85%	<u>12,392,035</u>
Net Indirect Debt			\$26,723,250
Net Direct Debt			<u>60,234,484</u>
Total Net Direct and Indirect Debt			<u>\$86,957,734</u>

Debt Limit

Average Equalized Valuation Basis (2017, 2018, 2019)	\$3,215,023,302
Permitted Debt Limitation (3 1/2%)	112,525,816
Less: Net Debt	<u>60,234,484</u>
Remaining Borrowing Power	<u>\$52,291,332</u>
Percentage of Net Debt to Average Equalized Valuation	1.874%
 Gross Debt Per Capita based on 2010 population of 16,126	 \$4,685
Net Debt Per Capita based on 2010 population of 16,126	\$3,735

Source: Annual Audit Reports of the Township

³Township percentage of total regional school district debt based on Township's share of the total equalized valuation in the Regional School District.

⁴Township percentage of County debt is based on the Township's share of total equalized valuation in the County.

APPENDIX B

**FINANCIAL STATEMENTS OF THE TOWNSHIP OF READINGTON, IN THE COUNTY OF
HUNTERDON, NEW JERSEY**

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

THIS PAGE INTENTIONALLY LEFT BLANK



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT LERCH, CPA

ACCOUNTANT'S COMPILATION REPORT

Honorable Mayor and Members
of the Township Council
Township of Readington
Whitehouse Station, New Jersey

Management is responsible for the accompanying balance sheets – regulatory basis of the various funds and account group of the Township of Readington, as of December 31, 2019 and the related statement of operations and changes in fund balance – regulatory basis, the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year then ended in accordance with the regulatory basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements – regulatory basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the financial and accounting reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Township's assets, liabilities, fund balances, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

By/s/

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
March 11, 2020

**TOWNSHIP OF READINGTON
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
ASSETS	
Regular Fund	
Cash	\$ 9,985,143
Due from State - Senior Citizens and Veterans Deductions	<u>109,006</u>
	<u>10,094,149</u>
Receivables and Other Assets with Full Reserves	
Delinquent Property Taxes Receivable	683,881
Tax Title Liens Receivable	117,857
Revenue Accounts Receivable	<u>4,571</u>
	<u>806,309</u>
Deferred Charges:	
Special Emergency Authorization	<u>500,000</u>
	<u>500,000</u>
Total Regular Fund	<u>11,400,458</u>
Grants Fund	
Grants Receivable	403,376
Due from Current Fund	<u>59,541</u>
Total Grants Fund	<u>462,917</u>
Total Assets	<u>\$ 11,863,375</u>

**TOWNSHIP OF READINGTON
BALANCE SHEET - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2019 (UNAUDITED)**

2019

LIABILITIES, RESERVES AND FUND BALANCE

Liabilities

Appropriation Reserves	\$ 771,377
Encumbrances Payable	257,745
Reserve for Sale of Assets	6,252
Prepaid Taxes	1,553,551
Regional High School Taxes Payable	3,459,271
County Taxes Payable	39,187
Due to State of New Jersey	12,094
Due to Grants Fund	59,541
Reserve for Third Party Liens	43,404
Reserve for Revaluation	459,520
Reserve for Tax Sale Premiums	662,500
Reserve for Tax Appeals	308,003
Tax Overpayments	<u>106,910</u>
	7,739,355

Reserve for Receivables	806,309
Fund Balance	<u>2,854,794</u>

Total Regular Fund	<u>11,400,458</u>
--------------------	-------------------

Grants Fund

Encumbrances Payable	2,602
Reserve for Grants and Donations - Appropriated	<u>460,315</u>

Total Grants Fund	<u>462,917</u>
-------------------	----------------

Total Liabilities, Reserves and Fund Balance	<u>\$ 11,863,375</u>
--	----------------------

TOWNSHIP OF READINGTON
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019</u>
REVENUE AND OTHER INCOME REALIZED	
Fund Balance Utilized	\$ 1,935,000
Miscellaneous Revenues	3,480,475
Receipts from Delinquent Taxes	565,874
Receipts from Current Taxes	77,538,820
Non-Budget Revenues	125,673
Other Credits to Income:	
Interfunds and Other Receivables Returned	31,851
Payment in Lieu of Taxes	33,283
Unexpended Balance of Appropriation Reserves	<u>608,759</u>
Total Income	<u>84,319,735</u>
EXPENDITURES	
Budget Appropriations	
Operations	14,037,277
Capital Improvements	360,000
Municipal Debt Service	3,837,051
Deferred Charges and Statutory	
Expenditures	1,693,647
Regional High School District Tax	19,277,722
Local District School Tax	31,174,794
County Tax	12,046,853
County Share of Added and Omitted Taxes	39,187
Local Open Space Tax	524,499
Refund of Prior Year Revenue	<u>7,839</u>
Total Expenditures	<u>82,998,869</u>
Excess of Revenues over Expenditures	1,320,866
Adjustments to Income before Fund Balance:	
Expenditures Included Above Which are by Statute	
Deferred Charges to Budget of Succeeding Year	<u>500,000</u>
Statutory Excess to Fund Balance	1,820,866
FUND BALANCE, JANUARY 1	<u>2,968,928</u>
	4,789,794
Decreased by:	
Utilization as Anticipated Revenue	<u>1,935,000</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 2,854,794</u></u>

TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	2019 <u>Anticipated</u>		2019 <u>Realized</u>	Excess or <u>(Deficit)</u>
	<u>Budget</u>	Added by: <u>NJS 40A:4-87</u>		
Fund Balance Anticipated	\$ 1,935,000	-	\$ 1,935,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	19,000		22,950	\$ 3,950
Fees and Permits				
Other	178,000		208,177	30,177
Fines and Costs				
Municipal Court	88,000		109,302	21,302
Interest and Costs on Taxes	195,000		169,985	(25,015)
Interest on Investments and Deposits	125,000		199,672	74,672
Energy Receipts Tax	1,421,711		1,421,711	-
Garden State Trust Fund	3,962		3,962	-
Uniform Construction Code Fees	493,000		732,474	239,474
State and Federal Revenues Offset with Appropriations				-
Drunk Driving Enforcement Fund		13,134	13,134	
Clean Communities Program		57,113	57,113	
NJ Historical Commission - Museum		7,566	7,566	
NJ Body Armor		5,023	5,023	
Distracted Driver		3,134	3,134	
Alcohol Education & Rehabilitation		3,054	3,054	
Open Space - ANJEC		1,500	1,500	
Somerset County Pass Thru DWI		920	920	
Other Special Items				
Reserve for Payment of Debt	149,078		149,078	-
Sewer Utility Operating Fund Balance	125,000		125,000	-
Uniform Safety Act	32,000		40,057	8,057
General Capital Fund Balance	200,000		200,000	
Reserve for Sale of Assets	6,663	-	6,663	-
Total Miscellaneous Revenues	3,036,414	91,444	3,480,475	352,617
Receipts from Delinquent Taxes	565,000	-	565,874	874
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax For Municipal Purposes Including Reserve for Uncollected Taxes	\$ 14,954,264	-	\$ 15,625,766	\$ 671,502
Total Amount to be Raised by Taxes for Support of Municipal Budget	14,954,264	-	15,625,766	671,502
Total General Revenue	\$ 20,490,678	\$ 91,444	\$ 21,607,115	\$ 1,024,993

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	2019		2019 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 378,637	\$ 380,037	\$ 380,019	\$ 18	
Other Expenses					
Elections	14,000	14,000	10,502	3,498	
Miscellaneous Other Expenses	108,000	108,000	106,446	1,554	
Mayor and Committee					
Salaries and Wages	35,200	35,200	34,454	746	
Financial Administration					
Salaries and Wages	217,587	217,587	209,161	8,426	
Other Expenses	9,000	9,000	8,031	969	
Audit Services				-	
Other Expenses	41,500	41,500	41,500	-	
Revenue Administration					
Salaries and Wages	86,427	86,427	86,427	-	
Other Expenses	24,000	24,000	23,770	230	
Assessment of Taxes					
Salaries and Wages	90,959	90,959	90,959	-	
Other Expenses					
Revision of Tax Map	65,000	65,000	52,533	12,467	
Miscellaneous Other Expenses	6,500	6,500	5,020	1,480	
Revaluation		500,000	500,000		
Legal Service and Costs					
Other Expenses	500,000	585,000	550,007	34,993	
Engineering Services and Costs					
Other Expenses	230,000	230,000	154,018	75,982	
Museum Committee					
Salaries and Wages	27,044	27,044	19,660	7,384	
Other Expenses	18,000	18,000	16,776	1,224	
Historic Preservation Committee					
Other Expenses	800	800	-	800	
Planning Board					
Salaries and Wages	32,067	32,067	32,067	-	
Other Expenses	6,000	6,000	3,263	2,737	
Board of Adjustment					
Salaries and Wages	97,506	97,506	97,218	288	
Other Expenses	11,000	11,000	4,774	6,226	
Environmental Health Commission					
Salaries and Wages	1,227	1,227	1,227	-	
Other Expenses					
Consultants	115,000	115,000	93,256	21,744	
Miscellaneous Other Expenses	4,500	4,500	2,550	1,950	
Insurance					
General Liability	487,166	487,166	470,033	17,133	
Employee Group Insurance	2,122,997	1,976,097	1,786,218	189,879	
Worker's Compensation	225,400	225,400	225,400	-	
PUBLIC SAFETY FUNCTIONS					
Police					
Salaries and Wages	2,924,001	2,956,001	2,953,982	2,019	
Other Expenses	290,000	290,000	249,176	40,824	
Patrol of School Crossings					
Salaries and Wages	17,000	-	-	-	
Emergency Management Services					
Salaries and Wages	12,000	12,000	11,425	575	
Other Expenses	5,000	5,000	4,838	162	

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	2019 Appropriated		2019 Expended		
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Cont'd)					
Fire					
Other Expenses					
Aid to Volunteer Fire Co.	\$ 120,000	\$ 120,000	\$ 120,000	-	
Purchase of Equipment for Volunteer Fire Co.	96,640	96,640	74,095	22,545	
Training Fire Department Personnel	16,000	16,000	16,000	-	
Uniform Fire Safety Act					
Salaries and Wages	62,766	62,766	62,766	-	
Other Expenses	39,000	39,000	34,908	4,092	
Supplemental Fire Service Program					
Other Expenses	12,500	12,500	6,937	5,563	
Aid to Volunteer Ambulance Companies					
Whitehouse First Aid Organization	30,000	30,000	30,000	-	
Purchase of Equipment for First Aid Organizations	24,160	24,160	10,309	13,851	
Municipal Prosecutors Office					
Other Expenses	52,000	52,000	48,632	3,368	
PUBLIC WORK FUNCTIONS					
Road Repairs and Maintenance					
Salaries and Wages	1,483,720	1,516,720	1,516,501	219	
Other Expenses	406,000	406,000	374,144	31,856	
Waste Collection/Recycling					
Salaries and Wages	24,772	24,772	24,772	-	
Other Expenses	700,000	700,000	648,822	51,178	
Snow Removal					
Other Expenses	130,000	130,000	112,650	17,350	
Tree Care					
Other Expenses	30,000	30,000	26,534	3,466	
Buildings and Grounds					
Salaries and Wages	258,989	293,989	293,776	213	
Other Expenses	110,000	110,000	94,903	15,097	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	47,598	47,598	47,163	435	
Other Expenses	38,000	38,000	25,606	12,394	
Animal Control Services					
Other Expenses	5,000	5,000	5,000	-	
Administration of Public Assistance					
Salaries and Wages	73,227	73,227	71,575	1,652	
Other Expenses	2,000	2,000	1,978	22	
PARK AND RECREATION FUNCTIONS					
Recreation					
Salaries and Wages	141,119	141,119	129,857	11,262	
Other Expenses	40,000	40,000	29,263	10,737	
Senior Citizens Transportation					
Other Expenses	6,000	6,000	5,379	621	
Expense of Participation of Free County Library					
Salaries and Wages	132,652	132,652	130,405	2,247	
Other Expenses	8,500	8,500	5,635	2,865	
Cost of PEOSHA Requirements					
Other Expenses	55,000	55,000	35,705	19,295	

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019</u> <u>Appropriated</u>		<u>2019 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries and Wages	\$ 355,672	\$ 305,672	\$ 301,608	\$ 4,064	
Other Expenses	45,000	45,000	33,085	11,915	
UTILITIES					
Fire Hydrant Service	85,000	96,000	89,133	6,867	
Electricity	132,000	132,000	130,965	1,035	
Street Lighting	40,000	40,000	35,590	4,410	
Telephone	72,000	72,000	64,325	7,675	
Fuel Oil	8,500	-	-	-	
Gasoline	118,000	143,000	141,790	1,210	
Celebration of Public Events					
Other Expenses	8,500	8,500	8,373	127	
Municipal Court					
Salaries and Wages	120,000	113,400	106,489	6,911	
Other Expenses	21,000	27,600	23,720	3,880	
Public Defender					
Other Expenses	13,000	13,000	4,310	8,690	-
Total Operations Within "CAPS"	13,367,833	13,867,833	13,147,413	720,420	-
Contingent	3,000	3,000	1,380	1,620	-
Total Operations Including Contingent Within "CAPS"	13,370,833	13,870,833	13,148,793	722,040	-
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL					
WITHIN "CAPS"					
Overexpenditure of Appropriation					
Social Security System (O.A.S.I.)	516,900	516,900	477,710	39,190	
Public Employees' Retirement System	457,110	457,110	457,110	-	
Police and Firemen's Retirement System	702,637	702,637	702,637	-	
Defined Contribution Retirement Contribution	12,000	12,000	11,007	993	
Unemployment Insurance	5,000	5,000	2,846	2,154	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	1,693,647	1,693,647	1,651,310	42,337	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	15,064,480	15,564,480	14,800,103	764,377	-

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	2019 Appropriated		2019 Expended		
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Awards Program (LOSAP)	\$ 75,000	\$ 75,000	\$ 68,000	\$ 7,000	-
Total Other Operations Excluded from "CAPS"	75,000	75,000	68,000	7,000	-
Public and Private Programs Offset by Revenues					
Drunk Driving Enforcement Fund	-	13,134	13,134	-	
Clean Communities Program	-	57,113	57,113	-	
NJ Historical Commission - Museum	-	7,566	7,566	-	
NJ Body Armor	-	5,023	5,023	-	
Distracted Driver	-	3,134	3,134	-	
Alcohol Education & Rehabilitation	-	3,054	3,054	-	
Open Space - ANJEC	-	1,500	1,500	-	
Somerset County Pass Thru DWI	-	920	920	-	-
Total Public and Private Programs Offset by Revenues	-	91,444	91,444	-	-
Total Operations Excluded from "CAPS"	75,000	166,444	159,444	7,000	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	160,000	160,000	160,000	-	-
Road Repairs and Improvements	200,000	200,000	200,000	-	-
Total Capital Improvements Excluded from "CAPS"	360,000	360,000	360,000	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,807,000	1,807,000	1,807,000	-	
Payment of Bond Anticipation Notes	11,888	11,888	11,888	-	
Interest on Bonds	1,514,010	1,514,010	1,514,006	-	\$ 4
Interest on Notes	271,300	271,300	271,244	-	56
Green Trust Loan Program: Loan Repayments of Principal and Interest	237,000	237,000	232,913	-	4,087
Total Municipal Debt Service Excluded from "CAPS"	3,841,198	3,841,198	3,837,051	-	4,147

**TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	2019 <u>Appropriated</u>		<u>2019 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 4,276,198	\$ 4,367,642	\$ 4,356,495	\$ 7,000	\$ 4,147
Subtotal General Appropriations	19,340,678	19,932,122	19,156,598	771,377	4,147
Reserve for Uncollected Taxes	1,150,000	1,150,000	1,150,000	-	-
Total General Appropriations	<u>\$ 20,490,678</u>	<u>\$ 21,082,122</u>	<u>\$ 20,306,598</u>	<u>\$ 771,377</u>	<u>\$ 4,147</u>
Budget as Adopted		\$ 20,490,678			
Special Emergency Appropriation		500,000			
Added by N.J.S. 40A:4-87		91,444			
		<u>\$ 21,082,122</u>			

**TOWNSHIP OF READINGTON
BALANCE SHEET - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
ASSETS	
ANIMAL CONTROL FUND	
Cash	\$ <u>6,205</u>
	<u>6,205</u>
OTHER TRUST FUND	
Cash	<u>2,192,605</u>
	<u>2,192,605</u>
Total Assets	<u>\$ 2,198,810</u>
LIABILITIES, RESERVES AND FUND BALANCE	
ANIMAL CONTROL FUND	
Reserve for Animal Control Expenditures	\$ <u>6,205</u>
	<u>6,205</u>
OTHER TRUST FUND	
Miscellaneous Reserves	<u>2,192,605</u>
	<u>2,192,605</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 2,198,810</u>

TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND

	2019 Budget (Memorandum)	2019 Realized	Excess or (Deficit)
Amount to be Raised by Taxation	\$ 522,795	\$ 524,499	\$ 1,704
Interest	<u>-</u>	<u>291</u>	<u>291</u>
	<u>\$ 522,795</u>	<u>\$ 524,790</u>	<u>\$ 1,995</u>

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND

	2019 Budget (Memorandum)	2019 Paid or Charged	Variance
Debt Service			
Payment of Bond Principal	\$ 503,000	\$ 503,000	\$ -
Other Expenses	<u>19,795</u>	<u>43,304</u>	<u>(23,509)</u>
	<u>\$ 522,795</u>	<u>\$ 546,304</u>	<u>\$ (23,509)</u>

**TOWNSHIP OF READINGTON
BALANCE SHEET - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
ASSETS	
Cash	\$ 4,698,243
Deferred Charges to Future Taxation:	
Funded	40,308,350
Unfunded	<u>19,926,134</u>
 Total Assets	 <u><u>\$ 64,932,727</u></u>
 LIABILITIES, RESERVES AND FUND BALANCE	
Serial Bonds Payable	\$ 39,791,000
Bond Anticipation Notes Payable	16,000,000
Green Acres Loans Payable	517,350
Improvement Authorizations	
Funded	1,754,942
Unfunded	6,291,979
Contracts Payable	123,939
Capital Improvement Fund	34,730
Reserve for Emergency Vehicles	4,240
Reserve for Road Improvements	187,250
Fund Balance	<u>227,297</u>
 Total Liabilities, Reserves and Fund Balance	 <u><u>\$ 64,932,727</u></u>

There were bonds and notes authorized but not issued at December 31, 2019 of \$4,915,211.

TOWNSHIP OF READINGTON
STATEMENT OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	<u>2019</u>
Fund Balance, January 1	\$ 234,697
Increased By:	
Grants Received	27,800
Premium on Sale of Notes	<u>164,800</u>
	427,297
Decreased By:	
Amount Anticipated in Current Fund Budget	<u>200,000</u>
Fund Balance, December 31	<u>\$ 227,297</u>

**TOWNSHIP OF READINGTON
BALANCE SHEET - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
ASSETS	
Cash	\$ 783,659
	<u>783,659</u>
Receivables With Full Reserves	
Consumer Accounts Receivable	<u>99,048</u>
	<u>99,048</u>
Total Assets	<u>\$ 882,707</u>
LIABILITIES, RESERVES AND FUND BALANCE	
Appropriation Reserves	\$ 121,265
Encumbrances Payable	77,121
Sewer Overpayments	<u>3,885</u>
	202,271
Reserve for Receivables	99,048
Fund Balance	<u>581,388</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 882,707</u>

TOWNSHIP OF READINGTON
STATEMENT OF OPERATIONS AND CHANGE IN OPERATING FUND BALANCE
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2013 (UNAUDITED)

	<u>2019</u>
REVENUE AND OTHER INCOME REALIZED	
Fund Balance Utilized	\$ 31,000
Rents	1,507,396
Miscellaneous Revenue Anticipated	13,710
User Fees from Other Contracts	314,711
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	<u>36,954</u>
Total Revenues	<u>1,903,771</u>
EXPENDITURES	
Operations	<u>1,746,000</u>
Total Expenditures	<u>1,746,000</u>
Statutory Excess to Fund Balance	157,771
FUND BALANCE, JANUARY 1	<u>454,617</u>
	612,388
Decreased by:	
Utilized by Current Fund Budget	
Utilized by Sewer Operating Budget	<u>31,000</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 581,388</u></u>

TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	2019 Anticipated <u>Budget</u>	2019 <u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	\$ 31,000	\$ 31,000	
Rents	1,405,000	1,507,396	\$ 102,396
User Fees from Other Contracts	300,000	314,711	14,711
Miscellaneous Charges	<u>10,000</u>	<u>13,710</u>	<u>3,710</u>
	<u>\$ 1,746,000</u>	<u>\$ 1,866,817</u>	<u>\$ 120,817</u>

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

	2019 <u>Appropriated</u>		<u>2019 Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries				
Other Expenses	211,040	211,040	115,623	\$ 95,417
Service Fees - RLSA	1,129,960	1,129,960	1,129,960	-
Service Fees - RTMUA	280,000	280,000	254,152	25,848
Surplus (General Budget)	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total Sewer Utility Appropriations	<u>\$ 1,746,000</u>	<u>\$ 1,746,000</u>	<u>\$ 1,624,735</u>	<u>\$ 121,265</u>

**INDEPENDENT AUDITORS REPORT AND
FINANCIAL STATEMENTS OF THE TOWNSHIP OF READINGTON
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

THIS PAGE INTENTIONALLY LEFT BLANK



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT LERCH, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Township Committee
Township of Readington
Readington, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Township of Readington, as of December 31, 2018 and 2017, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the years then ended, and the related notes to the financial statements.

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 accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township of Readington on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Readington as of December 31, 2018 and 2017, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 16 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Township’s financial statements as of and for the years ended December 31, 2018 and 2017. The LOSAP Trust Fund financial activities are included in the Township’s Trust Funds, and represent 50 percent and 48 percent of the assets and liabilities, respectively, of the Township’s Trust Funds as of December 31, 2018 and 2017.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Township of Readington as of December 31, 2018 and 2017, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2018 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

By/s/

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
July 18, 2019

TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Regular Fund		
Cash	\$ 8,819,736	\$ 13,789,072
Cash - Change Fund	650	650
Due from State - Senior Citizens and Veterans Deductions	<u>88,323</u>	<u>66,639</u>
	<u>8,908,709</u>	<u>13,856,361</u>
Receivables and Other Assets with Full Reserves		
Delinquent Property Taxes Receivable	565,874	569,374
Tax Title Liens Receivable	114,671	111,535
Due from Federal and State Grants Fund	3,054	-
Due from Sewer Operating Fund	28,797	-
Revenue Accounts Receivable	<u>4,570</u>	<u>6,339</u>
	<u>716,966</u>	<u>687,248</u>
Total Regular Fund	<u>9,625,675</u>	<u>14,543,609</u>
Grants Fund		
Grants Receivable	531,922	639,064
Due from Current Fund	<u>-</u>	<u>22,989</u>
Total Grants Fund	<u>531,922</u>	<u>662,053</u>
Total Assets	<u>\$ 10,157,597</u>	<u>\$ 15,205,662</u>

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Liabilities		
Appropriation Reserves	\$ 805,981	\$ 877,411
Encumbrances Payable	384,722	414,284
Reserve for Master Plan		76,514
Reserve for Sale of Assets	6,663	14,009
Prepaid Taxes	533,978	4,994,110
Regional School Taxes Payable	3,459,271	3,052,130
Local School Taxes Payable	1,000	-
County Taxes Payable	41,956	22,494
Miscellaneous Fees Payable	13,153	13,117
Due to General Capital Fund		43,220
Due to Grants Fund		22,989
Reserve for Tax Sale Premiums	276,900	732,400
Reserve for Tax Appeals	308,002	308,002
Tax Overpayments	<u>108,154</u>	<u>575,902</u>
	5,939,780	11,146,582
Reserve for Receivables	716,966	687,248
Fund Balance	<u>2,968,929</u>	<u>2,709,779</u>
Total Regular Fund	<u>9,625,675</u>	<u>14,543,609</u>
Grants Fund		
Encumbrances Payable	38,783	429
Due to Current Fund	3,054	
Reserve for Grants and Donations - Appropriated	<u>490,085</u>	<u>661,624</u>
Total Grants Fund	<u>531,922</u>	<u>662,053</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 10,157,597</u>	<u>\$ 15,205,662</u>

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 1,852,000	\$ 1,756,000
Miscellaneous Revenues	3,406,706	3,940,720
Receipts from Delinquent Taxes	569,374	702,441
Receipts from Current Taxes	76,140,674	74,462,784
Non-Budget Revenues	107,353	285,295
Other Credits to Income:		
Interfunds and Other Receivables Returned		7
Tax Sale Premiums Cancelled	38,000	-
Reserve for Master Plan Cancelled	76,514	
Unexpended Balance of Appropriation Reserves	<u>762,538</u>	<u>431,540</u>
Total Income	<u>82,953,159</u>	<u>81,578,787</u>
EXPENDITURES		
Budget Appropriations		
Operations		
Salaries and Wages	6,403,584	6,430,468
Other Expenses	6,877,200	7,303,437
Capital Improvements	375,000	235,000
Municipal Debt Service	3,690,453	3,157,962
Deferred Charges and Statutory		
Expenditures	1,597,006	2,146,172
Regional School District Tax	19,009,477	18,681,639
Local District School Tax	30,212,810	29,299,293
County Tax	12,077,071	11,967,321
County Share of Added and Omitted Taxes	41,956	22,494
Local Open Space Tax	521,041	522,459
Local Open Space Added Taxes	1,809	985
Refund of Prior Year Revenue	2,751	465
Interfunds Established	<u>31,851</u>	<u>-</u>
Total Expenditures	<u>80,842,009</u>	<u>79,767,695</u>
Statutory Excess to Fund Balance	2,111,150	1,811,092
FUND BALANCE, JANUARY 1	<u>2,709,779</u>	<u>2,654,687</u>
	4,820,929	4,465,779
Decreased by:		
Utilization as Anticipated Revenue	<u>1,852,000</u>	<u>1,756,000</u>
FUND BALANCE, DECEMBER 31	<u>\$ 2,968,929</u>	<u>\$ 2,709,779</u>

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>		<u>2017</u>	
	<u>Budget After</u>	<u>Realized</u>	<u>Budget After</u>	<u>Realized</u>
	<u>Modification</u>		<u>Modification</u>	
Fund Balance Anticipated	\$ <u>1,852,000</u>	\$ <u>1,852,000</u>	\$ <u>1,756,000</u>	<u>1,756,000</u>
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	19,000	20,381	19,000	20,382
Fees and Permits				
Other	172,000	198,350	170,000	176,202
Fines and Costs				
Municipal Court	117,000	89,573	120,000	119,007
Interest and Costs on Taxes	180,000	212,641	177,000	192,209
Interest on Investments and Deposits	40,000	143,537	30,655	46,467
Energy Receipts Tax	1,421,711	1,421,711	1,421,711	1,421,711
Garden State Trust Fund	3,962	3,962	3,962	3,962
Uniform Construction Code Fees	385,000	575,340	570,000	497,896
State and Federal Revenues Offset with Appropriations				
Drunk Driving Enforcement Fund	4,363	4,363	13,204	13,204
Clean Communities Program	51,293	51,293	53,621	53,621
NJ Historical Commission - Museum	4,500	4,500		-
Click it or Ticket	770	770	1,815	1,815
Distracted Driver	3,386	3,386	5,500	5,500
Alcohol Education & Rehabilitation	4,321	4,321	4,504	4,504
Drive Sober or Get Pulled Over	3,813	3,813		-
Body Armor Grant			2,348	2,348
Taretino Police			3,730	3,730
U.S. EPA - 3169 - H Watershed Plan			650,000	650,000
Somerset County Pass Thru DWI	2,976	2,976		
Other Special Items				
Sewer Utility Operating Fund Balance	175,000	175,000		
Sewer Utility Expansion Trust Fund Balance			175,000	175,000
Uniform Safety Act	26,000	36,780	25,000	28,162
General Capital Fund Balance	440,000	440,000	475,000	475,000
Housing Trust Fund Balance			50,000	50,000
Reserve for Sale of Assets	<u>14,009</u>	<u>14,009</u>	<u>-</u>	<u>-</u>
Total Miscellaneous Revenues	<u>3,069,104</u>	<u>3,406,706</u>	<u>3,972,050</u>	<u>3,940,720</u>
Receipts from Delinquent Taxes	<u>568,000</u>	<u>569,374</u>	<u>700,000</u>	<u>702,441</u>

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>		<u>2017</u>	
	Budget After <u>Modification</u>	<u>Realized</u>	Budget After <u>Modification</u>	<u>Realized</u>
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax For Municipal Purposes Including Reserve for Uncollected Taxes	\$ <u>14,667,315</u>	\$ <u>15,476,510</u>	\$ <u>14,445,980</u>	\$ <u>15,068,593</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>14,667,315</u>	<u>15,476,510</u>	<u>14,445,980</u>	<u>15,068,593</u>
Total General Revenue	\$ <u>20,156,419</u>	\$ <u>21,304,590</u>	\$ <u>20,874,030</u>	\$ <u>21,467,754</u>

This Page Intentionally Left Blank

2018 STATEMENT OF EXPENDITURES

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

	2018 <u>Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 370,359	\$ 370,359	\$ 369,026	\$ 1,333	
Other Expenses					
Elections	10,000	14,200	13,144	1,056	
Miscellaneous Other Expenses	105,000	105,000	100,612	4,388	
Mayor and Committee					
Salaries and Wages	34,172	34,172	33,420	752	
Financial Administration					
Salaries and Wages	212,794	212,794	199,022	13,772	
Other Expenses	11,000	11,000	500	10,500	
Audit Services				-	
Other Expenses	40,700	40,700	40,700	-	
Revenue Administration					
Salaries and Wages	84,525	84,525	84,525	-	
Other Expenses	24,000	24,000	20,465	3,535	
Assessment of Taxes					
Salaries and Wages	88,958	88,958	88,958	-	
Other Expenses					
Revision of Tax Map	15,000	68,000	55,556	12,444	
Miscellaneous Other Expenses	5,500	6,500	6,013	487	
Legal Service and Costs					
Other Expenses	700,000	685,300	405,607	279,693	
Engineering Services and Costs					
Other Expenses	170,000	260,000	231,267	28,733	
Museum Committee					
Salaries and Wages	32,383	32,383	21,926	10,457	
Other Expenses	18,000	18,000	17,968	32	
Historic Preservation Committee					
Other Expenses	800	800	-	800	
Planning Board					
Salaries and Wages	26,527	26,527	21,608	4,919	
Other Expenses	3,000	8,000	7,364	636	
Board of Adjustment					
Salaries and Wages	71,190	75,190	75,154	36	
Other Expenses	6,000	10,000	7,936	2,064	
Environmental Health Commission					
Salaries and Wages	1,200	1,200	950	250	
Other Expenses					
Consultants	100,000	110,000	96,687	13,313	
Miscellaneous Other Expenses	2,500	2,500	1,939	561	
Insurance					
General Liability	471,700	471,700	468,526	3,174	
Employee Group Insurance	2,101,978	2,059,678	1,987,974	71,704	
Worker's Compensation	222,400	222,400	222,400	-	
PUBLIC SAFETY FUNCTIONS					
Police					
Salaries and Wages	2,886,740	2,886,740	2,838,175	48,565	
Other Expenses	245,000	245,000	208,522	36,478	
Patrol of School Crossings					
Salaries and Wages	17,000	17,000	5,100	11,900	
Emergency Management Services					
Salaries and Wages	14,654	15,254	15,232	22	
Other Expenses	2,000	2,000	1,763	237	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	2018 Appropriated		2018 Expended		
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Cont'd)					
Fire					
Other Expenses					
Aid to Volunteer Fire Co.	\$ 120,000	\$ 120,000	\$ 120,000	-	
Purchase of Equipment for Volunteer Fire Co.	88,640	88,640	88,572	\$ 68	
Training Fire Department Personnel	16,000	16,000	15,930	70	
Uniform Fire Safety Act					
Salaries and Wages	62,766	62,766	61,354	1,412	
Other Expenses	4,000	4,000	3,533	467	
Supplemental Fire Service Program					
Other Expenses	12,500	12,500	10,098	2,402	
Aid to Volunteer Ambulance Companies					
Whitehouse First Aid Organization	30,000	30,000	30,000	-	
Purchase of Equipment for First Aid Organizations	22,160	22,160	14,555	7,605	
Municipal Prosecutors Office					
Other Expenses	44,000	57,000	51,712	5,288	
PUBLIC WORK FUNCTIONS					
Road Repairs and Maintenance					
Salaries and Wages	1,454,155	1,404,155	1,404,017	138	
Other Expenses	380,000	380,000	343,726	36,274	
Waste Collection/Recycling					
Salaries and Wages	24,227	24,227	24,227	-	
Other Expenses	700,000	700,000	681,053	18,947	
Snow Removal					
Other Expenses	120,000	120,000	119,163	837	
Buildings and Grounds					
Salaries and Wages	238,311	240,311	240,247	64	
Other Expenses	110,000	110,000	100,088	9,912	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	45,080	51,080	50,866	214	
Other Expenses	38,000	38,000	30,988	7,012	
Animal Control Services					
Other Expenses	5,000	5,000	-	5,000	
Administration of Public Assistance					
Salaries and Wages	111,675	125,675	125,249	426	
Other Expenses	1,500	1,500	1,488	12	
PARK AND RECREATION FUNCTIONS					
Recreation					
Salaries and Wages	138,014	138,014	137,770	244	
Other Expenses	40,000	40,000	27,477	12,523	
Senior Citizens Transportation					
Other Expenses	5,000	5,000	3,540	1,460	
Expense of Participation of Free County Library					
Salaries and Wages	129,750	129,750	127,546	2,204	
Other Expenses	8,500	8,500	6,161	2,339	
Cost of PEOSHA Requirements					
Other Expenses	55,000	55,000	50,367	4,633	

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

	<u>2018</u> <u>Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries and Wages	\$ 378,949	\$ 298,949	\$ 293,487	\$ 5,462	
Other Expenses	60,000	60,000	20,454	39,546	
UTILITIES					
Fire Hydrant Service	85,000	85,000	78,704	6,296	
Electricity	132,000	132,000	129,138	2,862	
Street Lighting	40,000	40,000	36,985	3,015	
Telephone	72,000	72,000	65,494	6,506	
Fuel Oil	8,500	-	-	-	
Gasoline	103,000	119,000	118,178	822	
Celebration of Public Events					
Other Expenses	8,500	8,500	7,971	529	
Municipal Court					
Salaries and Wages	112,555	83,555	83,336	219	
Other Expenses	19,500	21,200	20,914	286	
Public Defender					
Other Expenses	13,000	13,000	5,880	7,120	-
Total Operations Within "CAPS"	13,132,362	13,132,362	12,378,307	754,055	-
Contingent	3,000	3,000	1,320	1,680	-
Total Operations Including Contingent Within "CAPS"	13,135,362	13,135,362	12,379,627	755,735	-
Detail:					
Salaries and Wages	6,535,984	6,403,584	6,301,195	102,389	
Other Expenses	6,599,378	6,731,778	6,078,432	653,346	-
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL					
WITHIN "CAPS"					
Overexpenditure of Appropriation				-	
Social Security System (O.A.S.I.)	504,900	504,900	457,041	47,859	
Public Employees' Retirement System	441,941	441,941	441,941	-	
Police and Firemen's Retirement System	633,165	633,165	633,165	-	
Defined Contribution Retirement Contribution	12,000	12,000	11,736	264	
Unemployment Insurance	5,000	5,000	2,877	2,123	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	1,597,006	1,597,006	1,546,760	50,246	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	14,732,368	14,732,368	13,926,387	805,981	-

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

	2018 Appropriated		2018 Expended		
	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Awards Program (LOSAP)	\$ 70,000	\$ 70,000	\$ 70,000	\$ -	-
Total Other Operations Excluded from "CAPS"	70,000	70,000	70,000	-	-
Public and Private Programs Offset by Revenues					
Clean Communities Program	-	51,293	51,293	-	
Drunk Driving Enforcement Fund	-	4,363	4,363	-	
Click it or Ticket	-	770	770	-	
Distracted Driver	-	3,386	3,386	-	
Somerset County Pass thru DWI	-	2,976	2,976	-	
Drive Sober or Get Pulled Over	-	3,813	3,813	-	
NJ Historical Commission - Museum	-	4,500	4,500	-	
Alcohol Education & Rehabilitation	-	4,321	4,321	-	-
Total Public and Private Programs Offset by Revenues	-	75,422	75,422	-	-
Total Operations Excluded from "CAPS"	70,000	145,422	145,422	-	-
Detail:					
Other Expenses	70,000	145,422	145,422	-	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	175,000	175,000	175,000	-	
Road Repairs and Improvements	200,000	200,000	200,000	-	-
Total Capital Improvements Excluded from "CAPS"	375,000	375,000	375,000	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,538,000	1,538,000	1,538,000	-	
Payment of Bond Anticipation Notes	5,141	5,141	5,141	-	
Interest on Bonds	1,457,383	1,457,383	1,448,029	-	\$ 9,354
Interest on Notes	311,405	311,405	311,309	-	96
Green Trust Loan Program:					
Loan Repayments of Principal and Interest	391,700	391,700	387,974	-	3,726
Total Municipal Debt Service Excluded from "CAPS"	3,703,629	3,703,629	3,690,453	-	13,176

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

	2018 <u>Appropriated</u>		<u>2018 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 4,148,629	\$ 4,224,051	\$ 4,210,875	\$ -	\$ 13,176
Subtotal General Appropriations	18,880,997	18,956,419	18,137,262	805,981	13,176
Reserve for Uncollected Taxes	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 20,080,997</u>	<u>\$ 20,156,419</u>	<u>\$ 19,337,262</u>	<u>\$ 805,981</u>	<u>\$ 13,176</u>
Budget as Adopted		\$ 20,080,997			
Added by N.J.S. 40A:4-87		<u>75,422</u>			
		<u>\$ 20,156,419</u>			

2018 STATEMENT OF EXPENDITURES

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 <u>Appropriated</u>		2017 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 354,258	\$ 359,258	\$ 358,714	\$ 544	
Other Expenses					
Elections	13,000	13,000	11,091	1,909	
Miscellaneous Other Expenses	105,000	105,000	93,264	11,736	
Mayor and Committee					
Salaries and Wages	33,420	33,420	33,420	-	
Financial Administration					
Salaries and Wages	208,116	208,116	195,097	13,019	
Other Expenses	12,000	12,000	4,885	7,115	
Audit Services					
Other Expenses	39,500	39,500	39,500	-	
Revenue Administration					
Salaries and Wages	82,665	82,665	82,665	-	
Other Expenses	24,000	24,000	21,561	2,439	
Assessment of Taxes					
Salaries and Wages	74,700	78,900	78,717	183	
Other Expenses					
Revision of Tax Map	15,000	15,000	474	14,526	
Miscellaneous Other Expenses	5,000	5,000	4,450	550	
Legal Service and Costs					
Other Expenses	900,000	900,000	449,094	20,906	\$ 430,000
Engineering Services and Costs					
Other Expenses	153,000	165,000	161,194	3,806	
Museum Committee					
Salaries and Wages	31,900	31,900	19,784	12,116	
Other Expenses	18,000	18,000	16,939	1,061	
Historic Preservation Committee					
Other Expenses	1,500	1,500	17	1,483	
Planning Board					
Salaries and Wages	26,530	26,530	26,440	90	
Other Expenses	3,000	3,000	1,980	1,020	
Board of Adjustment					
Salaries and Wages	70,210	70,210	68,651	1,559	
Other Expenses	4,500	6,000	5,537	463	
Environmental Health Commission					
Salaries and Wages	1,040	1,040	1,040	-	
Other Expenses					
Consultants	130,000	130,000	85,262	24,738	20,000
Miscellaneous Other Expenses	3,000	3,000	1,039	1,961	
Insurance					
General Liability	466,040	466,040	446,034	20,006	
Employee Group Insurance	2,127,957	2,127,957	2,002,932	125,025	
Worker's Compensation	253,140	253,140	253,140	-	
PUBLIC SAFETY FUNCTIONS					
Police					
Salaries and Wages	2,897,203	2,897,203	2,803,261	93,942	
Other Expenses	240,000	240,000	225,043	14,957	
Patrol of School Crossings					
Salaries and Wages	17,000	17,000	8,500	8,500	
Emergency Management Services					
Salaries and Wages	14,400	14,400	14,386	14	
Other Expenses	2,500	2,500	266	2,234	

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 <u>Appropriated</u>		2017 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Cont'd)					
Fire					
Other Expenses					
Aid to Volunteer Fire Co.	\$ 120,000	\$ 120,000	\$ 120,000	-	
Purchase of Equipment for Volunteer Fire Co.	88,640	88,640	80,752	\$ 7,888	
Training Fire Department Personnel	16,000	16,000	16,000	-	
Uniform Fire Safety Act					
Salaries and Wages	57,395	57,395	43,814	13,581	
Other Expenses	3,000	3,000	1,266	1,734	
Supplemental Fire Service Program					
Other Expenses	12,500	12,500	8,664	3,836	
Aid to Volunteer Ambulance Companies					
Whitehouse First Aid Organization	30,000	30,000	30,000	-	
Purchase of Equipment for First Aid Organizations	22,160	22,160	1,580	20,580	
Municipal Prosecutors Office					
Other Expenses	37,000	43,500	42,632	868	
PUBLIC WORK FUNCTIONS					
Road Repairs and Maintenance					
Salaries and Wages	1,487,364	1,443,164	1,401,860	41,304	
Other Expenses	375,000	375,000	341,529	33,471	
Waste Collection/Recycling					
Salaries and Wages	23,700	23,700	23,700	-	
Other Expenses	700,000	700,000	640,043	59,957	
Snow Removal					
Other Expenses	120,000	120,000	97,959	22,041	
Tree Care					
Other Expenses	30,000	30,000	30,000		
Buildings and Grounds					
Salaries and Wages	236,309	236,309	226,856	9,453	
Other Expenses	113,000	113,000	89,316	23,684	
HEALTH AND HUMAN SERVICES					
Board of Health					
Salaries and Wages	44,100	44,100	43,094	1,006	
Other Expenses	42,000	42,000	23,582	18,418	
Animal Control Services					
Other Expenses	5,000	5,000		5,000	
Administration of Public Assistance					
Salaries and Wages	114,985	114,985	114,985	-	
Other Expenses	1,500	1,500	1,279	221	
PARK AND RECREATION FUNCTIONS					
Recreation					
Salaries and Wages	96,710	96,710	96,421	289	
Other Expenses	40,000	40,000	31,703	8,297	
Senior Citizens Transportation					
Other Expenses	5,000	5,000	2,740	2,260	
Expense of Participation of Free County Library					
Salaries and Wages	137,950	137,950	124,839	13,111	
Other Expenses	8,500	8,500	5,071	3,429	
Cost of PEOSHA Requirements	55,000	55,000	40,727	14,273	
Other Expenses				-	

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u> <u>Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
UNIFORM CONSTRUCTION CODE					
APPROPRIATIONS OFFSET BY					
DEDICATED REVENUES					
(N.J.A.C. 5:23-4-17)					
Construction Code Official					
Salaries and Wages	\$ 345,313	\$ 345,313	\$ 329,046	\$ 16,267	
Other Expenses	65,000	65,000	37,461	27,539	
UTILITIES					
Fire Hydrant Service	85,000	85,000	81,256	3,744	
Electricity	130,000	130,000	128,718	1,282	
Street Lighting	40,000	40,000	36,602	3,398	
Telephone	72,000	72,000	61,993	10,007	
Fuel Oil	8,500	8,500		8,500	
Gasoline	88,178	103,178	82,881	20,297	
Celebration of Public Events					
Other Expenses	8,000	8,000	7,970	30	
Municipal Court					
Salaries and Wages	110,200	110,200	106,456	3,744	
Other Expenses	19,000	19,000	15,642	3,358	
Public Defender					
Other Expenses	16,000	16,000	10,004	5,996	-
Contingent	3,000	3,000	1,320	1,680	-
Total Operations Within "CAPS"	13,340,583	13,340,583	12,094,138	796,445	450,000
Detail:					
Salaries and Wages	6,465,468	6,430,468	6,201,746	228,722	
Other Expenses	6,875,115	6,910,115	5,892,392	567,723	450,000
DEFERRED CHARGES AND STATUTORY					
EXPENDITURES - MUNICIPAL					
WITHIN "CAPS"					
Overexpenditure of Appropriation	500,743	500,743	500,743	-	
Social Security System (O.A.S.I.)	497,250	497,250	458,801	38,449	
Public Employees' Retirement System	385,399	385,399	385,399	-	
Police and Firemen's Retirement System	562,780	562,780	562,780	-	
Defined Contribution Retirement Contribution	10,000	10,000	9,410	590	
Unemployment Insurance	5,000	5,000	2,873	2,127	-
Total Deferred Charges and Statutory					
Expenditures - Municipal Within "CAPS"	1,961,172	1,961,172	1,920,006	41,166	-
Total General Appropriations for Municipal					
Purposes Within "CAPS"	15,301,755	15,301,755	14,014,144	837,611	450,000

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Appropriated		2017 Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Length of Service Awards Program (LOSAP)				\$ -	-
Employee Group Health					
Other Expenses	<u>70,000</u>	<u>70,000</u>	<u>68,800</u>	<u>1,200</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>70,000</u>	<u>70,000</u>	<u>68,800</u>	<u>1,200</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Clean Communities Program		53,621	53,621	-	
Drunk Driving Enforcement Fund		13,204	13,204	-	
Body Armor Grant		2,348	2,348	-	
Click it or Ticket		1,815	1,815	-	
Tarentino Police		3,730	3,730	-	
Distracted Driver		5,500	5,500	-	
Alcohol Education & Rehabilitation		4,504	4,504	-	
U.S. EPA - 3169H Watershed Plan				-	
Federal		650,000	650,000	-	
Match	<u>38,600</u>	<u>38,600</u>	<u>-</u>	<u>38,600</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>38,600</u>	<u>773,322</u>	<u>734,722</u>	<u>38,600</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>108,600</u>	<u>843,322</u>	<u>803,522</u>	<u>39,800</u>	<u>-</u>
Detail:					
Other Expenses	<u>108,600</u>	<u>843,322</u>	<u>803,522</u>	<u>39,800</u>	<u>-</u>
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>35,000</u>	<u>35,000</u>	<u>35,000</u>		
Road Repairs and Improvements	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>235,000</u>	<u>235,000</u>	<u>235,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	991,000	991,000	991,000	-	
Payment of Bond Anticipation Notes	91,403	91,403	91,403	-	
Interest on Bonds	1,169,950	1,169,950	1,124,340	-	\$ 45,610
Interest on Notes	556,000	556,000	555,420	-	580
Green Trust Loan Program:					
Loan Repayments of Principal and Interest	<u>400,600</u>	<u>400,600</u>	<u>395,799</u>	<u>-</u>	<u>4,801</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>3,208,953</u>	<u>3,208,953</u>	<u>3,157,962</u>	<u>-</u>	<u>50,991</u>

TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 <u>Appropriated</u>		<u>2017 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
DEFERRED CHARGES					
Emergency Authorizations	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>185,000</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,737,553</u>	<u>4,472,275</u>	<u>4,381,484</u>	<u>\$ 39,800</u>	<u>\$ 50,991</u>
Subtotal General Appropriations	19,039,308	19,774,030	18,395,628	877,411	500,991
Reserve for Uncollected Taxes	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 20,139,308</u>	<u>\$ 20,874,030</u>	<u>\$ 19,495,628</u>	<u>\$ 877,411</u>	<u>\$ 500,991</u>
Budget as Adopted		\$ 20,139,308			
Added by N.J.S. 40A:4-87		<u>734,722</u>			
		<u>\$ 20,874,030</u>			

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
ANIMAL CONTROL FUND		
Cash	\$ 12,064	\$ 9,542
	<u>12,064</u>	<u>9,542</u>
OTHER TRUST FUND		
Cash	1,802,757	1,616,874
Accounts Receivable - Other	<u>-</u>	<u>400,000</u>
	<u>1,802,757</u>	<u>2,016,874</u>
LENGTH OF SERVICE AWARDS PROGRAM(LOSAP) FUND (UNAUDITED)		
Investments	1,746,893	1,769,784
Intergovernmental Receivable	<u>67,200</u>	<u>70,400</u>
	<u>1,814,093</u>	<u>1,840,184</u>
Total Assets	<u><u>\$ 3,628,914</u></u>	<u><u>\$ 3,866,600</u></u>
 LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL FUND		
Due to the State of New Jersey	\$ 748	\$ 866
Prepaid Licenses	7,487	8,659
Reserve for Animal Control Expenditures	<u>3,829</u>	<u>17</u>
	<u>12,064</u>	<u>9,542</u>
OTHER TRUST FUND		
Miscellaneous Reserves	1,798,671	2,016,874
Due to State of New Jersey - Unemployment Compensation	<u>4,086</u>	<u>-</u>
	<u>1,802,757</u>	<u>2,016,874</u>
LENGTH OF SERVICE AWARDS PROGRAM (LOSAP) FUND (UNAUDITED)		
Reserve for LOSAP Benefits	<u>1,814,093</u>	<u>1,840,184</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 3,628,914</u></u>	<u><u>\$ 3,866,600</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

TOWNSHIP OF READINGTON
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND

	<u>2018</u>		<u>2017</u>	
	Budget (Memorandum)	Realized	Budget (Memorandum)	Realized
Amount to be Raised by Taxation	\$ 521,041	\$ 522,850	\$ 524,459	\$ 523,444
Reserve Funds	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
	<u>\$ 521,041</u>	<u>\$ 522,850</u>	<u>\$ 624,459</u>	<u>\$ 623,444</u>

EXHIBIT B-2

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND

	2018 Budget (Memorandum)	2018 Paid or Charged	Variance
Debt Service			
Payment of Bond Principal	\$ 521,000	\$ 521,000	\$ -
Reserve for Future Use	<u>41</u>	<u>6,015</u>	<u>(5,974)</u>
	<u>\$ 521,041</u>	<u>\$ 527,015</u>	<u>\$ (5,974)</u>

STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND

	2017 Budget (Memorandum)	2017 Paid or Charged	Variance
Reserve for Future Use	\$ 459	\$ 1,515	\$ (1,056)
Debt Service			
Payment of Bond Principal	<u>624,000</u>	<u>624,000</u>	<u>-</u>
Payment of Bond Anticipation Notes	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 624,459</u>	<u>\$ 625,515</u>	<u>\$ (1,056)</u>

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 4,466,922	\$ 138,873
Due From Current Fund		43,220
Deferred Charges to Future Taxation:		
Funded	42,838,958	38,987,544
Unfunded	<u>16,832,599</u>	<u>20,776,285</u>
 Total Assets	 <u>\$ 64,138,479</u>	 <u>\$ 59,945,922</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Serial Bonds Payable	\$ 42,101,000	\$ 37,882,000
Bond Anticipation Notes Payable	13,600,000	12,778,000
Green Acres Loans Payable	737,958	1,105,544
Improvement Authorizations		
Funded	1,821,381	2,003,100
Unfunded	3,570,674	4,206,181
Contracts Payable	1,132,245	602,179
Capital Improvement Fund	90,229	13,279
Reserve for Emergency Vehicles	4,240	4,240
Reserve for Road Improvements	187,250	182,250
Reserve for Green Acres Settlement	509,726	509,726
Reserve for Debt Service	149,079	120,315
Fund Balance	<u>234,697</u>	<u>539,108</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 64,138,479</u>	 <u>\$ 59,945,922</u>

There were bonds and notes authorized but not issued at December 31, 2018 and 2017 of \$3,446,112 and \$8,139,064 respectively.

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Fund Balance, January 1	\$ 539,108	\$ 510,804
Increased By:		
Cash Receipts	19,523	32,117
Improvement Authorizations Cancelled		124,712
Premium on Sale of Bonds and Notes	<u>116,066</u>	<u>346,475</u>
	674,697	1,014,108
Decreased By:		
Amount Anticipated in Current Fund Budget	<u>440,000</u>	<u>475,000</u>
Fund Balance, December 31	<u>\$ 234,697</u>	<u>\$ 539,108</u>

TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
AS OF DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 616,064	\$ 603,239
	<u>616,064</u>	<u>603,239</u>
Receivables With Full Reserves		
Consumer Accounts Receivable	<u>110,893</u>	<u>104,836</u>
	<u>110,893</u>	<u>104,836</u>
Total Assets	<u>\$ 726,957</u>	<u>\$ 708,075</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 46,338	\$ 81,827
Accounts Payable	83,414	23,240
Sewer Overpayments	2,898	3,487
Due to Current Fund	<u>28,797</u>	<u>-</u>
	161,447	108,554
Reserve for Receivables	110,893	104,836
Fund Balance	<u>454,617</u>	<u>494,685</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 726,957</u>	<u>\$ 708,075</u>

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN OPERATING FUND BALANCE
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Utilized	\$ 74,686	\$ 81,390
Rents	1,409,787	1,399,471
Miscellaneous Revenue Anticipated	15,673	8,664
User Fees from Other Contracts	344,948	208,320
Other Credits to Income:		
Transfer from Sewer Expansion Trust Fund		172,411
Unexpended Balance of Appropriation Reserves	<u>25,507</u>	<u>9,690</u>
Total Revenues	<u>1,870,601</u>	<u>1,879,946</u>
EXPENDITURES		
Operating		
Salaries and Wages	-	40,000
Other Expenses	115,000	70,000
Service Fees	1,508,296	1,510,000
Deferred Charges and Statutory Expenditures	8,890	8,890
Refund of Sewer Capacity	<u>28,797</u>	<u>-</u>
Total Expenditures	<u>1,660,983</u>	<u>1,628,890</u>
Statutory Excess to Fund Balance	209,618	251,056
FUND BALANCE, JANUARY 1	<u>494,685</u>	<u>325,019</u>
	704,303	576,075
Decreased by:		
Utilized by Current Fund Budget	175,000	
Utilized by Sewer Operating Budget	<u>74,686</u>	<u>81,390</u>
FUND BALANCE, DECEMBER 31	<u><u>\$ 454,617</u></u>	<u><u>\$ 494,685</u></u>

TOWNSHIP OF READINGTON
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>		<u>2017</u>	
	Anticipated <u>Budget</u>	<u>Realized</u>	Anticipated <u>Budget</u>	<u>Realized</u>
Fund Balance Anticipated	\$ 74,686	\$ 74,686	\$ 81,390	\$ 81,390
Rents	1,350,000	1,409,787	1,340,000	1,399,471
User Fees from Other Contracts	200,000	344,948	200,000	208,320
Miscellaneous Charges	<u>7,500</u>	<u>15,673</u>	<u>7,500</u>	<u>8,664</u>
	<u>\$ 1,632,186</u>	<u>\$ 1,845,094</u>	<u>\$ 1,628,890</u>	<u>\$ 1,697,845</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>2018 Appropriated</u>		<u>2018 Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries	\$ 60,000			
Other Expenses	115,000	\$ 115,000	98,461	\$ 16,539
Service Fees - RLSA	1,198,296	1,198,296	1,198,296	-
Service Fees - RTMUA	250,000	310,000	280,201	29,799
 DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Statutory Expenditures:				
Contribution to:				
Public Employee Retirement System	4,300	4,300	4,300	-
Social Security System (O.A.S.I.)	<u>4,590</u>	<u>4,590</u>	<u>4,590</u>	<u>-</u>
 Total Water Utility Appropriations	<u>\$ 1,632,186</u>	<u>\$ 1,632,186</u>	<u>\$ 1,585,848</u>	<u>\$ 46,338</u>

**TOWNSHIP OF READINGTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>2017 Appropriated</u>		<u>2017 Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
OPERATING				
Salaries	\$ 60,000	\$ 40,000	\$ 40,000	
Other Expenses	70,000	70,000	70,000	
Service Fees - RLSA	1,240,000	1,240,000	1,230,433	\$ 9,567
Service Fees - RTMUA	250,000	270,000	197,740	72,260
DEFERRED CHARGES AND STATUTORY EXPENDITURES				
Statutory Expenditures:				
Contribution to:				
Public Employee Retirement System	4,300	4,300	4,300	-
Social Security System (O.A.S.I.)	<u>4,590</u>	<u>4,590</u>	<u>4,590</u>	<u>-</u>
Total Water Utility Appropriations	<u>\$ 1,628,890</u>	<u>\$ 1,628,890</u>	<u>\$ 1,547,063</u>	<u>\$ 81,827</u>

**TOWNSHIP OF READINGTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Land and Land Improvements	\$ 29,555,540	\$ 29,555,540
Buildings and Building Improvements	7,348,961	7,306,462
Vehicles and Machinery and Equipment	<u>11,812,284</u>	<u>11,085,890</u>
	<u>\$ 48,716,785</u>	<u>\$ 47,947,892</u>
 LIABILITIES		
Investment in General Fixed Assets	<u>\$ 48,716,785</u>	<u>\$ 47,947,892</u>

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Readington (the "Township") was incorporated in 1798 and operates under an elected Mayor and Committee form of government. The five Committee members are elected at-large, for staggered terms of three years. The Committee elects a Mayor and Deputy Mayor each for a term of one year. The Mayor is the Chief Executive Officer of the Township and as such presides over all public meetings and makes appointments to various boards. The Township Committee exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Township Administrator is appointed by the Township Committee and is responsible for the implementation of the policies of the Mayor and Committee, for the administration of all Township affairs and for the day to day operations of the Township. The Township Administrator is the Chief Administrative Officer for the Township. The Township's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. The Township is not includable in any other reporting entity as a component unit.

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Township do not include the Volunteer Fire Companies and Whitehouse Rescue Squad, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Regulatory Basis of Accounting

The financial statements of the Township of Readington have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Township accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

The Township uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Township functions or activities. The Township also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

The Township has the following funds and account group:

Current Fund – This fund is used to account for the revenues and expenditures for governmental operations of a general nature and the assets and liabilities related to such activities, including Federal and State grants not accounted for in another fund.

Trust Funds - These funds are used to account for assets held by the government in a trustee capacity. Funds held by the Township as an agent for individuals, private organizations, or other governments are recorded in the Trust Funds.

Animal Control Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

Other Trust Fund - This fund is established to account for the assets and resources, which are held by the Township as a trustee or agent for individuals, private organizations, other governments and/or other funds. These funds include dedicated fees/proceeds collected, developer deposits, payroll related deposits and funds deposited with the Township as collateral.

Length of Service Awards Program Fund (LOSAP) – This fund is established to account for the tax-deferred income benefits to active volunteer members of emergency service organizations of the Township.

General Capital Fund – This fund is used to account for the receipt and disbursement of funds used and related financial transactions related to the acquisition or improvement of general capital facilities and other capital assets, other than those acquired in the Current Fund.

Sewer Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the Township's sanitary sewerage system and the assets and liabilities relative to such activities.

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Township. The Township's infrastructure is not reported in the account group.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications - Certain reclassifications may have been made to the December 31, 2017 balances to conform to the December 31, 2018 presentation.

Financial Statements – Regulatory Basis

The GASB Codification also requires the financial statements of a governmental unit to be presented in the basic financial statements in accordance with GAAP. The Township presents the regulatory basis financial statements listed in the table of contents which are required by the Division and which differ from the basic financial statements required by GAAP. In addition, the Division requires the regulatory basis financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the accounting principles and practices prescribed by the Division in accordance with the regulatory basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Township of Readington follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division ("regulatory basis of accounting") differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

Inventories - 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. GAAP requires inventories to be recorded as assets in proprietary-type funds.

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Township. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Township also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Township may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Miscellaneous Revenues/Receivables - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both measurable and available).

Utility Revenues/Receivables - Utility charges are levied quarterly based upon a flat service charge and if applicable, an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Township's sewer utility operating fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant and Similar Award Revenues/Receivables - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Township's budget. GAAP requires such revenues to be recognized as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

Deferred Charges – Certain expenditures and other items are required to be deferred to budgets of succeeding years. GAAP requires expenditures and certain other items generally to be recognized when incurred, if measurable.

Funded and unfunded debt authorizations for general capital projects are also recorded as deferred charges and represent permanent long-term debt issues outstanding (funded) and temporary debt issues outstanding or unissued debt authorizations (unfunded), respectively. GAAP does not permit the recording of deferred charges for funded and unfunded debt authorizations.

Appropriation Reserves – Appropriation reserves are recorded as liabilities and are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Expenditures – Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgements, which are recognized when due.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures and liabilities through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures or liabilities under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick leave are not recorded until paid; however, municipalities may establish and budget reserve funds subject to NJSA 40A:4-39 for the future payment of compensated absences. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation in the government-wide financial statements.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body; however, municipalities may establish reserves transferred from tax collections or by budget appropriation for future payments of tax appeal losses. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Township of Readington has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Township as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of two years.

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 sewerage and drainage systems are not capitalized.

General Fixed Assets purchased after December 31, 2016 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 2016 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation for general fixed assets.

GAAP requires that capital assets be recorded in proprietary-type funds as well as the government-wide financial statement at historical or estimated historical cost if actual historical cost is not available. In addition, GAAP requires depreciation on capital assets to be recorded in proprietary-type funds as well as in the government-wide financial statements.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Budgets and Budgetary Accounting** - An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Township and approved by the State Division of Local Government Services as per N.J.S.A. 40A:4 et seq.

The Township is not required to adopt budgets for the following funds:

Animal Control Fund
Other Trust (Except Open Space Reserve)
General Capital Fund

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018 and 2017 the Township Committee increased the original Current Fund budget by \$75,422 and \$734,722. The increases were funded by additional aid allotted to the Township. In addition, the governing body approved several budget transfers during 2018 and 2017.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 CASH DEPOSITS AND INVESTMENTS

The Township considers petty cash, change funds, cash in banks, certificates of deposit and deposits with the New Jersey Cash Management Fund as cash and cash equivalents.

A. Cash Deposits

The Township's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Township is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC or NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the Township's deposits were \$15,718,193 and \$16,158,250 and bank and brokerage firm balances of the Township's deposits amounted to \$15,691,492 and \$13,964,493, respectively. The Township's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>2018</u>	<u>2017</u>
Insured	\$ 15,691,492	\$ 13,671,224
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust		
department not in the Township's name	<u>-</u>	<u>293,269</u>
	<u>\$ 15,691,492</u>	<u>\$ 13,964,493</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk. As of December 31, 2018 and 2017, the Township's bank balances of \$-0- and \$293,269 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>2018</u>	<u>2017</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust		
department not in the Township's name	<u>\$ -</u>	<u>\$ 293,269</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The Township is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the Township or bonds or other obligations of the school districts which are a part of the Township or school districts located within the Township, Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school district, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law, " (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investments in the Department of the Treasury for investment by local units; Local Government investment pools, deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Township is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

As of December 31, 2018 and 2017, the Township had the following investments:

	Fair Value (Unaudited)	
	<u>2018</u>	<u>2016</u>
Investment:		
U.S. Government Securities		
Length of Service Awards Program	\$ <u>1,746,893</u>	\$ <u>1,769,784</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Township does not have a policy for custodial risk. As of December 31, 2018 and 2017, \$1,746,893 and \$1,769,784 of the Township's investments was exposed to custodial credit risk as follows:

	Fair Value (Unaudited)	
	<u>2018</u>	<u>2017</u>
Uninsured and Uncollateralized	\$ <u>1,746,893</u>	\$ <u>1,769,784</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Township does not have an investment policy that would further limit its investment choices. As of December 31, 2018 and 2017, the Township's investment in Lincoln National Corporation was rated Baa1 by Moody's Investors Services.

Concentration of Credit Risk – The Township places no limit in the amount the Township may invest in any one issuer. More than five (5) percent of the Township's investments are in Lincoln Financial. These investments are 100% of the Township's total investments.

The fair value of the above-listed investment was based on quoted market prices.

Interest earned in the General Capital Fund, Animal Control Fund and certain Other Trust Funds are assigned to the Current Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2018 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2018</u>			
Property Taxes	\$ 565,874		\$ 565,874
Tax Title Liens	114,671		114,671
Utility Charges and Fees	<u>-</u>	<u>\$ 110,893</u>	<u>110,893</u>
	<u>\$ 680,545</u>	<u>\$ 110,893</u>	<u>\$ 791,438</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE (Continued)

In 2018, the Township collected \$569,374 and \$104,836 from delinquent taxes and utility charges and fees, which represented 84% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2017.

Receivables at December 31, 2017 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2017</u>			
Property Taxes	\$ 569,374		\$ 569,374
Tax Title Liens	111,535		111,535
Utility Charges and Fees	<u>-</u>	<u>\$ 104,836</u>	<u>104,836</u>
	<u>\$ 680,909</u>	<u>\$ 104,836</u>	<u>\$ 785,745</u>

In 2017, the Township collected \$702,441 and \$102,240 from delinquent taxes and utility charges and fees, which represented 87% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2016.

NOTE 5 DUE TO/FROM OTHER FUNDS

As of December 31, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund:				
Regular	\$ 31,851			\$ 66,209
Grants		\$ 3,054	\$ 22,989	
General Capital Fund	-		43,220	-
Sewer Utility Fund:				
Operating	<u>-</u>	<u>28,797</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 31,851</u>	<u>\$ 31,851</u>	<u>\$ 66,209</u>	<u>\$ 66,209</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or to cover cash balances which were in an overdraft position.

The Township expects all interfund balances to be liquidated within one year.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Sewer Utility Operating Fund are comprised of cash surplus (fund balance) and non-cash surplus (fund balance). All or part of cash surplus as of December 31 may be anticipated in the subsequent year's budget. The non-cash surplus portion of fund balance may be utilized in the subsequent year's budget with the prior written consent of the Director of the Division of Local Government Services if certain guidelines are met as to its availability. Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective fund's budget for the succeeding year were as follows:

	2018		2017	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 2,880,606	\$ 1,935,000	\$ 2,643,140	\$ 1,852,000
Non-Cash Surplus	<u>88,323</u>	<u>-</u>	<u>66,639</u>	<u>-</u>
	<u>\$ 2,968,929</u>	<u>\$ 1,935,000</u>	<u>\$ 2,709,779</u>	<u>\$ 1,852,000</u>
Sewer Utility Operating Fund				
Cash Surplus	<u>\$ 454,617</u>	<u>\$ 31,000</u>	<u>\$ 494,685</u>	<u>\$ 74,686</u>
	<u>\$ 454,617</u>	<u>\$ 31,000</u>	<u>\$ 494,685</u>	<u>\$ 74,686</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2018 and 2017.

	Balance January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<u>2018</u>				
Land and Land Improvements	\$ 29,555,540			\$ 29,555,540
Buildings and Building Improvements	7,306,462	\$ 42,499		7,348,961
Machinery and Equipment	<u>11,085,890</u>	<u>767,394</u>	<u>\$ 41,000</u>	<u>11,812,284</u>
	<u>\$ 47,947,892</u>	<u>\$ 809,893</u>	<u>\$ 41,000</u>	<u>\$ 48,716,785</u>
	Balance January 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land and Land Improvements	\$ 29,492,565	\$ 62,975		\$ 29,555,540
Buildings and Building Improvements	7,168,022	138,440		7,306,462
Machinery and Equipment	<u>10,533,478</u>	<u>581,801</u>	<u>\$ 29,389</u>	<u>11,085,890</u>
	<u>\$ 47,194,065</u>	<u>\$ 783,216</u>	<u>\$ 29,389</u>	<u>\$ 47,947,892</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 MUNICIPAL DEBT

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital fund projects. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and four months or retired by the issuance of bonds.

The Township's debt is summarized as follows:

	<u>2018</u>	<u>2017</u>
Issued		
General		
Bonds, Notes and Loans	\$ 56,438,958	\$ 51,765,544
Less Funds Temporarily Held to Pay Bonds and Notes	<u>362,592</u>	<u>261,094</u>
Net Debt Issued	56,076,366	51,504,450
Authorized But Not Issued		
General		
Bonds and Notes	<u>3,446,112</u>	<u>8,139,064</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 59,522,478</u>	<u>\$ 59,643,514</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Township's Annual Debt Statement and indicates a statutory net debt of 1.86% and 1.87% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2018</u>			
General Debt	\$ 59,885,070	\$ 362,592	\$ 59,522,478
Local School Debt	14,375,000	14,375,000	-
Regional School Debt	<u>2,080,767</u>	<u>2,080,767</u>	<u>-</u>
Total	<u>\$ 76,340,837</u>	<u>\$ 16,818,359</u>	<u>\$ 59,522,478</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 59,904,608	\$ 261,094	\$ 59,643,514
Local School Debt	16,200,000	16,200,000	-
Regional School Debt	<u>2,778,906</u>	<u>2,778,906</u>	<u>-</u>
Total	<u>\$ 78,883,514</u>	<u>\$ 19,240,000</u>	<u>\$ 59,643,514</u>

Statutory Borrowing Power

The Township's remaining borrowing power under N.J.S. 40A:2-6, as amended, at December 31, was as follows:

	<u>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 112,172,520	\$ 111,100,488
Less: Net Debt	<u>59,522,478</u>	<u>59,643,514</u>
Remaining Borrowing Power	<u>\$ 52,650,042</u>	<u>\$ 51,456,974</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

The Township's long-term debt consisted of the following at December 31, 2018 and 2017:

General Obligation Bonds

The Township levies ad valorem taxes to pay debt service on general obligation bonds. General obligation bonds outstanding at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
\$11,000,000, 2011 General Improvement Bonds, due in annual installments of \$265,000 to \$470,000 through February 1, 2021, interest at 4.0% to 5.0 %	\$ 1,155,000	\$ 1,535,000
\$7,945,000, 2014 Refunding Bonds, due in annual installments of \$715,000 to \$960,000 through July 1, 2025, interest at 4.0% to 5.0%	6,170,000	6,890,000
\$9,573,000, 2015 General Improvement Bonds, due in annual installments of \$625,000 to \$1,000,000 through February 1, 2028, interest at 2.0% to 3.0%	7,923,000	8,523,000
\$14,184,000, 2017 General Improvement Bonds, due in annual installments of \$350,000 to \$700,000 through February 1, 2042, interest at 3.0% to 5.0 %	13,825,000	14,184,000
\$6,750,000, 2017 Refunding Bonds, due in annual installments of \$150,000 to \$865,000 through February 1, 2031, interest at 3.0% to 5.0%	6,750,000	6,750,000
\$6,278,000, 2018 General Improvement Bonds, due in annual installments of \$200,000 to \$400,000 through March 1, 2038, interest at 3.0% to 5.0%	<u>6,278,000</u>	<u>-</u>
Total	<u>\$ 42,101,000</u>	<u>\$ 37,882,000</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The Township has entered into various loan agreements with the State of New Jersey for the financing relating to the acquisition of the various properties and infrastructure improvements. The Township levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
\$1,000,000, 2002 "Incentive" Loan, due in semi-annual installments of \$29,984 to \$32,147 through 2020, interest at 2.00%	\$ 126,689	\$ 188,168
\$2,250,000, 2000 "Greenway Acquisition" Loan, due in semi-annual installments of \$71,816 to \$73,992 through 2018, interest at 1.00%		147,252
\$500,000, 2001 "Summer Road Park" Loan, due in semi-annual installments of \$14,073 to \$15,392 through 2021, interest at 1.00%	90,095	118,952
\$1,271,572, 2001 "NJ Infrastructure-Dreahook Road " Loan, due in semi-annual installments of \$768 to \$83,120 through 2021, interest at variable rate	240,629	319,364
\$285,829, 2003 "NJ Infrastructure-2003 " Loan, due in semi-annual installments of \$196 to \$14,599 through 2023, interest at variable rate	72,182	87,775
\$672,696, 2004 "NJ Infrastructure-2004" Loan, due in semi-annual installments of \$414 to \$44,382 through 2024, interest at variable rate	<u>208,363</u>	<u>244,033</u>
Total	<u><u>\$ 737,958</u></u>	<u><u>\$ 1,105,544</u></u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Township's principal and interest for long-term debt issued and outstanding as of December 31, 2018 is as follows:

Calendar Year	General					
	Bonds			Loans		
	Principal	Interest		Principal	Interest	Total
2019	\$ 2,310,000	\$ 3,824,006		\$ 220,609	\$ 14,915	\$ 6,369,530
2020	2,395,000	3,825,256		219,647	10,063	6,449,966
2021	2,465,000	3,810,856		161,770	5,610	6,443,236
2022	2,550,000	3,805,731		45,932	2,050	6,403,713
2023	2,630,000	3,786,656		59,050	1,313	6,477,019
2024-2028	13,633,000	17,742,461		30,950	437	31,406,848
2029-2033	7,835,000	9,723,856				17,558,856
2034-2038	5,483,000	6,413,817				11,896,817
2039-2042	<u>2,800,000</u>	<u>2,995,500</u>		<u>-</u>	<u>-</u>	<u>5,795,500</u>
Total	\$ 42,101,000	\$ 55,928,139		\$ 737,958	\$ 34,388	\$ 98,801,485

Changes in Long-Term Municipal Debt

The Township's long-term capital debt activity for the years ended December 31, 2018 and 2017 were as follows:

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
General Capital Fund					
Bonds Payable	\$ 37,882,000	\$ 6,278,000	\$ 2,059,000	\$ 42,101,000	\$ 2,310,000
Intergovernmental Loans Payable	<u>1,105,544</u>	<u>-</u>	<u>367,586</u>	<u>737,958</u>	<u>220,609</u>
General Capital Fund Long-Term Liabilities	<u>\$ 38,987,544</u>	<u>\$ 6,278,000</u>	<u>\$ 2,426,586</u>	<u>\$ 42,838,958</u>	<u>\$ 2,530,609</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
General Capital Fund					
Bonds Payable	\$ 25,423,000	\$ 20,934,000	\$ 8,475,000	\$ 37,882,000	\$ 2,059,000
Intergovernmental Loans Payable	<u>1,474,387</u>	<u>-</u>	<u>368,843</u>	<u>1,105,544</u>	<u>368,798</u>
General Capital Fund Long-Term Liabilities	<u>\$ 26,897,387</u>	<u>\$ 20,934,000</u>	<u>\$ 8,843,843</u>	<u>\$ 38,987,544</u>	<u>\$ 2,427,798</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Township's short-term debt activity for the years ended December 31, 2018 and 2017 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2018</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2018</u>
<u>2018</u>							
Acquisition of Property	06-04	2.25%	2/1/2018	\$ 6,278,000		\$ 6,278,000	
Acquisition of Property	09-22	2.25%	2/1/2018	660,074		660,074	
		2.00%	1/29/2019		\$ 660,074		\$ 660,074
Acquisition of Property	09-23	2.25%	2/1/2018	1,406,413		1,406,413	
		2.00%	1/29/2019		1,406,411		1,406,411
COAH Property	09-31	2.25%	2/1/2018	66,621		66,621	
		2.00%	1/29/2019		66,621		66,621
Acquisition of Property	12-29	2.25%	2/1/2018	72,026		72,026	
		2.00%	1/29/2019		72,026		72,026
Acquisition of Property	14-21	2.25%	2/1/2018	406,750		406,750	
		2.00%	1/29/2019		401,609		401,609
Various Improvements	15-4	2.25%	2/1/2018	2,279,998		2,279,998	
		2.00%	1/29/2019		2,139,219		2,139,219
Various Improvements	16-4	2.25%	2/1/2018	1,608,118		1,608,118	
		2.00%	1/29/2019		1,608,118		1,608,118
Various Improvements	17-07	2.00%	1/29/2019		1,666,300		1,666,300
Reacquire Available Sewer Capacity	17-08	2.00%	1/29/2019		1,400,000		1,400,000
Reacquire Available Sewer Capacity	17-09	2.00%	1/29/2019		3,420,000		3,420,000
Acquisition of Property - Oak and Blue Sky	17-12	2.00%	1/29/2019	-	759,622	-	759,622
				<u>\$ 12,778,000</u>	<u>\$ 13,600,000</u>	<u>\$ 12,778,000</u>	<u>\$ 13,600,000</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Ord.</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, January 1, 2017</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2017</u>
<u>2017</u>							
Acquisition of Property	06-04	2.00%	2/2/2017	\$ 20,336,073		\$ 20,336,073	
		1.25%	4/28/2017		\$13,973,000	13,973,000	
		2.25%	2/1/2018		6,278,000		\$ 6,278,000
Acquisition of Property	07-37	2.00%	2/2/2017	217,330		217,330	
		1.25%	4/28/2017		211,000	211,000	
							-
Acquisition of Property	09-22	2.00%	2/2/2017	660,074		660,074	
		2.25%	2/1/2018		660,074		660,074
Acquisition of Property	09-23	2.00%	2/2/2017	1,490,364		1,490,364	
		2.25%	2/1/2018		1,406,413		1,406,413
Acquisition of Property	09-29	2.00%	2/2/2017	236,652		236,652	
COAH Property	09-31	2.00%	2/2/2017	71,029		71,029	
		2.25%	2/1/2018		66,621		66,621
Acquisition of Property	12-29	2.00%	2/2/2017	72,026		72,026	
		2.25%	2/1/2018		72,026		72,026
Acquisition of Property	14-21	2.00%	2/2/2017	406,120		406,120	
		2.25%	2/1/2018		406,750		406,750
Various Improvements	15-4	2.00%	2/2/2017	2,210,332		2,210,332	
		2.25%	2/1/2018		2,279,998		2,279,998
Various Improvements	16-4	2.25%	2/1/2018	-	1,608,118	-	1,608,118
				<u>\$ 25,700,000</u>	<u>\$ 26,962,000</u>	<u>\$ 39,884,000</u>	<u>\$ 12,778,000</u>

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by State Local Bond Law NJSA 40A:2 et. seq. The amounts issued for governmental activities are accounted for in the General Capital Fund.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 8 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

State law requires that notes are to be issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year. All bond anticipation notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. In addition any note renewed beyond the third anniversary date of the original note, requires one legally payable installment to be paid.

NOTE 9 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of December 31, the Township had the following commitments with respect to unfinished capital projects:

<u>2018</u>		Construction	Estimated
<u>Capital Project</u>		<u>Commitment</u>	<u>Date of Completion</u>
Gasoline and Diesel Fuel	\$	132,803	2019
Catch Basins and Manhole Castings		23,059	2019
Drainage Pipe		58,712	2019
Oil and Stone Treatment		81,234	2019
Road Repaving		747,078	2019
Van Horne Road Resurfacing		243,050	2019
Renovate Basketball Court at Summer Road Park		135,420	2019
Rock Salt		145,000	2019
<u>2017</u>			
<u>Capital Project</u>			
Potterstown Road Improvements	\$	205,180	2018
Drainage Pipe		35,155	2018
Catch Basins and Manhole Castings		43,990	2018
Road Resurfacing		462,413	2018
Dump Truck Body Equipment		60,000	2018
Sewer Jet Cleaner		78,176	2018
Road Reclamation Project		280,800	2018
Rock Salt		145,000	2018
Dodge Chargers		78,368	2018
Gasoline and Diesel Fuel		177,258	2018

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 10 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the Township, employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$496,493 and \$475,405 at December 31, 2018 and 2017, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the notes to the financial statements in conformity with the disclosure requirements of the Governmental Accounting Standards Board.

The Township's changes in other long-term liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Balance, January 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>2018</u>					
Compensated Absences	\$ 475,405	\$ 21,088		\$ 496,493	
Net Pension Liability - PERS	11,030,360		\$ 2,002,315	9,028,045	
Net Pension Liability - PFRS	11,044,791	-	1,319,569	9,725,222	-
Total Other Long-Term Liabilities	<u>\$ 22,550,556</u>	<u>\$ 21,088</u>	<u>\$ 3,321,884</u>	<u>\$ 19,249,760</u>	<u>\$ -</u>
	Balance, January 1, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 438,240	\$ 37,165		\$ 475,405	
Net Pension Liability - PERS	12,818,150	-	\$ 1,787,790	11,030,360	
Net Pension Liability - PFRS	13,185,333	-	2,140,542	11,044,791	-
Total Other Long-Term Liabilities	<u>\$ 26,441,723</u>	<u>\$ 37,165</u>	<u>\$ 3,928,332</u>	<u>\$ 22,550,556</u>	<u>\$ -</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all state and local government employees which includes those Township employees who are eligible for pension coverage.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees. PFRS is a cost-sharing multi-employer defined benefit pension plan with a special funding situation. For additional information about PFRS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement benefits 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 who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

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

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost-sharing multi-employer defined benefit pension plan. For additional information about PERS, please refer to the State Division of Pension and Benefits (Division's) Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions.

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, if applicable, vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which 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 a least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Township employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007 and employees enrolled in PERS on or after July 1, 2007 who earn in excess of established annual maximum compensation limits (equivalent to annual maximum wage for social security deductions). This provision was extended by Chapter 1, P.L. 2010, effective May 21, 2010, to new employees (Tier 2) of the PFRS and new employees who would otherwise be eligible to participate in PERS and do not earn the minimum salary required or do not work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The state established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local governmental employers do not appropriate funds to SACT.

The cost of living increase for PFRS and PERS are funded directly by each of the respective systems, but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems, funds, and trust. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at www.state.nj/treasury/doinvest.

Collective Net Pension Liability

The collective net pension liability of the participating employers for PERS at June 30, 2018 and 2017 is \$43.4 billion and \$48.9 billion, respectively, and the plan fiduciary net position as a percentage of the total pension liability is 40.45% and 36.78%, respectively. The collective net pension liability of the participating employers for PFRS at June 30, 2018 and 2017 is \$19.7 billion and \$21.6 billion, respectively and the plan fiduciary net position as a percentage of total pension liability is 57.91% and 54.52%, respectively.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017, respectively.

Actuarial Methods and Assumptions

In the July 1, 2017 and 2016 PERS and PFRS actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The pension systems selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 68. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions for 2018 and 2017 based on 10.0% for PFRS, 7.50% (effective July 1, 2018) and 7.34% (effective July 1, 2017) for PERS and 5.50% for DCRP of employee's annual compensation.

For the years ended December 31, 2018 and 2017 for CPFPPF, which is a single-employer defined benefit plan the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the Township for 2018, 2017 and 2016 were equal to the required contributions.

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

During the years ended December 31, 2018, 2017 and 2016, the Township, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2018	\$ 438,967	\$ 633,165	\$ 11,736
2017	389,699	562,780	9,410
2016	400,347	533,649	2,177

In addition for the years ended December 31, 2018 and 2017 the Township contributed for long-term disability insurance premiums (LTDI) \$2,974 and \$910, respectively for PERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

Public Employees Retirement System (PERS)

At December 31, 2018 and 2017, the Township reported a liability of \$9,028,045 and \$11,030,360, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Township's proportionate share of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Township's proportionate share was 0.04545 percent, which was a decrease of 0.00153 percent from its proportionate share measured as of June 30, 2017 of 0.04738 percent.

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the years ended December 31, 2018 and 2017, the pension system has determined the Township's pension expense to be \$561,560 and \$923,740, respectively, for PERS based on the actuarial valuations which are more than the actual contributions reported in the Township's financial statements of \$438,697 and \$389,699, respectively. At December 31, 2018 and 2017, the Township's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Township's financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 172,166	\$ 46,552	\$ 259,727	
Changes of Assumptions	1,487,672	2,886,689	2,222,237	\$ 2,214,090
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		84,683	75,109	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	<u>678,165</u>	<u>568,106</u>	<u>917,750</u>	<u>400,965</u>
Total	<u>\$ 2,338,003</u>	<u>\$ 3,586,030</u>	<u>\$ 3,474,823</u>	<u>\$ 2,615,055</u>

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ 108,743
2020	(64,715)
2021	(565,776)
2022	(512,406)
2023	(213,873)
Thereafter	<u>-</u>
	<u>\$ (1,248,027)</u>

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The Township's total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65-4.15%	1.65-4.15%
	Based on Age	Based on Age
Thereafter	2.65%-5.15%	2.65-5.15%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash Equivalents	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Calendar Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	5.66%
2017	June 30, 2017	5.00%

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2046	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2046 and Thereafter	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. 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.

Sensitivity of Net Pension Liability

The following presents the Township's proportionate share of the PERS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 5.66% and 5.00%, respectively, as well as what the Township's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 4.66% and 4.00%, respectively or 1-percentage-point higher 6.66% and 6.00%, respectively than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
<u>2018</u>			
Township's Proportionate Share of the PERS Net Pension Liability	\$ <u>11,351,726</u>	\$ <u>9,028,045</u>	\$ <u>7,078,625</u>
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
Township's Proportionate Share of the PERS Net Pension Liability	\$ <u>13,683,910</u>	\$ <u>11,030,360</u>	\$ <u>8,819,624</u>

The sensitivity analysis was based on the proportionate share of the Township's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Township's net pension liability was not provided by the pension system.

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2018 and 2017, the Township reported a liability of \$9,725,022 and \$11,044,791, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Township's proportionate share of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the Township's proportionate share was 0.07187 percent, which was an increase of 0.00033 percent from its proportionate share measured as of June 30, 2017 of 0.07154 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the Township pension expense to be \$995,254 and \$1,235,914, respectively, for PFRS based on the actuarial valuations which are more than the actual contributions reported in the Township's financial statements of \$633,165 and \$562,780, respectively. At December 31, 2018 and 2017, the Township's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Township's financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 98,941	\$ 40,245	\$ 71,652	\$ 64,824
Changes of Assumptions	834,779	2,492,406	1,361,946	1,808,814
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		53,206	210,760	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	<u>626,471</u>	<u>-</u>	<u>815,809</u>	<u>-</u>
Total	<u>\$ 1,560,191</u>	<u>\$ 2,585,857</u>	<u>\$ 2,460,167</u>	<u>\$ 1,873,638</u>

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

<u>Year</u> <u>Ending</u> <u>December 31,</u>	<u>Total</u>
2019	\$ 289,171
2020	(74,642)
2021	(633,944)
2022	(451,420)
2023	(154,831)
Thereafter	<u>-</u>
	<u>\$ (1,025,666)</u>

Actuarial Assumptions

The Township's total pension liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2018</u>	<u>2017</u>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	2.10%-8.98%	2.10%-8.98%
	Based on Age	Based on Age
Thereafter	3.10%-9.98%	3.10%-9.98%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.00%
Mortality Rate Table	RP-2000	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA and one year using Scale BB.

The actuarial assumptions used in the July 1, 2017 and July 1, 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018 and 2017, as reported for the years ended December 31, 2018 and 2017, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2018</u>		<u>2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%	5.00%	5.51%
Cash	5.50%	1.00%	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%	3.00%	1.87%
Investment Grade Credit	10.00%	3.87%	10.00%	3.78%
US Equity	30.00%	8.19%	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%	6.50%	11.64%
High Yield	2.50%	6.82%	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%	1.00%	6.61%
Private Real Asset	2.50%	11.83%	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PFRS plan was as follows:

<u>Calendar</u>		
<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	6.51%
2017	June 30, 2017	6.14%

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PFRS defined benefit plan:

	<u>2018</u>	<u>2017</u>
Period of Projected Benefit Payments for which the Following Rates were Applied:		
Long-Term Expected Rate of Return	Through June 30, 2062	Through June 30, 2057
Municipal Bond Rate *	From July 1, 2062 and Thereafter	From July 1, 2057 and Thereafter

* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. 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.

Sensitivity of Net Pension Liability

The following presents the Township's proportionate share of the PFRS net pension liability as of December 31, 2018 and 2017 calculated using the discount rate of 6.51% and 6.14%, respectively, as well as what the Township's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower 5.51% and 5.14%, respectively or 1-percentage-point higher 7.51% and 7.14%, respectively than the current rate:

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
<u>2018</u>			
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 13,016,003</u>	<u>\$ 9,725,222</u>	<u>\$ 7,010,927</u>
	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Township's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,552,422</u>	<u>\$ 11,044,791</u>	<u>\$ 8,162,874</u>

The sensitivity analysis was based on the proportionate share of the Township's net pension liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Township's net pension liability was not provided by the pension system.

TOWNSHIP OF READINGTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 EMPLOYEE RETIREMENT SYSTEMS (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Township is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions 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 Township by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Township's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Township for the PFRS special funding situation is \$1,321,011 and \$1,237,110, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the Township for the PFRS special funding situation is \$156,472 and \$151,236, respectively, which are more than the actual contributions the State made on behalf of the Township of \$78,236 and \$61,861, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the Township was 0.07187 percent, which was an increase of 0.00033 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of 0.07154 percent. The State's proportionate share attributable to the Township was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Township's financial statements.

Pension Plan Fiduciary Net Position

Detailed information about the PFRS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including the Township.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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

The Plan 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) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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 coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be assessed via, the New Jersey, Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Measurement Focus and Basis of Accounting

The financial statements of the OPEB plan are prepared in accordance with U.S. generally accepted accounting principles as applicable to government organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the other postemployment benefit plan. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Collective Net OPEB Liability

The collective net OPEB liability of the participating employers and the State, as the non-employer contributing entity, of the Plan at June 30, 2018 and 2017 is \$15.7 billion and \$20.4 billion, respectively, and the plan fiduciary net position as a percentage of the total OPEB liability is 1.97% and 1.03%, respectively.

The total OPEB liabilities were determined based on actuarial valuations as of June 30, 2017 and 2016 which were rolled forward to June 30, 2018 and 2017.

Actuarial Methods and Assumptions

In the June 30, 2017 and 2016 OPEB actuarial valuations, the actuarial assumptions and methods used in these valuations were described in the Actuarial Assumptions and Methods section of the Actuary's report and are included here in this note to the financial statements. The Plan selected economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB Statement No. 75. The Actuary provided guidance with respect to these assumptions, and it is their belief that the assumptions represent reasonable expectations of anticipated plan experience.

The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members. The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1967, as disclosed previously. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis.

The employers participating in the OPEB plan made contributions of \$421.2 million and \$381.8 million and the State of New Jersey, as the non-employer contributing entity, contributed \$53.5 million and \$53.1 million for fiscal years 2018 and 2017, respectively.

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution; an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan—using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Township's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2018, 2017 and 2016 were \$754,186, \$714,734 and \$653,449, respectively, which equaled the required contributions for each year (or were not available).

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The regulatory basis of accounting requires participating employers in the State Health Benefit Program Fund – Local Government Retired Plan to disclose in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pension (GASB No. 75)* their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal years ended June 30, 2018 and 2017. Employer allocation percentages have been rounded for presentation purposes.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At December 31, 2018 and 2017, the Township reported a liability of \$16,942,821 and \$22,183,388, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and 2016, respectively. The Township's proportionate share of the net OPEB liability was based on the ratio of the Township's proportionate share of the OPEB liability attributable to the Township at June 30, 2018 and 2017 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2018 and 2017, respectively. As of the measurement date of June 30, 2018 the Township's proportionate share was 0.108146 percent, which was a decrease of 0.000512 percent from its proportionate share measured as of June 30, 2017 of 0.108658 percent.

For the years ended December 31, 2018 and 2017, the Plan has determined the Township's OPEB expense to be \$308,252 and \$1,179,629, respectively, based on the actuarial valuations which are more or less than the actual contributions reported in the Township's financial statements of \$754,186 and \$714,734, respectively. At December 31, 2018 and 2017, the Township's deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the Township's financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 3,439,997		
Changes of Assumptions		4,297,768		\$ 2,462,167
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 8,954		\$ 3,802	
Changes in Proportion and Differences Between Township Contributions and Proportionate Share of Contributions	-	2,136,669	-	2,371,711
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	<u>\$ 8,954</u>	<u>\$ 9,874,434</u>	<u>\$ 3,802</u>	<u>\$ 4,833,878</u>

At December 31, 2018 the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ (1,486,281)
2020	(1,486,281)
2021	(1,486,283)
2022	(1,487,233)
2023	(1,488,758)
Thereafter	<u>(2,430,644)</u>
	<u>\$ (9,865,480)</u>

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 15 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions

The Township's total OPEB liability reported for the year ended December 31, 2018 was based on the June 30, 2018 measurement date as determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total OPEB liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2018</u>	<u>2017</u>
Inflation Rate	2.50%	2.50%
Salary Increases*		
Initial Fiscal Year Applied Through	2026	2026
Rate	1.65% to 8.98%	1.65% to 8.98%
Rate Thereafter	2.65% to 9.98%	2.65% to 9.98%
Mortality	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.	RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using Scale MP-2017.
Long-Term Rate of Return	1.00%	1.00%

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

For the June 30, 2018 measurement date healthcare cost trend rates for pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

For the June 30, 2017 measurement date healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefit, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2017 and 2016 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% and 1.00% as of June 30, 2018 and 2017, respectively.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

Calendar

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2018	3.87%
2017	June 30, 2017	3.58%

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

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the Township's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the discount rate of 3.87% and 3.58%, respectively, as well as what the Township's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.87% and 2.58%, respectively or 1-percentage-point higher 4.87% and 4.58%, respectively than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
<u>2018</u>			
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 19,878,408</u>	<u>\$ 16,942,821</u>	<u>\$ 14,597,951</u>
	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
<u>2017</u>			
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 26,165,967</u>	<u>\$ 22,183,388</u>	<u>\$ 19,023,278</u>

The sensitivity analysis was based on the proportionate share of the Township's net OPEB liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Township's net OPEB liability was not provided by the Plan.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the Township's proportionate share of the OPEB net liability as of December 31, 2018 and 2017 calculated using the healthcare trend rates as disclosed above as well as what the Township's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>2018</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 14,133,029</u>	<u>\$ 16,942,821</u>	<u>\$ 20,579,109</u>
<u>2017</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Township's Proportionate Share of the Net OPEB Liability	<u>\$ 18,435,043</u>	<u>\$ 22,183,388</u>	<u>\$ 27,064,167</u>

The sensitivity analysis was based on the proportionate share of the Township's net OPEB liability at December 31, 2018 and 2017. A sensitivity analysis specific to the Township's net OPEB liability was not provided by the pension system.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 RISK MANAGEMENT

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

The Township of Readington is a member of the Public Alliance Insurance Coverage Joint Insurance Coverage (PAIC) and Municipal Excess Liability Joint Insurance Fund (MEL). The joint insurance funds are both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Funds are risk-sharing public entity pools. The PAIC and MEL coverage amounts are on file with the Township.

The relationship between the Township and respective insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Township is contractually obligated to make all annual and supplementary contributions to the insurance funds, to report claims on a timely basis, to cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which the municipality was a member.

The funds provide its members with risk management services, including the defense of and settlement of claims, and established reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the funds can be obtained by contacting the respective fund's Treasurer.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. The following is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Township's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31</u>	<u>Employer/Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	\$ 9,099	\$ 19,702	\$ 50,920
2017	17,151	1,658	61,523
2016	179	14,979	46,030

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14 CONTINGENT LIABILITIES

The Township is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation, except as noted below. The opinion of the Township's Attorney regarding the potential claims against the Township not covered by insurance policies as described below.

Pending Litigation

Township of Readington v. Solberg Aviation, et al; Superior Court of New Jersey Law Division, Docket No. HNT-L-468-06; Superior Court of New Jersey, Appellate Division, Docket No. A3964-15T4. This case involves a condemnation claim against Solberg Aviation Company seeking the acquisition of vacant and airport land. After an Appellate Division Opinion, the condemnation action was dismissed and the other issues were resolved, except Plaintiff asserts it still possesses a civil rights claim against the Township. The amount of the claim is unknown. There is a balance of \$20,094,727 as of June 2, 2018 being held in escrow maintained by the Superior Court of New Jersey originally required to be deposited by the Township on October 12, 2006. Management has indicated the balance on deposit remains the same as of the date of audit.

388 Route 22 Readington Realty Holding, LLC v. Township of Readington, et. al; Superior Court of New Jersey, Law Division, Docket No. HNT-L-751-10. This case involves a suit seeking sewer capacity and civil rights damages. There has been an interim judgment for attorneys' fees which is funded through an escrow account. Plaintiff seeks damages in excess of \$5 million for loss of use of its property. There is a limited insurance coverage for this claim. The Supreme Court reversed the interim judgment for attorneys' fees and granted the Township's motion for summary judgment. Plaintiff filed for bankruptcy and the Bankruptcy Trustee has filed an appeal of the grant of summary judgment.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. Amounts claimed have not yet been determined. The Township is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Township does not recognize a liability, if any, until these cases have been adjudicated. The Township expects such amounts, if any, could be material. As of December 31, 2018 and 2017, the Township reserved \$308,002 and \$308,002, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget, from fund balance or from a tax refunding bond ordinance subject to approval by the Local Finance Board, State of New Jersey.

Federal and State Awards - The Township participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Township may be required to reimburse the grantor government. As of December 31, 2018 and 2017, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Township believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Township.

TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 15 FEDERAL ARBITRAGE REGULATIONS

The Township is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2018 and 2017, the Township has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Township of Readington Length of Service Award Program (the Plan) was created by a Township ordinance adopted on May 3, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Township of Readington approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2002. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Companies and the Whitehouse Rescue Squad, come from contributions made solely by the Township on behalf of those volunteers who meet the criteria of a plan created by the governing body.

If an active member meets the year of active service requirement, a LOSAP must provide a benefit between the minimum contribution of \$100 and a maximum contribution of \$1,150 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services issues the permitted maximum increase annually.

The Township of Readington has contributed \$800 and \$800 for 2018 and 2017, respectively, for each eligible volunteer member into the Plan. The total Township contributions were \$67,200 and \$70,400 for 2018 and 2017, respectively.

In accordance with the amendments to Section 457 of the Internal Revenue Code and the State Deferred Revenue Regulations, the Township has placed the amounts deferred, including earnings, in a trust for the exclusive benefit of the plan participants and their beneficiaries.

Lincoln Financial Group is the administrator of the plan. The Township's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

Vesting and Benefits

A volunteer is eligible to receive a distribution of funds upon completing 5 (five) cumulative years as an active member of the volunteer organization. Certain restrictions and tax implications may result in the event of a withdrawal of funds from the Plan.

If a volunteer member does not vest and terminates their association with the emergency service organization, the funds are returned to the sponsoring agency's surplus.

**TOWNSHIP OF READINGTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 16 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

Reporting Requirements

The New Jersey Administrative Code NJAC 5:30-14.49 requires that the Township perform a separate review report of the plan in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Accounting and Auditing Review Services. Since a review does not constitute an audit, the financial statements pertaining to the Plan are presented as unaudited in this report as part of the Township's Trust Fund.

NOTE 17 SUBSEQUENT EVENTS

Bond Anticipation Notes

On January 16, 2019 the Township issued bond anticipation notes in the amount of \$16,000,000 to temporarily finance expenditures related to various capital projects. The Township has awarded the sale of said notes to Jefferies, LLC at an interest rate of 3.00%. These notes dated January 28, 2019 will mature on January 28, 2020.

Debt Authorized

Through July 18, 2019 the Township adopted two bond ordinances authorizing the issuance \$1,425,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Township has not issued nor awarded the sale of said bonds or notes.

Special Emergency

The Township adopted a Special Emergency ordinance and resolution for the Revaluation of Real Property in the amount of \$500,000 to be funded over the next 5 years. The Township also authorized the issuance of Special Emergency Notes in the amount of \$500,000. As of the date of audit, the Township has not issued any special emergency notes.

APPENDIX C

FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL

_____, 2020

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

Dear Committee Members:

We have acted as bond counsel to the Township of Readington, in the County of Hunterdon, New Jersey (the "City"), in connection with the issuance by the City of \$6,121,000* General Improvement Bonds, Series 2020 (the "Bonds"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the City adopted on February 18, 2020 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of the City payable from *ad valorem* taxes that may be levied upon all the taxable real property within the City without limitation as to rate or amount.

On the date hereof, the City 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 City continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the City in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds are not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,

*Preliminary, subject to change.

_____, 2020

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

Dear Committee Members:

We have acted as bond counsel to the Township of Readington, in the County of Hunterdon, New Jersey (the "Township"), in connection with the issuance by the Township of its \$12,984,000 Bond Anticipation Note, Series 2020 (the "Note"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction, and have undertaken such research and analyses as we have deemed necessary.

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

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

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

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

Very truly yours,