

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 29, 2022

NEW ISSUE (BOOK-ENTRY ONLY)

RATING: NOT RATED

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Town with certain covenants described herein, interest on the Notes (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for purposes of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Notes and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX EXEMPTION" herein.

**TOWN OF PHILLIPSBURG  
IN THE COUNTY OF WARREN  
STATE OF NEW JERSEY**

**\$6,125,000  
BOND ANTICIPATION NOTES, SERIES 2022**

**NON-CALLABLE**

**Dated: Date of Delivery  
Due: December 15, 2023**

**Coupon: \_\_\_\_\_%**

**Yield: \_\_\_\_\_**

**CUSIP\*: 718643\_\_**

The \$6,125,000 aggregate principal amount of Bond Anticipation Notes, Series 2022 (the "Notes") are general obligations of the Town of Phillipsburg, in the County of Warren, State of New Jersey (the "Town"), payable in the first instance from the proceeds of the sale of bonds or notes issued in anticipation of bonds, but if not so paid or if not paid from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the Town for the payment of the principal of the Notes and the interest thereon without limitation as to rate or amount.

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

The Notes will bear interest at the rate set forth above, commencing their date of delivery. Principal of and interest on the Notes will be payable by the Town or a duly designated paying agent on the date of maturity thereof as set forth above.

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

The Notes are authorized by, and are issued pursuant to, (i) the provisions of the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented; and (ii) various bond ordinances duly adopted by the Town Council of the Town on the dates set forth herein, approved by the Mayor, and published as required by law.

The Notes are being issued to temporarily finance various capital improvements in and for the Town in the amount of \$6,125,000, including paying the costs associated with the issuance of the Notes.

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

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

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

**The Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, acting as Bond Counsel to the Town, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Town in connection with the issuance of the Notes. Certain legal matters will be passed upon for the Town by the Town Attorney, Richard W. Wenner, Esq. of Lavery, Selvaggi, Abromitis & Cohen, P.C., Hackettstown, New Jersey. It is anticipated that the Notes will be available for delivery through DTC on or about December 16, 2022.**

**BIDS FOR THE NOTES, IN ACCORDANCE WITH THE FULL NOTICE OF SALE, WILL BE RECEIVED BY THE MUNICIPAL ADVISOR, ON BEHALF OF THE CHIEF FINANCIAL OFFICER OF THE TOWN, UNTIL 11:00 A.M., PREVAILING NEW JERSEY TIME, ON DECEMBER 6, 2022 VIA ELECTRONIC MAIL AT BMORRIS@MUNIADVISORS.COM, OR VIA PARITY AT WWW.NEWISSUEHOME.I-DEAL.COM. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE FULL NOTICE OF SALE POSTED AT WWW.MUNI.HUB.COM.**

\* "CUSIP" is a 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 FactSet Research Systems Inc. The CUSIP number listed is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and the Town does not make any representations with respect to such number or undertake any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of various subsequent actions, including, but not limited to, the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Notes.

This is a Preliminary Official Statement "deemed final" by the Town within the meaning of, and with the exception of certain information permitted to be omitted by, Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The Town will deliver a final Official Statement in compliance with Rule 15c2-12. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities laws of any such jurisdiction.

**TOWN OF PHILLIPSBURG  
IN THE COUNTY OF WARREN  
STATE OF NEW JERSEY**

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**MAYOR**

Todd M. Tersigni

**TOWN COUNCIL**

Lee Clark  
Keith Kennedy  
Peter Marino  
Randy Piazza, Jr.  
Harry Wyant

**ADMINISTRATOR**

Matthew C. Hall

**ACTING CLERK**

Matthew C. Hall

**CHIEF FINANCIAL OFFICER**

Robert J. Merlo

**TOWN ATTORNEY**

Richard Wenner, Esq.  
Lavery, Selvaggi, Abromitis & Cohen, P.C.  
Hackettstown, New Jersey

**AUDITORS**

Nisivoccia LLP  
Mount Arlington, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOND COUNSEL**

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

No dealer, broker, salesperson or other person has been authorized by the Town of Phillipsburg, in the County of Warren, State of New Jersey (the "Town") to give any information or to make any representations with respect to the Notes other than those contained in this Official Statement and if given or made, such information or representations must not be relied upon as having been authorized by the Town.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

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

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

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

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

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

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

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**OFFICIAL STATEMENT**  
**OF THE**  
**TOWN OF PHILLIPSBURG**  
**IN THE COUNTY OF WARREN, STATE OF NEW JERSEY**

**RELATING TO**  
**\$6,125,000**  
**BOND ANTICIPATION NOTES, SERIES 2022**

**(NON-CALLABLE)**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Town of Phillipsburg (the "Town"), in the County of Warren (the "County"), State of New Jersey (the "State"), in connection with the offering, sale and issuance of \$6,125,000 aggregate principal amount of Bond Anticipation Notes, Series 2022 (the "Notes") of the Town. This Official Statement, which includes the cover page and appendices attached hereto, has been authorized by the Town Council of the Town, executed by and on behalf of the Town by its Chief Financial Officer, and is to be distributed in connection with the offering and sale of the Notes.

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

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

**DESCRIPTION OF THE NOTES**

**General Description**

The Notes shall be dated the date of delivery thereof and shall bear interest at the rate as indicated on the front cover page of this Official Statement, payable upon the maturity date thereof. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Notes will be issued as fully registered notes in book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository for the Notes. Principal of and interest on the Notes will be payable by the Town or a duly designated paying agent on the date of maturity of the Notes by wire transfer of immediately available funds to DTC or its nominee, Cede & Co. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the

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

### **Optional Redemption**

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

### **Authorization for the Issuance of the Notes**

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

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

### **Purpose of the Notes**

The Notes are being issued to temporarily finance various capital improvements in and for the Town in the amount of \$6,125,000, including paying the costs associated with the issuance of the Notes.

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

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**\$6,125,000**  
**Bond Anticipation Notes, Series 2022**

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount to be Issued</b>
2019-07, as amended by 2021-05	Repealing and Replacing Bond Ordinance Number 2017-03, finally adopted April 18, 2017 and providing for the renovation and conversion of 675 Corliss Avenue into an Administrative and Public Safety Building to house the Administrative, Police, Fire and Emergency Management Departments, finally adopted May 7, 2019, as amended on February 15, 2021	\$ 2,190,000
2021-04	Providing for the reconstruction of Warren Street, finally adopted February 16, 2021	452,000
2021-16	Providing for various 2021 capital improvements, finally adopted July 20, 2021	1,232,000
2022-17	Providing for the reconstruction of Hudson Street, finally adopted May 4, 2022	58,000
2022-19	Providing for various 2022 capital improvements, finally adopted May 4, 2022	<u>2,193,000</u>
TOTAL:		<u>\$6,125,000</u>

**Payment of Notes**

The Notes are general obligations of the Town for which the full faith and credit of the Town will be pledged. The Town is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Town for the payment of principal of and interest on the Notes without limitation as to rate or amount.

**SECURITY AND PAYMENT FOR THE NOTES**

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

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

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

## **NO DEFAULT**

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

## **MARKET PROTECTION**

The Town does not plan on issuing any additional bond anticipation notes and/or bonds for the remainder of calendar year 2022.

## **BOOK-ENTRY ONLY SYSTEM**

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

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for the Notes in the aggregate principal amount of the Notes, as set forth on the cover page hereof, and will be deposited with DTC.

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

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

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

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

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

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

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

The Paying Agent, upon direction of the Town, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Note certificate 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 Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.**

## **Discontinuance of Book-Entry Only System**

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

## **PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

### **Procedure for Authorization**

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

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

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

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

### **Short Term Financing**

Local governmental units (including the Town) may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued

and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter unless an amount of such notes at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the Town, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued. The Town has not issued tax anticipation notes during the last ten (10) years.

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

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

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

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

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

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

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

purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district.

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

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

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

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

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

### **Investment of Municipal Funds**

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America; (b) government money market mutual funds which invest in securities permitted under the statute; (c) bonds of certain federal government agencies having a maturity date not greater than 397 days from the date of purchase; (d) bonds or other obligations of the particular municipality or school district of which the local unit is a part or within which the school district is located; and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

## **DEBT INFORMATION OF THE TOWN**

The Town must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the Town, the Town must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31)

with the Division and with the Town Clerk. This report is made under oath and states the authorized, issued and unissued debt of the Town as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the Town's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

## **FINANCIAL MANAGEMENT**

### **Accounting and Reporting Practices**

The accounting policies of the Town conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Town's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Town which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the Town does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the Town, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit must examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

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

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. The capital program, when adopted, does not constitute the appropriation of funds, but sets forth a plan of capital expenditures which the local unit may contemplate over the next six (6) years or the next three (3) years, as applicable. Expenditures for capital purposes may be made either by ordinances adopted by the governing body which set forth the items and the methods of financing, or from the annual operating budget. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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

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

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. Under the regulations prescribed by the Local Finance Board, the Town was not eligible for local examination of its budget in 2022. The Town adopted its 2022 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)"

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

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

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

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Town shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to the nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Town may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Town for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. The Town utilized none of its "Cap Bank" in its 2022 budget. The Town's 2022 budget was adopted on April 19, 2022. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, P.L. 2010, c.44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of two percent (2%), certain increases in health care costs in excess of two percent (2%), and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval,



through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above two percent (2%) not otherwise permitted under the law by an affirmative vote of fifty percent (50%).

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

### **Deferral of Current Expenses**

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the Town, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in a provision of the Local Budget Law, N.J.S.A. 40A:4-46, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1, -55.2, -55.3. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

### **Budget Transfers**

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

### **Anticipation of Real Estate Taxes**

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

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

and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

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

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

### **Anticipation of Miscellaneous Revenues**

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

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

### **CAPITAL IMPROVEMENT PROGRAM**

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

### **COVID-19 RISK FACTORS**

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, then President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the "Governor") of the State of New Jersey declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which had spread throughout the State and to all counties within the State. The Governor also instituted mandatory measures via various executive orders to contain the spread of the virus. These measures, which alter the behavior of businesses and people, have had and may continue to have impacts on regional, state and local economies. The public health emergency was terminated on June 4, 2021, but the state of emergency remained in effect via Executive Order 244. However, on January 11, 2022, the Governor restated the existing state of emergency and reinstated a public health emergency via Executive Order 280, effective immediately, in order to ensure that the State was able to respond to the threat of COVID-

19 and the Omicron variant. The public health emergency declaration, which allows existing orders to continue in effect, was set to expire thirty (30) days from January 11, 2022, unless renewed. On February 10, 2022, the Governor signed Executive Order 288 extending the public health emergency declared on January 11, 2022; however, the public health emergency was terminated on March 7, 2022 via Executive Order 292, while the existing state of emergency remains in effect. See <https://covid19.nj.gov> for further detail regarding the impact of COVID-19 on the State and the Governor's various executive orders.

In order to provide additional means for local governmental units to address the financial impact of the COVID-19 outbreak, the Governor signed into law P.L. 2020, c. 74 ("Chapter 74") on August 31, 2020. Chapter 74, which took effect immediately, adds two new purposes to the list of special emergency appropriations which may be raised by municipalities or counties over a five year period (either through the issuance of special emergency notes or raised internally without borrowing): Specifically, Chapter 74 authorizes special emergency appropriations for: (1) direct COVID-19 response expenses; and (2) deficits in prior year's operations attributable to COVID-19 (the beginning of the five year repayment schedule is delayed by one year for these new purposes). Upon approval by the Director of the Division of Local Government Services, New Jersey Department of Community Affairs, in cases of significant fiscal distress, the five (5) year period may be extended to up to ten (10) years. In addition, the statute permits school districts and public authorities to issue debt with a maximum five (5) year maturity schedule for direct COVID-19 expenses. Chapter 74 provides for State supervision of all local government unit borrowings related to the COVID-19 pandemic. The statute also grants the Director the authority to modify municipal budgeting rules concerning anticipated revenues in order to lessen the impact of revenue reductions due to COVID-19. The Town does not expect to issue special emergency notes in order to address any financial impacts caused by the COVID-19 pandemic.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 12, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. The Plan includes various forms of financial relief, including an up to \$1,400 increase in direct stimulus payments and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Town.

The Town received \$743,774.75 in Federal aid under the Plan in 2021 and received another \$743,774.75 in 2022. The deadline to spend the funds is December 31, 2024. Generally, according to the Plan, the allowable use of the funds to be provided to the Town include the following categories: (a) to respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the Town that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; (c) the provision of government services to the extent of the reduction in revenue due to the public health emergency relative to revenues collected in the most recent full fiscal year of the Town prior to the emergency; and (d) to make necessary investments in water, sewer or broadband infrastructure.

## **TAX ASSESSMENT AND COLLECTION**

### **Assessment and Collection of Taxes**

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

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

For calendar year municipalities, tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceding fiscal year.

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

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

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

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

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

## **Tax Appeals**

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1<sup>st</sup> day of April of the current tax year for its review or the 1<sup>st</sup> day of May for municipalities that have conducted revaluations. The county Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

## **TAX MATTERS**

### **Federal Income Taxation**

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

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Town (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Town with the requirements of the Code and the representations and covenants made by the Town in its tax certificate described above, interest on the Notes is not includable in gross income of the owners thereof for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for purposes of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

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

### **Additional Federal Income Tax Consequences Relating to the Notes**

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Notes, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Notes should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

### **State Taxation**

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

### **Prospective Tax Law Changes**

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

### **Other Tax Consequences**

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

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

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

**ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES (INCLUDING, BUT NOT LIMITED TO, THOSE LISTED ABOVE) OF THE OWNERSHIP OF THE NOTES.**

### **LEGALITY FOR INVESTMENT**

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

### **RISK TO HOLDERS OF NOTES**

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

#### **Municipal Bankruptcy**

The undertakings of the Town should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount and more than one half in number of the allowed claims of at least one (1) impaired class. The Bankruptcy Code specifically does not limit or impair the power of a state to control by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such code.

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

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

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

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

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

**CERTIFICATES OF THE TOWN**

Upon the delivery of the Notes, the original purchaser of the Notes shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Town, stating to the best knowledge of said officials, that this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the Town from that set forth in or contemplated by this Official Statement. In addition, the original purchaser of the Notes shall also receive a certificate in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Notes and receipt of payment therefor, and a certificate dated as of the date of the delivery of the Notes, and signed by the officers who signed the Notes, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Notes or the levy or collection of taxes to pay the principal of the Notes or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Notes are issued, and that neither the corporate existence or boundaries of the Town, nor the title of any of the said officers to their respective offices, is being contested.

**APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, issuance, sale and delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Notes substantially in the form set forth as APPENDIX C hereto. Certain legal matters with respect to the Notes will be passed on for the Town by its Town Attorney, Richard W. Wenner, Esq., of Lavery, Selvaggi, Abromitis & Cohen, P.C., Hackettstown, New Jersey (the "Town Attorney").

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Robert J. Merlo, Chief Financial Officer, 120 Filmore Street, Phillipsburg, New Jersey 08865, (908) 454-5500, Ext. 311; Everett M. Johnson, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6149; or Bryan Morris, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

## **MUNICIPAL ADVISOR**

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

## **LITIGATION**

To the knowledge of the Town Attorney, after due inquiry, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Notes or the levy or collection of any taxes to pay the principal of or the interest on the Notes, or in any manner questioning the authority or the proceedings for the issuance of the Notes, or for the levy or collection of taxes to pay the principal of and interest on the Notes, or any action contesting the corporate existence or the boundaries of the Town or the title of any of the present officers of the Town. Further, to the knowledge of the Town Attorney, there is no litigation presently pending or threatened against the Town that, in the opinion of the Town Attorney, would have a material adverse impact on the financial condition of the Town if adversely decided. The Town Attorney will provide an opinion or certificate to such effect upon the closing of the Notes.

## **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS**

The Town has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes (the "Notices"), as set forth in Section (b)(5)(i)(C) of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented. The Notices will be filed by the Town with the Municipal Securities Rulemaking Board (the "MSRB") through the Electronic Municipal Market Access ("EMMA") system. The specific nature of the Notices will be detailed in a certificate (the "Disclosure Certificate") to be executed on behalf of the Town by its Chief Financial Officer in the form appearing in APPENDIX D hereto, such Disclosure Certificate to be delivered concurrently with the delivery of the Notes.

The Town has previously entered into continuing disclosure undertakings under the Rule. The Town appointed Phoenix Advisors, LLC, Bordentown, New Jersey in July of 2017 to serve as continuing disclosure agent to assist in the filing of certain information on EMMA as required under its obligations.

## **PREPARATION OF OFFICIAL STATEMENT**

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

The Municipal Advisor has participated in the review of this Official Statement and has participated in the collection of financial, statistical or demographic information contained in this Official Statement, but has



not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the information contained under the headings entitled "MUNICIPAL ADVISOR" and "COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS" (as to the second paragraph only) and expresses no opinion or other assurance other than that which is specifically set forth therein with respect thereto.

Nisivoccia LLP, Mount Arlington, New Jersey, the Auditor to the Town, has participated in the preparation of APPENDIX A to this Official Statement and in the collection of financial, statistical or demographic information contained in this Official Statement, but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto. The Town Auditor also takes responsibility for the audited financial statements described below under the heading entitled "FINANCIAL STATEMENTS" and contained in APPENDIX B hereto.

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

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

#### **UNDERWRITING**

The Notes have been purchased from the Town at a public sale by \_\_\_\_\_ (the "Underwriter") at a price of \$\_\_\_\_\_. The purchase price of the Notes reflects the par amount of Notes (\$\_\_\_\_\_), less an Underwriter's discount of \$\_\_\_\_\_, plus a[n] [net] original issue premium of \$\_\_\_\_\_.

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

#### **FINANCIAL STATEMENTS**

The financial statements of the Town as of and for the year ended December 31, 2021, together with the Notes to the Financial Statements for the year then ended, are presented in APPENDIX B to this Official Statement. The financial statements referred to above have been audited by Nisivoccia LLP, Mount Arlington, New Jersey (the "Town Auditor"), as stated in its Independent Auditor's Report appearing in APPENDIX B hereto.

## **MISCELLANEOUS**

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

**TOWN OF PHILLIPSBURG,  
IN THE COUNTY OF WARREN,  
STATE OF NEW JERSEY**

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**ROBERT J. MERLO,  
Chief Financial Officer**

DATED: December \_\_\_\_\_, 2022

**APPENDIX A**

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION  
CONCERNING THE TOWN OF PHILLIPSBURG**

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TOWN OF PHILLIPSBURG  
COUNTY OF WARREN, NEW JERSEY

The following material presents certain economic and demographic information of the Town of Phillipsburg (the “Town”), in the County of Warren (the “County”), State of New Jersey (the “State”).

**General Information**

The Town was incorporated in 1861 and encompasses 3.2 square miles. The Town is cradled in a flowing bend of the Delaware River and juncture of the Lehigh River. One can see the modern town via Memorial Parkway winding its way from the Delaware River Bridge eastward towards the Interstate 78 interchange drawing the Town into the New York Metropolitan area, less than 70 miles away. Traveling westward on Route 22 and then the Pennsylvania Turnpike via the Northeast Extension finds you only 60 miles from Philadelphia; tying the area very closely to two of the nation’s dynamic and important economic centers. Phillipsburg is a town of neighborhoods. These neighborhoods are shaped by the Town’s hilly topography separated by the railroad lines that once ran through them.

**Form of Government**

The Town is governed under the Mayor-Council system of municipal government within the Faulkner Act, formally know as the Optimal Municipal Charter Law, by a mayor and a five-member Town Council. Councilmembers are elected at-large in partisan elections to four-year terms of office on a staggered basis, with either three seats or two seats and the mayoral seat up for election in odd-numbered years.

**Industrial History**

The Town has historically benefited from being a major transportation hub, situated at the confluence of the Delaware and Lehigh rivers. The Town served as the western terminus of the Morris Canal for approximately 100 years from the 1820s to 1920s, which connected the Town by water to the industrial and consumer centers of the New York City area, with connections westward via the Lehigh Canal and Delaware Canal across the Delaware.

**Education**

The Board of Education serves students in grades Pre-kindergarten through 12. The Board of Education operates a total of five schools: The Phillipsburg Early Childhood Learning Center serving preschool and kindergarten students; the Phillipsburg Primary School serving grades one and two; the Phillipsburg Elementary School serving grades three, four and five; the Phillipsburg Middle School serving grades six, seven and eight with ninth through twelfth graders attending Phillipsburg High School

Students from Alpha Borough, Bloomsbury Borough, Greenwich Township, Lopatcong Township and Pohatcong Township attend the high school through a sending/receiving relationship.

Source: The Town, Phillipsburg School District Annual Comprehensive Financial Reports

## **Retirement Systems**

All full-time permanent or qualified Town 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 and Benefits, within the New Jersey Department of the Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Town is enrolled in the Public Employees Retirement System (“PERS”) and the Police and Firemen’s Retirement System (the “PFRS”).

Certain employees who are not eligible to participate in the PERS or PFRS, are enrolled in the Defined Contribution Retirement Program (the “DCRP”) which is also administered by the Division.

## **Pension Information**

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 participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Town’s share of pension costs in 2022, which is based upon the annual billings received from the State, amounted to \$581,189 for PERS and \$1,362,176 for PFRS.

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

## **POPULATION**

1980 Census	16,647
1990 Census	15,757
2000 Census	15,166
2010 Census	14,950
2020 Census	15,249

Source: U.S. Census Bureau

## **EDUCATION**

The Town is part of the Town of Phillipsburg School District (the “School District”), a Type II regional school district established under Title 18A of the New Jersey Statutes (N.J.S.A. 18A:1-1 et seq.). The School District was created in 1871. The School District is governed by an eleven-member Board of Education (nine members from Phillipsburg and two members from the sending districts) which operates independently of the governing bodies of the Town. Phillipsburg members of the Board of Education are elected by the voters of the Town. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. As of December 31, 2021, there is \$6,235,000 principal amount of outstanding bonds for the School District.

## **ENROLLMENT**

2020-2021	3,787
2019-2020	3,879
2018-2019	3,815
2017-2018	3,794
2016-2017	3,792
2015-2016	3,745
2014-2015	3,693
2013-2014	3,643

Source: Phillipsburg School District Annual Comprehensive Financial Reports

## DEBT HISTORY

The following table shows certain ratios relating to the Town's gross and net general obligation indebtedness:

Year	Average Equalized Valuation	Gross Debt December 31,	Gross Debt to Average Equalized Valuation	Net Debt (1) December 31,	Net Debt to Average Equalized Valuation
2021	\$ 766,738,694	\$ 33,836,536	4.413%	\$ 18,662,355	2.434%
2020	734,883,073	30,708,449	4.179%	15,979,605	2.174%
2019	729,938,032	31,210,506	4.276%	15,463,470	2.118%
2018	729,473,323	24,790,957	3.398%	7,669,201	1.051%
2017	740,592,094	24,803,868	3.349%	6,512,331	0.879%

  

Year	Gross Debt December 31,	Gross Debt (2) Per Capita	Net Debt (1) December 31,	Net Debt (2) Per Capita
2021	\$ 33,836,536	\$ 2,219	\$ 18,662,355	\$ 1,224
2020	30,708,449	2,014	15,979,605	1,048
2019	31,210,506	2,088	15,463,470	1,034
2018	24,790,957	1,658	7,669,201	513
2017	24,803,868	1,659	6,512,331	436

- (1) Net debt is a concept used under New Jersey law to determine the statutory borrowing limit. An issuer is fully obligated to repay all of its gross debt.
- (2) Based upon 2010 Census Bureau population of 14,950 for years 2017-2019; based on the 2020 Census Bureau population of 15,249 for years 2020-2021.

Source: Annual Debt Statements/Annual Audits of the Town of Phillipsburg.

## SCHEDULE OF COMPARATIVE SUMMARY OF MUNICIPAL DEBT (EXCLUSIVE OF SCHOOL DEBT)

The following table shows the principal of all direct general obligation bonded indebtedness and bond anticipation note indebtedness for the last five years.

	2017	2018	2019	2020	2021
<b>Bonds and Notes Issued</b>					
General	\$ 6,216,401	\$ 5,703,076	\$ 5,184,485	\$ 7,410,620	\$ 8,245,476
Sewer Utility	9,369,874	8,802,682	7,852,962	7,274,770	6,686,579
Total Debt Issued	15,586,275	14,505,758	13,037,447	14,685,390	14,932,055
<b>Authorized but Not Issued</b>					
General	\$ 295,930	\$ 1,966,125	10,278,985	\$ 8,568,985	\$ 10,416,880
Sewer Utility	946,664	759,074	759,074	759,074	2,252,602
	1,242,594	2,725,199	11,038,059	9,328,059	12,669,482
Debt Issued and Authorized but Not Issued	\$ 16,828,869	\$ 17,230,957	\$ 24,075,506	\$ 24,013,449	\$ 27,601,537

Source: Annual Debt Statements/Annual Audits of the Town of Phillipsburg.



**STATUTORY NET DEBT  
DECEMBER 31, 2021**

Gross Debt Issued and Outstanding (1):	
Bonds and Loans	\$ 17,038,055
Notes	4,129,000
Total Gross Debt Issued and Outstanding	<u>21,167,055</u>
Gross Debt Authorized but Not Issued	12,669,482
Total Gross Debt	<u>33,836,537</u>
Statutory Deductions (2)	15,174,180
Total Net Debt	<u><u>\$ 18,662,357</u></u>
Equalized Valuation of Real Property:	
Year 2019	\$ 731,150,926
Year 202	\$ 744,404,080
Year 2021	\$ 824,661,076
Average Equalized Valuation	\$ 766,738,694
Percentage of Gross Debt to Average Equalized Valuation	<u><u>4.41%</u></u>
Percentage of Net Debt to Average Equalized Valuation	<u><u>2.43%</u></u>
Gross Debt Per Capital (2020 Population Census)	<u><u>\$ 2,219</u></u>
Net Debt Per Capital (2020 Population Census)	<u><u>\$ 1,224</u></u>
Total Borrowing Power as of December 31, 2021 (3)	26,835,854
Less Net Debt	<u>18,662,357</u>
Remaining Borrowing Power	<u><u>\$ 8,173,497</u></u>

(1) Includes gross debt for school purposes.

(2) Statutory deductions are used to determine the legal borrowing capacity of the Town. The Town, however, is obligated under law to repay the full amount of its gross debt.

(3) 3-1/2% of average equalized valuation.

Source: 2021 Annual Debt Statement of the Town of Phillipsburg

**OVERLAPPING DEBT (1)**  
**DECEMBER 31, 2021**

	Valuations	
	County	Town
County of Warren		
Net Valuation on Which County Taxes are Apportioned (2)	\$ 11,355,284,432	\$ 760,159,129
Percentage	100%	6.69%
Total Net Debt December 31, 2021 (3)	\$ 1,305,000	\$ 87,361

- (1) See "CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT – Overlapping Debt", for explanation.  
(2) County Abstract of Ratables - 2021  
(3) County of Warren 2021 Annual Debt Statement

**TAX COLLECTION SCHEDULE**

Year	Tax Levy	Collection Year of Levy	
		Amount	Percentage
2021	\$ 29,048,020	\$ 28,146,793	96.89%
2020	28,791,845	27,821,506	96.63%
2019	28,498,988	27,458,956	96.35%
2018	28,282,373	27,005,440	95.48%
2017	28,233,124	27,045,335	95.79%

**PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

Year	Balance January 1	Balance December 31
2021	\$ 1,967,900	\$ 2,002,100
2020	1,849,700	1,967,900
2019	1,849,700	1,849,700
2018	1,572,600	1,849,700
2017	1,572,600	1,572,600

Source: Annual audit reports/Annual Financial Statements of the Town of Phillipsburg

### DELINQUENT TAX AND TAX TITLE LIEN DATA

Year	Amount of Tax Title Liens	Amount of Deliquent Taxes	Total Deliquent	Percentage of Levy
2021	\$ 190,407	\$ 864,299	\$ 1,054,706	3.63%
2020	174,670	950,009	1,124,679	3.91%
2019	175,391	993,707	1,169,098	4.10%
2018	352,090	1,069,075	1,421,165	5.02%
2017	207,099	1,083,994	1,291,093	4.57%

### TAX RATES AND NET ASSESSED VALUATIONS

Year	Net Taxable Value	Tax Rate per \$100 Valuation			
		Total	Municipal	County	School
2021	\$ 712,061,258	\$ 4.073	\$ 1.574	\$ 0.694	\$ 1.805
2020	708,747,125	4.042	1.603	0.660	1.779
2019	709,021,582	4.015	1.541	0.722	1.752
2018	710,072,009	3.981	1.563	0.708	1.710
2017	711,670,868	3.963	1.557	0.743	1.663

Source: Annual audit reports/Annual Financial Statements of the Town of Phillipsburg and Warren County Abstract of Ratables

### PROPERTY TAX CLASSIFICATIONS

Property Classification	2017	2018	2019	2020	2021
Vacant Land	\$ 7,015,600	\$ 11,209,600	\$ 11,668,700	\$ 12,011,300	\$ 15,693,100
Residential	495,818,300	495,477,200	495,518,100	496,381,100	497,364,700
Qfarm	225	225	225	225	225
Commercial	123,014,000	122,780,000	122,687,900	121,047,500	120,724,200
Industrial	48,598,700	45,812,900	44,177,000	43,536,800	41,557,700
Apartment	33,928,100	33,861,100	33,461,100	33,461,100	33,407,200
Public Utilities	2,435,425	2,529,843	2,558,984	2,583,827	2,583,827
Total	<u>\$ 710,810,350</u>	<u>\$ 711,670,868</u>	<u>\$ 710,072,009</u>	<u>\$ 709,021,852</u>	<u>\$711,330,952</u>

Source: Phillipsburg School District Annual Comprehensive Financial Reports

# **TEN LARGEST TAXPAYERS – 2022**

Name of Taxpayer	2022 Assessed Value
JT Baker Company	\$ 8,393,700
Village Arms	7,500,000
PR Bridge I-78 Phase II Owner	7,087,100
Warren Hospital	6,846,900
PR 1-78 Logistics	6,794,700
Corliss Apartments LLC	5,951,000
I-78 Logistics Park	4,695,400
Atlantic States Cast Iron Pipe Co.	4,622,800
Phillipsburg, Center Realty LLC	4,478,300
SW Ravenscroft LLC	4,250,000
	<u><u>\$ 60,619,900</u></u>

Source: Town of Phillipsburg Tax Assessor

## **COMPARATIVE SCHEDULE OF FUND BALANCE**

		Fund Balance December 31,	Utilized in Budget of Succeeding Year
Current Fund	2021	\$ 4,764,688	\$ 1,975,000
	2020	4,704,438	1,770,000
	2019	4,543,710	1,485,000
	2018	3,718,219	1,600,000
	2017	3,481,985	1,275,000
Sewer Utility Operating Fund	2021	1,591,100	607,595
	2020	1,390,057	546,719
	2019	1,705,789	485,000
	2018	1,555,322	568,860
	2017	1,856,449	523,873

Source: Annual audit reports/Annual Financial Statements/Introduced/Adopted Budgets of the Town of Phillipsburg

### BUDGET INFORMATION – CURRENT FUND (AS ADOPTED)

<u>Anticipated Revenues</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Fund Balance Utilized	\$ 1,275,000	\$ 1,600,000	\$ 1,485,000	\$ 1,770,000	\$ 1,975,000
Miscellaneous Revenue	4,129,198	4,617,434	4,689,695	5,203,704	6,101,097
Receipts from Delinquent Taxes	980,000	990,000	850,000	900,000	850,000
Amount to be Raised by Taxation	<u>10,964,430</u>	<u>11,035,860</u>	<u>11,073,406</u>	<u>11,077,008</u>	<u>11,236,217</u>
Total Revenue	<u>\$ 17,348,628</u>	<u>\$ 18,243,294</u>	<u>\$ 18,098,101</u>	<u>\$ 18,950,712</u>	<u>\$ 20,162,314</u>

<u>Appropriations</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Operations (Within CAPS)	\$ 12,036,830	\$ 12,690,775	\$ 12,670,493	\$ 13,210,050	\$ 13,523,765
Operations (Excluded from CAPS)	1,389,598	1,267,844	1,175,650	1,055,650	1,477,450
Deferred Charges and					
Statutory Expenditures	1,708,714	1,875,497	2,030,553	2,077,977	2,294,283
Capital Improvement Fund	80,000	185,000	55,000	150,000	353,184
Municipal Debt Service	705,550	718,550	750,014	998,550	1,182,550
Reserve for Uncollected Taxes	<u>1,427,936</u>	<u>1,505,628</u>	<u>1,416,391</u>	<u>1,458,485</u>	<u>1,331,082</u>
Total Appropriations	<u>\$ 17,348,628</u>	<u>\$ 18,243,294</u>	<u>\$ 18,098,101</u>	<u>\$ 18,950,712</u>	<u>\$ 20,162,314</u>

Source: Adopted Budgets of the Town of Phillipsburg

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**APPENDIX B**

**FINANCIAL STATEMENTS OF THE TOWN OF PHILLIPSBURG**

TOWN OF PHILLIPSBURG  
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AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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## Independent Auditors' Report

The Honorable Mayor and Members  
of the Town Council  
Town of Phillipsburg  
Phillipsburg, New Jersey

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements – *regulatory basis* - of the various funds of the Town of Phillipsburg (the “Town”), in the County of Warren as of and for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

#### ***Unmodified Opinions on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of each fund of the Town as of December 31, 2021, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended in accordance with the accounting practices prescribed or permitted, as described in Note 1, by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”).

#### ***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 section of our report, the accompanying 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 Town as of December 31, 2021, or the changes in financial position or where applicable, cash flows thereof for the year then ended.

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Town on the basis of the financial reporting provisions prescribed or permitted by the Division, which is a basis of accounting other than

accounting principles generally accepted in the United State of America, to meet the requirements of the Division's regulatory basis of accounting and the budget laws of New Jersey.

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 and pervasive.

### ***Responsibilities of Management for the Financial Statements***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Mount Arlington, New Jersey  
June 28, 2022

*Nisivoccia LLP*  
NISIVOCIA LLP

TOWN OF PHILLIPSBURG  
BALANCE SHEET - CURRENT FUND

December 31, 2021

ASSETS

Cash and Cash Equivalents	\$ 11,699,988.31
Taxes Receivable	864,299.36
Tax Title Liens Receivable	190,407.41
Property Acquired for Taxes - Assessed Value	2,002,100.00
Other Accounts Receivable	212,150.67
Federal and State Grant Receivable	1,207,532.04
Interfunds Receivable	1,488.89
Deferred Charges:	
Special Emergency Authorization	480,000.00
<u>TOTAL ASSETS</u>	<u>\$ 16,657,966.68</u>

LIABILITIES, RESERVES AND FUND BALANCE

Appropriation Reserves	\$ 1,718,068.85
Accounts Payable	44,570.09
Tax Overpayments	7,265.24
Prepaid Taxes	323,377.93
School and County Taxes	2,648,655.28
Other Liabilities and Special Funds	952,895.63
Interfunds Payable	224.77
Grant Reserves	2,927,775.01
Reserve for Receivables and Other Assets	3,270,446.33
Fund Balance	4,764,687.55
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 16,657,966.68</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
CURRENT FUND

	<u>For the Year Ended December 31, 2021</u>
<u>Revenue and Other Income Realized</u>	
Fund Balance Utilized	\$ 1,770,000.00
Miscellaneous Revenue Anticipated	7,096,123.26
Receipts from Delinquent Taxes	940,313.26
Receipts from Current Taxes	28,146,792.64
Nonbudget Revenue	676,326.84
Other Credits to Income	940,995.91
Total Income	<u>39,570,551.91</u>
<u>Expenditures</u>	
Budget Appropriations:	
Municipal Purposes	19,200,629.95
County Taxes	4,940,179.62
Local School District Taxes	12,848,802.00
Municipal Open Space Taxes	142,637.02
Other Expenditures and Deductions from Income	608,054.02
Total Expenditures	<u>37,740,302.61</u>
Excess in Revenue	1,830,249.30
<u>Fund Balance</u>	
Balance January 1	<u>4,704,438.25</u>
	6,534,687.55
Decreased by:	
Utilized as Anticipated Revenue	<u>1,770,000.00</u>
Balance December 31	<u><u>\$ 4,764,687.55</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
STATEMENT OF REVENUE - CURRENT FUND

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	
	<u>Budget After Modification</u>	<u>Realized</u>
Fund Balance Anticipated	\$ 1,770,000.00	\$ 1,770,000.00
Miscellaneous Revenue Anticipated	6,914,869.07	7,096,123.26
Receipts from Delinquent Taxes	900,000.00	940,313.26
Amount to be Raised by Taxes for Support of Municipal Budget:		
Local Tax for Municipal Purposes	10,828,012.30	11,424,663.26
Minimum Library Tax	248,995.72	248,995.72
Total Budget Revenue	20,661,877.09	21,480,095.50
Nonbudget Revenue		676,326.84
Grand Total	<u>\$ 20,661,877.09</u>	<u>\$ 22,156,422.34</u>
Original Budget	\$ 18,950,711.98	
Added by NJSA 40A:4-87	<u>1,711,165.11</u>	
	<u>\$ 20,661,877.09</u>	

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
STATEMENT OF EXPENDITURES - CURRENT FUND

	For the Year Ended December 31,		
	2021		
	Budget After Modification	Paid or Charged	Unexpended Balance Canceled
Operations:			
Salaries and Wages	\$ 7,814,230.00	\$ 7,123,167.98	\$ 691,062.02
Other Expenses	8,147,635.11	7,321,856.53	825,778.58
Capital Improvements	150,000.00	150,000.00	
Municipal Debt Service	998,550.00	995,787.84	\$ 2,762.16
Deferred Charges and Statutory Expenditures	2,092,977.00	2,070,747.08	22,229.92
Reserve for Uncollected Taxes	1,458,484.98	1,458,484.98	
	<u>\$ 20,661,877.09</u>	<u>\$19,120,044.41</u>	<u>\$ 1,539,070.52</u>
			<u>\$ 2,762.16</u>
Original Budget	\$ 18,950,711.98		
Added by NJSA 40A:4-87	<u>1,711,165.11</u>		
	<u>\$ 20,661,877.09</u>		

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
BALANCE SHEET - TRUST FUNDS

	<u>December 31, 2021</u>
<u>ASSETS</u>	
Animal Control Fund:	
Cash and Cash Equivalents	\$ 11,625.92
Total Animal Control Fund	<u>11,625.92</u>
Other Trust Funds:	
Cash and Cash Equivalents	3,826,997.05
Interfunds Receivable	224.77
Accounts and Other Receivables	248,438.82
Total Other Trust Funds	<u>4,075,660.64</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,087,286.56</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	
Animal Control Fund:	
Interfunds Payable	\$ 526.80
Cash Reserves for Specific Purposes	11,099.12
Total Animal Control Fund	<u>11,625.92</u>
Other Trust Funds:	
Interfunds Payable	611.83
Cash Reserves for Specific Purposes	4,075,048.81
Total Other Trust Funds	<u>4,075,660.64</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 4,087,286.56</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
BALANCE SHEET - GENERAL CAPITAL FUND

	<u>December 31, 2021</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 1,172,733.96
Grants Receivable	106,776.75
Deferred Charges to Future Taxation:	
Funded	4,116,475.73
Unfunded	<u>14,545,879.75</u>
<u>TOTAL ASSETS</u>	<u>\$ 19,941,866.19</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>	
Serial Bonds Payable	\$ 4,057,000.00
Loan Payable	59,475.73
Bond Anticipation Notes Payable	4,129,000.00
Improvement Authorizations	7,892,159.32
Interfunds Payable	350.26
Other Liabilities and Special Funds	3,764,229.42
Fund Balance	<u>39,651.46</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 19,941,866.19</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT



TOWN OF PHILLIPSBURG  
STATEMENT OF FUND BALANCE - GENERAL CAPITAL FUND

	<u>December 31, 2021</u>
Balance January 1	\$ 36,841.18
Increased by:	
Premium on Sale of Bond Anticipation Notes	<u>27,086.24</u>
	63,927.42
Decreased by:	
Fund Balance Anticipated - Current Fund	<u>24,275.96</u>
Balance December 31	<u><u>\$ 39,651.46</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
BALANCE SHEET - SEWER UTILITY FUND

	<u>December 31, 2021</u>
<u>ASSETS</u>	
Operating Fund:	
Cash and Cash Equivalents	\$ 1,959,733.83
Interfunds Receivable	200.17
Consumer and Other Municipalities Accounts Receivable	172,780.29
Sewer Liens Receivable	65,123.08
Total Operating Fund	<u>2,197,837.37</u>
Capital Fund:	
Cash and Cash Equivalents	992,713.39
Fixed Capital	28,979,589.88
Fixed Capital Authorized and Uncompleted	20,514,136.31
Total Capital Fund	<u>50,486,439.58</u>
<u>TOTAL ASSETS</u>	<u>\$ 52,684,276.95</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>	
Operating Fund:	
Appropriation Reserves	\$ 300,849.21
Other Liabilities and Special Funds	67,985.11
Reserve for Receivables and Inventory	237,903.37
Fund Balance	1,591,099.68
Total Operating Fund	<u>2,197,837.37</u>
Capital Fund:	
Loan Payable	6,686,578.57
Improvement Authorizations	1,329,187.52
Interfunds Payable	200.17
Other Liabilities and Special Funds	1,496,933.92
Reserve for Amortization	33,989,129.31
Deferred Reserve for Amortization	6,565,416.31
Fund Balance	418,993.78
Total Capital Fund	<u>50,486,439.58</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 52,684,276.95</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
SEWER UTILITY OPERATING FUND

For the Year Ended  
December 31, 2021

Revenue and Other Income Realized

Fund Balance Utilized	\$ 546,719.00
Sewer Rents	4,439,654.91
Miscellaneous Income	312,772.23
Other Credits to Income	10,072.88
Total Income	<u>5,309,219.02</u>

Expenditures

Budget Expenditures:	
Operating	3,695,100.00
Capital Improvements	100,000.00
Debt Service	689,738.29
Deferred Changes and Statutory Expenditures	76,619.00
Total Expenditures	<u>4,561,457.29</u>

Statutory Excess to Fund Balance	747,761.73
----------------------------------	------------

Fund Balance

Balance January 1	<u>1,390,056.95</u>
	2,137,818.68
Decreased by:	
Utilization as Anticipated Revenue	<u>546,719.00</u>
Balance December 31	<u><u>\$ 1,591,099.68</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
STATEMENT OF FUND BALANCE  
SEWER UTILITY CAPITAL FUND

	<u>For the Year Ended December 31, 2021</u>
Balance January 1	<u>\$ 418,993.78</u>
Balance December 31	<u><u>\$ 418,993.78</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
STATEMENT OF REVENUE - SEWER UTILITY OPERATING FUND

	<u>For the Year Ended December 31,</u>	
	<u>2021</u>	
	<u>Budget</u>	<u>Realized</u>
	<u>After</u>	
	<u>Modification</u>	
Fund Balance Anticipated	\$ 546,719.00	\$ 546,719.00
Sewer Rents	3,900,000.00	4,439,654.91
Miscellaneous Revenue	<u>125,000.00</u>	<u>312,772.23</u>
Grand Total	<u>\$ 4,571,719.00</u>	<u>\$ 5,299,146.14</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
STATEMENT OF EXPENDITURES - SEWER UTILITY OPERATING FUND

For the Year Ended December 31,			
2021			
	Budget After Modification	Paid or Charged	Unexpended Balance Canceled
Operations:			
Salaries and Wages	\$ 390,000.00	\$ 330,806.19	\$ 59,193.81
Other Expenses	3,305,100.00	3,131,418.44	173,681.56
Capital Improvements	100,000.00	100,000.00	
Municipal Debt Service	700,000.00	689,738.29	\$ 10,261.71
Deferred Charges and Statutory Expenditures	76,619.00	70,065.16	6,553.84
	<u>\$4,571,719.00</u>	<u>\$4,322,028.08</u>	<u>\$ 239,429.21</u>
			<u>\$ 10,261.71</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
ARE AN INTEGRAL PART OF THIS STATEMENT

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Town of Phillipsburg include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Town of Phillipsburg, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Town of Phillipsburg do not include the operations of the Volunteer Fire and First Aid Squads.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. As the financial reporting entity was established in accordance with New Jersey statutes, the requirements of GASB Codification Section 2100 were not followed and, accordingly, the reporting entity could be different from accounting principles generally accepted in the United States of America.

B. Description of Funds

The accounting policies of the Town of Phillipsburg conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such 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 Town of Phillipsburg accounts for its financial transactions through the following separate funds:

Current Fund – Resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Funds – Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

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

Sewer Utility Operating and Capital Funds – Account for the operations and acquisition of capital facilities of the municipally owned sewer utility.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

B. Description of Funds (Cont'd)

General Fixed Asset Account Group - Estimated values of land, buildings and certain fixed assets of the Town as discussed in Note 1E – “Basis of Accounting”.

C. Basis of Accounting

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The following is a summary of the significant accounting policies.

Revenue is recorded when received in cash except for certain amounts which may be due from the State of New Jersey and for the prepayment of future years' revenue. Grant revenue is realized in the operating funds when it is budgeted and in the capital funds when improvements are authorized. The amounts recorded as property taxes and consumer accounts receivable have not been included in revenue. Amounts that are due to the municipality, which are susceptible of accrual, are recorded as receivables with offsetting reserves in the Current Fund.

Expenditures are charged to operations generally based on budgeted amounts. Exceptions to this general rule include:

1. Accumulated unpaid vacation, sick pay and other employee amounts are not accrued.
2. Prepaid expenses, such as insurance premiums applicable to subsequent periods, are charged to current budget appropriations in total.
3. Principal and interest on long-term debt are recognized when due.

Expenditures, if any, in excess of appropriations, appropriation reserves or ordinances become deferred charges which must be raised by future taxes. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the statutory appropriation reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31 of each year and recorded as liabilities, except for amounts which may be cancelled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income.

Had the Town's financial statements been prepared under accounting principles generally accepted in the United States of America, encumbrances would not be considered as expenditures; appropriation reserves would not be recorded; revenue susceptible to accrual would have been reflected without offsetting reserves; Federal and State grants and assistance would be recognized when earned, not when awarded and inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value, fixed assets purchased by the Sewer Utility Capital Fund would be depreciated, and the Town's net pension liability and related deferred inflows and outflows, where applicable, would be recorded

The cash basis of accounting is followed in the Trust Funds.



TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

D. Deferred Charges to Future Taxation

The General Capital Fund balance sheet includes both funded and unfunded deferred charges. Funded means that bonds have been issued and are being paid off on a serial basis. Unfunded means that the debt has been authorized but not permanently financed. A municipality can eliminate an unfunded deferred charge by raising it in the budget or collecting a grant. The unfunded deferred charge may also be funded by selling bonds, by loans, or by capital lease purchase agreements.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments – Investments are stated at cost.

Allowance for Uncollectible Accounts – No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Compensated Absences – Expenditures relating to unused vested accumulated vacation and sick pay are not recorded until paid.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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.

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

Grants Receivable - Grants receivable represent the total grant awards less amounts collected to date. Because the amount of grant funds to be collected are dependent on the total costs eligible for reimbursement, the actual amount collected may be less than the total amount awarded.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 1: Summary of Significant Accounting Policies (Cont'd)

E. Other significant accounting policies include: (Cont'd)

General Fixed Assets – General fixed assets are recorded at cost, except for land which is recorded at assessed value, and buildings, which are recorded at replacement value. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. No depreciation has been provided for on general fixed assets. The total value recorded for general fixed assets is offset by a “Reserve for General Fixed Assets”. When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund and Sewer Utility Fund. The values recorded in the general fixed assets account group and the capital funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost. The amount shown does not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Sewer Utility Capital Fund represent charges to operations for the costs of acquisitions of property, equipment and improvements. The Sewer Utility does not record depreciation on fixed assets.

- F. Budget/Budgetary Control – Annual appropriated budgets are usually prepared in the first quarter for the Current and Sewer Utility Operating Funds. The budgets are submitted to the governing body and the Division of Local Government Services. Budgets are prepared using the cash basis of accounting. The legal level of budgetary control is established at the line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the flexible chart of accounts referenced in N.J.S.A. 40A. All budget amendments/transfers must be approved by the Town during the year.

Note 2: Long-Term Debt

The Local Bond Law governs the issuance of bond to finance general Town capital expenditures. All bonds are retired in serial installments within the statutory period of usefulness. All bonds issued by the Town are general obligation bonds. The Town’s full faith and credit and taxing power has been pledged to the payment of the general obligation debt principal and interest.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Summary of Municipal Debt

	December 31,		
	2021	2020	2019
<u>Issued</u>			
General:			
Bonds, Loans and Notes	\$ 8,245,475.73	\$ 7,410,619.50	\$ 5,184,484.58
Sewer Utility:			
Loans and Notes	6,686,578.57	7,274,770.32	7,852,962.07
Net Debt Issued	<u>14,932,054.30</u>	<u>14,685,389.82</u>	<u>13,037,446.65</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	10,416,879.75	8,568,985.00	10,278,985.00
Sewer Utility:			
Bonds and Notes	2,252,602.00	759,074.00	759,074.00
Total Authorized but not Issued	<u>12,669,481.75</u>	<u>9,328,059.00</u>	<u>11,038,059.00</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$ 27,601,536.05</u>	<u>\$ 24,013,448.82</u>	<u>\$ 24,075,505.65</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 2.434%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$6,235,000.00	\$ 6,235,000.00	
Sewer Utility Debt	8,939,180.57	8,939,180.57	
General Debt	<u>18,662,355.48</u>		\$ 18,662,355.48
	<u>\$ 33,836,536.05</u>	<u>\$ 15,174,180.57</u>	<u>\$ 18,662,355.48</u>

Net Debt of \$18,662,355.48 divided by Equalized Valuation Basis Per N.J.S. 40A:2-2 as Amended, \$766,738,694 = 2.434%.

Borrowing Power Under N.J.S. 40A:2-6 As Amended

3-1/2% Average Equalized Valuation of Real Property	\$ 26,835,854.29
Net Debt	<u>18,662,355.48</u>
Remaining Borrowing Power	<u>\$ 8,173,498.81</u>

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Calculation of "Self-Liquidating Purpose", Sewer Utility Per  
N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other Charges for Year		\$ 5,299,146.14
Deductions:		
Operating and Maintenance Costs	\$ 3,771,719.00	
Debt Service	<u>689,738.29</u>	
		<u>4,461,457.29</u>
Excess in Revenue		<u>\$ 837,688.85</u>

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount.

The foregoing debt information is in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

Summary of Municipal Debt Issued and Outstanding – Current Year

	<u>Balance</u> <u>12/31/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/21</u>
Loans Payable:				
General Capital Fund:				
Green Acres Loans	\$ 73,619.50		\$ 14,143.77	\$ 59,475.73
Sewer Utility Capital Fund:				
NJEIT Loans	7,274,770.32		588,191.75	6,686,578.57
Serial Bonds:				
General Capital Fund	4,582,000.00		525,000.00	4,057,000.00
Bond Anticipation Notes:				
General Capital Fund	<u>2,755,000.00</u>	<u>\$ 4,129,000.00</u>	<u>2,755,000.00</u>	<u>4,129,000.00</u>
Total	<u>\$ 14,685,389.82</u>	<u>\$ 4,129,000.00</u>	<u>\$ 3,882,335.52</u>	<u>\$ 14,932,054.30</u>
	<u>Balance</u> <u>12/31/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/20</u>
Loans Payable:				
General Capital Fund:				
Green Acres Loans	\$ 87,484.58		\$ 13,865.08	\$ 73,619.50
Sewer Utility Capital Fund:				
NJEIT Loans	7,852,962.07		578,191.75	7,274,770.32
Serial Bonds:				
General Capital Fund	5,097,000.00		515,000.00	4,582,000.00
Bond Anticipation Notes:				
General Capital Fund	<u>\$ 2,755,000.00</u>	<u>\$ 2,755,000.00</u>	<u>\$ 2,755,000.00</u>	<u>\$ 2,755,000.00</u>
Total	<u>\$ 13,037,446.65</u>	<u>\$ 2,755,000.00</u>	<u>\$ 1,107,056.83</u>	<u>\$ 14,685,389.82</u>

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021

(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2021

General Capital Serial Bonds Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2021</u>
General Improvement Bonds of 2017	8/15/2028	1.125% - 4%	<u>\$ 4,057,000.00</u>

General Capital Green Acres Loan Payable

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2020</u>
Improvements to Delaware Heights Park	7/11/2025	2.00%	<u>\$ 59,475.73</u>

Sewer Utility Capital NJ Environmental Infrastructure Loans Payable (Trust Loan)

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2021</u>
Trust Loan 1	08/01/29	5.00%	\$ 684,000.00
Trust Loan 2	08/01/33	3.00%-5.00%	1,365,000.00
Trust Loan 3	08/01/34	4.00%-5.00%	265,000.00
			<u>\$ 2,314,000.00</u>

Sewer Utility Capital NJ Environmental Infrastructure Loans Payable (Fund Loan)

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2020</u>
Fund Loan 1	08/01/29	0.00%	\$ 575,275.95
Fund Loan 2	02/01/33	0.00%	3,311,891.82
Fund Loan 3	08/01/33	0.00%	485,410.80
			<u>\$ 4,372,578.57</u>

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Analysis of Debt Issued and Outstanding at December 31, 2021 (Cont'd)

General Capital Bond Anticipation Notes Payable

Description	Final Maturity	Interest Rate	Balance Dec. 31, 2021
Various Capital Improvements	05/26/22	1.00%	\$ 1,595,490.00
Various Capital Improvements	05/26/22	1.00%	1,004,510.00
Various Capital Improvements	05/26/22	1.00%	1,045,000.00
Improvements to Armory	05/26/22	1.00%	484,000.00
			<u>\$ 4,129,000.00</u>
Total Debt Issued and Outstanding			<u>\$ 14,932,054.30</u>

General Capital New Jersey Green Acres Loan

The Town entered into a \$250,000 loan agreement with the New Jersey Department of Environmental Protection in 2001 for Improvements to Delaware Heights Park. The loan funds were drawn down in 2005. Principal payments for this loan commenced on a semiannual basis beginning on July 11, 2006 and will continue until July 11, 2025 at 2% interest.

N.J. Environmental Infrastructure (EIT) Loans

The Town of Phillipsburg entered into six loan agreements (two in 2010, two in 2014 and two in 2015) with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust") which are recorded in the Sewer Utility Capital Fund. The loan agreements were obtained to finance a portion of the cost of improvements to the Town sewage treatment plant.

At December 31, 2021, the Town has borrowed or "drawn down" \$11,741,438 of the \$11,741,438 Loan funds necessary to complete the improvements to the sewage treatment plant partially funded with the Loan funds. Principal payments to the Fund for the loan will continue on a semiannual basis until August 1, 2034 at zero interest. Principal payments to the Trust for the loan will continue on an annual basis until August 1, 2034. Also, an annual administrative fee of fifteen one hundredths of one percent (.15%) of the initial principal amount of the loan or such lesser amount, if any, as the Trust may approve from time to time is payable on these loans.

The N.J. Environmental Infrastructure Trust applied credits totaling \$262,176 to 2014 principal payments and \$66,352 to 2015 principal payments.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 2: Long-Term Debt (Cont'd)

Schedule of Annual Debt Service for Principal and Interest for the Next Five Years and Thereafter for Bonds and Loans Issued and Outstanding

Year	General		Sewer		Total
	Principal	Interest	Principal	Interest	
2022	\$ 554,428.07	\$ 95,369.00	\$ 593,191.75	\$ 85,960.00	\$ 1,328,948.82
2023	564,718.07	73,478.99	598,191.75	77,670.00	1,314,058.81
2024	580,013.90	62,183.16	608,191.75	69,130.00	1,319,518.81
2025	595,315.69	50,581.38	622,191.75	60,140.00	1,328,228.82
2026	595,000.00	38,751.26	627,191.75	52,590.00	1,313,533.01
2027-2031	1,227,000.00	40,846.26	2,903,139.80	147,790.00	4,318,776.06
2032-2034			734,480.02	18,837.50	753,317.52
	<u>\$ 4,116,475.73</u>	<u>\$ 361,210.05</u>	<u>\$ 6,686,578.57</u>	<u>\$ 512,117.50</u>	<u>\$ 11,676,381.85</u>

Capital Leases Payable

The Town entered into two lease purchase agreements for the purchase of four police vehicles. These capital leases have terms of two years. Total lease payments on these police vehicles are \$182,465.28 of which \$116,270.90 has been amortized as of December 31, 2021. The following is a schedule of the future minimum lease payments at December 31, 2021.

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2022	\$ 68,031.38
Less: Amount representing interest	<u>1,867.00</u>
	<u>\$ 66,164.38</u>

Note 3: Fund Balances Appropriated

Fund balances at December 31, 2021 which was included in the adopted budget as appropriated and as anticipated revenue for the year ending December 31, 2022 budget were as follows:

Current Fund	\$ 1,975,000.00
Sewer Utility Operating Fund	607,595.00

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 4: Local School District Taxes

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Town of Phillipsburg has elected not to defer school taxes.

Note 5: Pension Plans

Town employees participate in one of two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employee's Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible 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

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



TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Town contributions to PERS amounted to \$500,587 for 2021.

The employee contribution rate was 7.50% effective July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2020, the Town's liability was \$7,462,195 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020, the Town's proportion was .046%, which was a decrease of 0.001% from its proportion measured as of June 30, 2019. The Town has rolled forward the net pension liability as of June 30, 2020 with no adjustments. The State of New Jersey Public Employees' Retirement System (PERS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2020 information in the Notes to the Financial Statements as the June 30, 2021 information has not been released as of the date of this audit.

For the year ended December 31, 2020, the Town recognized actual pension expense in the amount of \$500,587.

Actuarial Assumptions

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

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 – 6.00% based on years of service
Thereafter	3.00 – 7.00% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2020 are summarized in the following table:

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the collective net pension liability as of June 30, 2020 calculated using the discount rate as disclosed below, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate  
(Cont'd)

	June 30, 2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the Net Pension Liability	\$ 9,372,849	\$ 7,462,195	\$ 5,810,395

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

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

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after 4 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% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members.

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

Special Funding Situation

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

Town contributions to PFRS amounted to \$1,300,620 for the year ended December 31, 2021. During the fiscal year ended June 30, 2020, the State of New Jersey contributed \$179,648 to the PFRS for normal pension benefits on behalf of the Town, which is less than the contractually required contribution of \$264,583.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense

At June 30, 2020, the Town's liability for its proportionate share of the net pension liability was \$15,043,112. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020, the Town's proportion was 0.116%, which was an increase of 0.008% from its proportion measured as of June 30, 2019. The Town has rolled forward the net pension liability as of June 30, 2020 with no adjustments. The State of New Jersey Police and Firemen's Retirement System (PFRS)' valuation cycle is July 1 instead of December 31. The roll forward methodology puts them a year in arrears in terms of valuation. The Division of Local Government Services, Department of Community Affairs, State of New Jersey is permitting municipalities and counties to include the June 30, 2020 information in the Notes to the Financial Statements as the June 30, 2021 information has not been released as of the date of this audit.

Additionally, the State's proportionate share of the net pension liability attributable to the Town is \$2,334,622 as of June 30, 2020. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 which was rolled forward to June 30, 2020. The State's proportionate share of the net pension liability associated with the Town was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020, the State's proportion was 0.116%, which was an increase of 0.008% from its proportion measured as of June 30, 2019 which is the same proportion as the Town's.

Town's Proportionate Share of the Net Pension Liability	\$ 15,043,112
State's Proportionate Share of the Net Pension Liability Associated with the Town	<u>2,334,622</u>
Total Net Pension Liability	<u><u>\$ 17,377,734</u></u>

For the year ended December 31, 2020, the Town recognized total pension expense of \$1,300,620.

Actuarial Assumptions

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

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through all future years	3.25 – 15.25% based on years of service
Investment Rate of Return	7.00%

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2020 are summarized in the following table:

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

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit to determine the total pension liability.

Sensitivity of the Total Net Pension Liability (including the State's proportionate share of the net pension liability attributable to the Town) to Changes in the Discount Rate

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Town) as of June 30, 2020 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2020		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Town	\$ 23,108,809	\$ 17,377,734	\$ 12,617,638

Plan Fiduciary Net Position - PFRS

Detailed information about the PFRS's fiduciary net position is available in the separately issued PFRS financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.



TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 5: Pension Plans (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the Town recognized pension expense of \$11,353.47 for the year ended December 31, 2021. Employee contributions to DCRP amounted to \$25,494.25 for the year ended December 31, 2021.

Note 6: Accrued Sick and Vacation Benefits and Compensatory Time

The Town permits employees to accrue a limited amount of unused vacation and sick pay and compensatory time, which may be taken as time off or paid at a later date at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$1,757,917.36. This amount is not reported either as an expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Town's budget operating expenditures in the year in which it is used. This amount is partially reserved in the Reserve for Accumulated Sick and Vacation of \$98,567.24 reflected on the Other Trust Funds' balance sheet as of December 31, 2021.

Note 7: Selected Tax Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1.

The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and the imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after April 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 7: Selected Tax Information (Cont'd)

Comparative Schedule of Tax Rate Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Tax Rate</u>	\$ 4.073	\$ 4.042	\$ 4.015
<u>Apportionment of Tax Rate</u>			
Municipal	1.596	1.603	1.541
County	.672	.660	.722
Local School	1.805	1.779	1.752
<u>Assessed Valuations</u>			
2021	<u>\$ 709,208,525.00</u>		
2020		<u>\$ 708,747,125.00</u>	
2019			<u>\$ 709,021,582.00</u>

Comparison of Tax Levies and Collection

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2021	\$ 29,048,019.74	\$ 28,146,792.64	96.89%
2020	28,791,845.36	27,821,505.83	96.63%
2019	28,498,988.46	27,458,956.39	96.35%

Also, increases in future tax levies can also be warranted if revenue sources outside of those directly generated by the municipality, such as federal or state aid, should decline without corresponding decreases in budgeted expenditures.

Note 8: Cash and Cash Equivalents

Cash and cash equivalents include change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Town classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Town in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Interest Rate Risk – In accordance with its cash management plan, the Town ensures that any deposit or investments matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Town limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed below and on the following page.

Custodial Credit Risk – The Town's policy with respect to custodial credit risk requires that the Town ensures that Town funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

Deposits

New Jersey statutes require that municipalities deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Municipalities are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Town to purchase the following types of securities:

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

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 8: Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (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 Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2021, cash and cash equivalents of the Town consisted of the following:

Fund	Change Funds and Petty Cash	Checking Accounts	Totals
Current	\$ 2,219.00	\$ 11,697,769.31	\$ 11,699,988.31
Animal Control		11,625.92	11,625.92
Other Trust		3,826,997.05	3,826,997.05
General Capital		1,172,733.96	1,172,733.96
Sewer Utility:			
Operating	500.00	1,959,233.83	1,959,733.83
Capital		992,713.39	992,713.39
	<u>\$ 2,719.00</u>	<u>\$ 19,661,073.46</u>	<u>\$ 19,663,792.46</u>

The Town did not hold any investments during the year ended December 31, 2021. The carrying amount of the Town's cash and cash equivalents at year end was \$19,663,792.46 and the bank balance was \$19,766,807.96.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 9: Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefit coverage is provided by the State of NJ Health Benefits.

The Town of Phillipsburg is a member of the Statewide Insurance Fund, (the "Fund"). The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of municipalities established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum.

The following coverages are offered by these funds to its members:

- a.) Workers' Compensation and Employers' Liability
- b.) General Liability and Auto Liability
- c.) Property Damage
- d.) Boiler and Machinery
- e.) Law Enforcement Liability
- f.) Public Officials' Liability
- g.) Employment Practice Liability
- h.) Crime
- i.) Umbrella Liability
- j.) Environmental Impairment Liability
- k.) Excess Liability

As a member of the Fund, the Town could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities.

The fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

The December 31, 2021 audit report of the Statewide Insurance Fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2020 is as follows:

Total Assets	\$ 50,426,242
Net Position	\$ 17,737,333
Total Revenue	\$ 25,527,755
Total Expenditures	\$ 22,832,492
Change in Net Position	\$ 2,695,263
Members Dividends	\$ -0-

Statements for this fund are available at the Office of Executive Director:

Statewide Insurance Fund  
One Sylvan Way  
Parsippany, New Jersey 07054  
(862) 260-2050

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 9: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Town has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Town is required to remit employee withholdings to the State on a quarterly basis. All of the Town's claims are paid by the State.

Note 10: Community Development Revolving Loan Program

In 1982, the Town of Phillipsburg received two Small Cities Community Development Block Grants from the New Jersey Department of Community Affairs. These grant funds were utilized to revitalize the downtown area of Phillipsburg and to create jobs for low-income people in the community. The grant funds were provided to eligible participants through low-interest loans. In 1984, the Town was granted approval from the New Jersey Department of Community Affairs to utilize loan repayments received for the provision of new loans for other projects which would provide for the creation of jobs for low-income people in the community. This program is included in the Other Trust Funds as the Community Development Revolving Loan Program.

Note 11: Contingencies

The Town is periodically involved in various other lawsuits arising in the normal course of business, which often include claims for property damage, personal injury, and various contract disputes. In the opinion of management, the ultimate outcome of these lawsuits will not have a material adverse effect on the Town's financial position as of December 31, 2021.

Amounts received or receivable from grantors, principally the federal and state governments, are subject to regulatory requirements and adjustments by the agencies. Any disallowed claims, including amounts previously recognized by the Town as revenue would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although Town officials expect such amounts, if any, to be immaterial.

Various tax appeals on assessed valuations have been filed against the Town and are awaiting tax court decisions. The ultimate outcome and effect of such appeals have not been determined; however, the Town's Tax Assessor will aggressively defend the Town's assessments. The Town has established a reserve in the amount of \$225,318.36, which it believes is sufficient.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 12: Interfund Receivables and Payables

The following interfund balances remained on the various balance sheets at December 31, 2021:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current	\$ 1,488.89	\$ 1,720,467.74
Federal and State Grant	1,720,242.97	
Animal Control		526.80
Other Trust	224.77	611.83
General Capital		350.26
Sewer Utility Operating	200.17	
Sewer Utility Capital		200.17
	<u>\$ 1,722,156.80</u>	<u>\$ 1,722,156.80</u>

The interfund receivable in the Current Fund is comprised of December 2021 interest due from the General Capital Fund and the Other Trust Funds as well as an interfund advanced to the Animal Control Fund. The interfund receivable in the Federal and State Grant Fund reflects the net of Federal and State Grant Fund receipts collected by the Current Fund and Federal and State Grant Fund expenditures paid by the Current Fund. The interfund receivable in the Other Trust Funds is the municipal open space added and omitted taxes due from the Current Fund. The interfund payable in the Sewer Utility Operating Fund is for interest earnings due from the Sewer Utility Capital Fund.

Note 13: Economic Dependency

The Town receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Town's programs and activities.

Note 14: Fixed Assets

The following is a summarization of general fixed assets for the year ended December 31, 2021:

	<u>Balance Dec. 31, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2021</u>
Land	\$ 11,156,900.00	\$ 277,400.00		\$ 11,434,300.00
Buildings	14,857,700.00			14,857,700.00
Machinery and Equipment	9,938,701.36	355,665.25		10,294,366.61
	<u>\$ 35,953,301.36</u>	<u>\$ 633,065.25</u>	<u>\$ -0-</u>	<u>\$ 36,586,366.61</u>

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 15: Post-Retirement Benefits other than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost sharing multiple employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements which can be found at [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

Benefits Provided

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

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

Contributions

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



TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 15: Post-Retirement Benefits other than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

General Information about the OPEB Plan (Cont'd)

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. For New Jersey local governments who report under the regulatory basis of accounting, the net OPEB liability and related deferred inflows are not recorded in the financial statements and there is only note disclosure of this information. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB (benefit)/expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit)/expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2019 through June 30, 2020. Employer and nonemployer allocation percentages were rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

OPEB Expense

The DLGS is permitting municipalities to include the June 30, 2020 OPEB information in the notes to the financial statements as the June 30, 2021 OPEB information has not been released by the State of New Jersey Division of Pensions and Benefits as of the date of this report. The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020.

The State's proportionate share of the net OPEB liability attributable to the Town at June 30, 2020 was \$11,691,787. At June 30, 2020, the State's proportion related to the Town was .214%. This is the percentage of the total State Share of the net OPEB liability of the Plan. During the year ended June 30, 2020, the State of New Jersey's OPEB benefit related to the Town was \$582,020.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 15: Post-Retirement Benefits other than Pensions (OPEB) (Cont'd)

State Health Benefit Local Government Retired Employees Plan (Cont'd)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS)	
Initial fiscal year applied	
Rate through 2026	2.00% - 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's Retirement System (PFRS)	
Rate for all future years	3.25% to 15.25%

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

Mortality:

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 – June 30, 2018, respectively.

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

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially is 5.6% and decreases to a 4.5% long term trend rate after seven years. For post 65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long term rate after seven years.

Discount Rate

The discount rate for June 30, 2020 was 2.21%. The discount rate for June 30, 2019 was 3.20%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 16: Deferred Charge to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2020, the following deferred charge is shown on the balance sheet of the Current Fund:

	<u>Balance Dec. 31, 2021</u>	<u>2022 Budget Appropriation</u>	<u>Balance to Succeeding Years' Budgets</u>
Current Fund:			
Special Emergency Authorizations (N.J.S.A. 40A:4-53)	<u>\$ 480,000.00</u>	<u>\$ 120,000.00</u>	<u>\$ 360,000.00</u>

The appropriation in the 2022 budget is not less than that required by statute.

Note 17: Tax Abatements

As of December 31, 2021, The Town provides a tax abatement to a public nonprofit housing organization for its senior citizen and low income housing developments in the Town pursuant to a resolution of the governing body dated July 10, 2014 and agreements dated November 9, 1949, April 24, 1951, March 12, 1958, October 31, 1962 and November 10, 1969. In consideration of the full abatement of taxes, the public nonprofit housing organization is required to pay to the Town an annual service charge.

The Town recognized revenue in the amount of \$158,899.90 from this annual service charge or payment in lieu of taxes which is recorded as an anticipated miscellaneous in the Current Fund. The taxes which would have been paid on these properties for 2021 without the abatement would have been \$1,152,438 of which \$446,645 would have been for the local municipal tax, minimum library tax and local open space tax.

As of December 31, 2021, the Town provides a tax abatement to a redeveloper for its residential apartment unit property in the Town pursuant to the authority contained in Section 37 of the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") Law of 1983 (N.J.S.A. 55:14K-1 et seq.), a resolution of the Mayor and Town Council and a financial agreement between the Town and the redeveloper; and with the approval of the NJHMFA as provided N.J.S.A. 55:14K-37. The exemption from real property taxation and the redeveloper' obligation to make payments in lieu of taxes shall not extend beyond the date on which the Agency Mortgage is paid in full, which according to the NJHMFA Law, may not exceed 50 years. In consideration of the full abatement of taxes, the redeveloper is required to pay to the Town an annual service charge for municipal services in an amount equal to 9% of revenues as detailed in the tax abatement agreement. In the event that a breach of the agreement by either the Town or the redeveloper or a dispute arises between the two parties, either party may apply to the Superior Court, Chancery Division to settle and resolve said dispute in such fashion as well tend to accomplish the purposes of the HMFA Law.

The Town recognized revenue in the amount of \$1,806.05 from this annual service charge or payment in lieu of taxes which is recorded as an anticipated miscellaneous in the Current Fund. The taxes which would have been paid on this property for 2021 without the abatement would have been \$32,756 of which \$12,781 would have been for the local municipal tax, minimum library tax and local open space tax.

TOWN OF PHILLIPSBURG  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021  
(Continued)

Note 17: Tax Abatements (Cont'd)

As of December 31, 2021, the Town provides a tax abatement to a redeveloper for its warehouse/light industrial buildings, a resolution of the Mayor and Town Council and a financial agreement between the Town and the redeveloper under the provisions of the New Jersey Long Term Tax Exemption Law, N.J.S.A. 40A:20-1 and the Local Redevelopment and Housing Law N.J.S.A. 40A:12A-1. In consideration of the full abatement of taxes, the redeveloper is required to pay to the Town an annual service charge starting on the date of substantial completion of Phase I of the related project. The annual service charge is at a rate of \$.45 per square foot increasing by two percent each January 1<sup>st</sup> following the Annual Service Charge Start Date. Additionally, 5% of the Pre-land tax credit annual service charge less 5% of the land tax credit is payable to the County of Warren. The agreement shall remain in effect until the earlier of 35 years from December 18, 2015 or 30 years from the annual service charge start date for the Phase 1 project or any unit thereof, as applicable. Neither the redeveloper nor the Town may at any time terminate this agreement.

The Town recognized revenue in the amount of \$212,289.17 from this annual service charge or payment in lieu of taxes which is recorded as miscellaneous revenue not anticipated in the Current Fund. The taxes which would have been paid on these properties for 2021 without the abatement would have been \$277,253 of which \$107,454 would have been for the local municipal tax, minimum library tax and local open space tax. The amount due to the County of Warren is \$14,302.68 for 2021.

Additionally, the Town has a tax abatement related to the sewage treatment plant and receives a payment of lieu of taxes revenue annually in the amount of \$83,500 of which \$66,000 was collected in 2021.

Note 18: Subsequent Event

On May 4, 2022, the Town sold \$6,000,000 of General Obligation Bonds and \$1,915,000 of Sewer Utility Bonds with interest rates of 3.25% - 5.00% which were dated May 25, 2022. The first principal and interest payments on these bonds are due May 15, 2023.

## **APPENDIX C**

### **FORM OF APPROVING LEGAL OPINION**

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

December \_\_\_\_\_, 2022

Mayor and Town Council  
of the Town of Phillipsburg  
Phillipsburg, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Town Council of the Town of Phillipsburg, in the County of Warren, a municipal corporation organized and existing under the laws of the State of New Jersey (the "Town"), and other proofs submitted to us relative to the authorization, issuance, sale, execution and delivery of the \$6,125,000 aggregate principal amount of Bond Anticipation Notes, Series 2022 (the "Notes") of the Town. The Notes are dated December 16, 2022, mature December 15, 2023, and bear interest at the rate of \_\_\_\_\_ hundredths per centum (\_\_\_\_\_% ) per annum.

The Notes are issued in fully registered book-entry only form, without certificates, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Individual purchases of the Notes will be made in denominations of \$5,000 each or any integral multiple of \$1,000 in excess thereof, through book entries made on the books and records of DTC and its participants. So long as DTC or its nominee is the registered owner of the Notes, payments of principal of and interest on the Notes will be made by the Town or a duly designated paying agent directly to Cede & Co., as nominee for DTC, which will, in turn, remit such payments to DTC Participants, which will, in turn, remit such payments to the beneficial owners of the Notes. The Notes are not subject to redemption prior to their stated date of maturity.

The Notes are authorized by, and are issued pursuant to, (i) the provisions of the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); and (ii) various bond ordinances duly and adopted by the Town Council of the Town, approved by the Mayor, and published as required by law (the "Ordinances"). Proceeds from the sale and issuance of the Notes will be used to temporarily finance various capital improvements in and for the Town in the amount of \$6,125,000, including paying the costs associated with the issuance of the Notes.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the authorization, issuance, sale, execution and delivery of the Notes pursuant to, as applicable, the Local Bond Law and the Ordinances, (ii) the Notes have been duly authorized, executed and delivered and constitute valid and legally binding general obligations of the Town and are enforceable in accordance with their terms, and (iii) the Town has pledged its full faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, all the taxable property within the Town is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Notes.

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

In our opinion, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Town with the provisions of the Code and the aforementioned covenants in its tax certificate, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. The Notes are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Notes will not be treated as a preference item for purposes of computing the Federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

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

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



Furthermore, we express no opinion as to any Federal, state, local or foreign tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other bond counsel.

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

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

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

Very truly yours,

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**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## CONTINUING DISCLOSURE CERTIFICATE

I, ROBERT J. MERLO, Chief Financial Officer of the Town of Phillipsburg, in the County of Warren (the "Town"), a municipal corporation organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY in connection with the issuance of \$6,125,000 aggregate principal amount of Bond Anticipation Notes, Series 2022 (the "Notes"), dated December 16, 2022 and maturing December 15, 2023, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Town will provide notice of certain material events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a Portable Document File (PDF file) to [www.emma.msrb.org](http://www.emma.msrb.org), of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or other material events effecting the tax-exempt status of the security; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Town; (13) consummation of a merger, consolidation, or acquisition, or sale of all or substantially all of the assets of the Town other than in the ordinary course of business, entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or change of name of a trustee, if material; (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Noteholders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties (collectively, the "Listed Events").

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

If the Town (a) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (b) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the

Beneficial Owners of the Notes, the Town shall file a Notice of each such occurrence with the MSRB via EMMA in a timely manner not in excess of ten (10) business days.

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

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

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

The Town may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Phoenix Advisors, LLC. The Town shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the Town this \_\_\_\_ day of December, 2022.

**TOWN OF PHILLIPSBURG,  
IN THE COUNTY OF WARREN,  
STATE OF NEW JERSEY**

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**ROBERT J. MERLO,  
Chief Financial Officer**

**Acknowledged and Accepted by:**

**PHOENIX ADVISORS, LLC  
as Dissemination Agent**

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**Authorized Signatory**