

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 11, 2022

NEW ISSUES – BOOK-ENTRY-ONLY

RATING: Moody's "Aa3"

In the opinion of Gibbons P.C., Bond Counsel to the Township (as defined herein), assuming continuing compliance by the Township with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax. See "TAX MATTERS" herein.

\$1,335,000*

**TOWNSHIP OF KNOWLTON
IN THE COUNTY OF WARREN, NEW JERSEY
SEWER UTILITY BONDS, SERIES 2022
(Callable) (Bank-Qualified)**

Dated: Date of Delivery

Due: September 1, as shown on the inside front cover

The \$1,335,000* Sewer Utility Bonds, Series 2022 (the "Bonds"), of the Township of Knowlton, in the County of Warren, New Jersey (the "Township") will be issued in registered form, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house transactions, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form without certificates in the denominations of \$1,000 each or any integral multiple thereof. Provided DTC or its nominee Cede & Co. is the registered owner of the Bonds, payments of the principal and interest (payable on March 1, 2023 and semi-annually on each September 1 and March 1 thereafter until maturity or prior optional redemption) on the Bonds will be made directly to DTC or its nominee, which is obligated to remit such principal and interest to DTC Participants and Indirect Participants, as defined herein. DTC Participants and Indirect Participants will be responsible for remitting such payments to the beneficial owners of the Bonds. Beneficial owners of the Bonds will not receive certificates representing their ownership interests in the Bonds. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months. See "THE OBLIGATIONS – Book-Entry Only System" herein.

The Bonds are being issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended, to (i) permanently finance capital improvements related to the Knowlton Sewer Plant, and (ii) pay costs associated with the issuance of the Bonds.

The full faith and credit of the Township are irrevocably pledged for the payment of the principal of, redemption premium, if any, and interest on the Bonds. The Bonds constitute valid and binding general obligations of the Township payable as to principal, redemption premium, if any, and interest from the levy of *ad valorem* taxes levied upon all the taxable property within the Township, without limitation as to rate or amount.

The Bonds are subject to redemption prior to their respective maturity dates as described herein. See "THE BONDS – Optional Redemption" herein.

FOR MATURITIES, INTEREST RATES, YIELDS, AND CUSIP NUMBERS SEE INSIDE FRONT COVER HEREOF.

The Bonds are offered when, as, and if issued and delivered to the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to approval of legality by the law firm of Gibbons P.C., Newark, New Jersey, Bond Counsel to the Township, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Township in connection with the issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about September 1, 2022, in New York, New York, or at such other place and time as may be agreed to by the Township.

**BIDS FOR THE BONDS WILL BE RECEIVED IN ACCORDANCE WITH THE NOTICE OF SALE
UNTIL 11:00 A.M. ON AUGUST 18, 2022. FOR MORE DETAILS ON HOW TO BID, VIEW
THE NOTICE OF SALE POSTED AT WWW.MUNIHUB.COM.**

* Preliminary, subject to change.

**TOWNSHIP OF KNOWLTON
IN THE COUNTY OF WARREN, NEW JERSEY**

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

\$1,335,000* SEWER UTILITY BONDS, SERIES 2022

Year	Principal Amount*	Interest Rate	Yield	CUSIP**
2023	\$45,000			
2024	45,000			
2025	50,000			
2026	50,000			
2027	50,000			
2028	55,000			
2029	55,000			
2030	60,000			
2031	60,000			
2032	65,000			
2033	65,000			
2034	70,000			
2035	75,000			
2036	75,000			
2037	80,000			
2038	80,000			
2039	85,000			
2040	90,000			
2041	90,000			
2042	90,000			

* Preliminary, subject to change.

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

**TOWNSHIP OF KNOWLTON
IN THE COUNTY OF WARREN, NEW JERSEY**

MAYOR

Adele Starrs

TOWNSHIP COMMITTEE

Debra Shipps, Deputy Mayor
Kathy Cuntala
Frank Van Horn
James Mazza

CHIEF FINANCIAL OFFICER

Chrisine Rolef

ACTING TOWNSHIP CLERK

Kailene Molion

TOWNSHIP ATTORNEY

Gebhardt & Kiefer, P.C.
Annandale, New Jersey

AUDITOR

Nisivoccia LLP
Mount Arlington, New Jersey

BOND COUNSEL

Gibbons P.C.
Newark, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

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

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

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

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**OFFICIAL STATEMENT
OF THE
TOWNSHIP OF KNOWLTON
IN THE COUNTY OF WARREN, NEW JERSEY
\$1,335,000* SEWER UTILITY BONDS, SERIES 2022**

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover page and the appendices attached hereto, has been prepared by the Township of Knowlton (the “Township”), in the County of Warren (the “County”), State of New Jersey (the “State”) and provides certain information relating to the Township in connection with the sale and the issuance of \$1,335,000* Sewer Utility Bonds, Series 2022 (the “Bonds”). This Official Statement has been executed by and on behalf of the Township by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

THE BONDS

General Description

The Bonds will be dated their date of delivery and will mature on September 1 in the years and in the amounts set forth on the inside front cover hereof, and will bear the interest from their dated date as shown on the front cover page hereof. Interest on the Bonds will be payable semiannually on March 1 and September 1 in each year until maturity or earlier redemption, commencing on March 1, 2023 at the rates set forth on the inside front cover page hereof. Principal of and interest due on the Bonds will be paid directly to Cede & Co. (or any successor or assign), as nominee for The Depository Trust Company, New York, New York (“DTC”) by the Township. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 15 and August 15 (the “Record Dates” for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months. Individual purchases will be made in book-entry form (without certificates) through DTC Participants, as hereinafter defined, in the principal amount \$1,000 each or any integral multiple thereof.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Township directly to Cede & Co., (or any successor or assign), as nominee for DTC. Disbursement of such payments to the participants of DTC is the responsibility of DTC. See “Book-Entry Only System” herein.

Book-Entry Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as each such terms is hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the

* Preliminary, subject to change.

Township. Accordingly, the Township does not make any representations as to the completeness or accuracy of such information.

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

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds and principal and interest payments on the Bonds, if any, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township 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, the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township, 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 depository with respect to the Bonds at any time by giving reasonable notice to the Township. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

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

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

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

THE TOWNSHIP WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (II)

ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE BONDS; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE ON THE BONDS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS NOMINEE OF DTC AND THE REGISTERED OWNER OF THE BONDS. THE RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE DTC.

Discontinuation of Book-Entry Only System

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

Optional Redemption

The Bonds maturing on or prior to September 1, 2029 shall not be subject to redemption prior to their respective maturity dates. The Bonds maturing on or after September 1, 2030 shall be subject to redemption prior to their respective maturity dates, on or after September 1, 2029 at the option of the Township, either in whole or in part at any time in any order of maturity at one hundred percent (100%) of the principal amount of the Bonds being redeemed (the "Redemption Price"), plus in each case accrued interest thereon to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Township, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. However, so long as DTC (or any successor thereto) acts as securities depository for the Bonds, notices of redemption shall be sent to such depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Township determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by lot. If notice of redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law"), a certain bond ordinance adopted by the Township Committee and referenced in the chart below and by a resolution duly adopted by the Township Committee on August 8, 2022 (the "Resolution").

Proceeds from the sale and issuance of the Bonds will be used by the Township to: (i) permanently finance capital improvements related to the Knowlton Sewer Plant; and (ii) pay certain costs incurred in connection with the issuance of the Bonds.

Bond Ordinance	Description of Bond Ordinance	Amount Funded by Bond Proceeds
22-06	Improvements to the Knowlton Sewer Plant, finally adopted July 11, 2022.	\$1,335,000
	Total:	<u>\$1,335,000</u>

PAYMENT OF AND SECURITY FOR THE BONDS

The Bonds are valid and binding general obligations of the Township and the full faith and credit of the Township are pledged to the payment of the principal of and interest on the Bonds, for which payment the Township is obligated to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal thereof and the interest thereon without limitation as to rate or amount.

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 declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which 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 altered the behavior of businesses and people, have had and may continue to have negative 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 allowed existing orders to continue in effect, was set to expire thirty (30) days from January 11, 2022 but was extended via Executive Order 288 for an additional thirty (30) days, effective February 10, 2022. The public health emergency was terminated on March 7, 2022 via Executive Order 292; 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-year period may be extended to up to ten years. In addition, the statute permits school districts and public authorities to issue debt with a maximum five-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 Township does not anticipate authorizing these special emergency appropriations or issuing special emergency notes in order to address any financial impact caused by the COVID-19 pandemic.

As of the date hereof, the Township's overall finances and operations have not been materially or adversely impacted by the COVID-19 pandemic. The Township cannot reasonably predict how the COVID-19 outbreak may impact the future financial condition or operations of the Township, whether there will be any impact on the assessed values of property within the Township or unexpected deferrals of tax payments to the Township, or the costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain facilities, or costs to operate remotely and support Township functions and critical government actions during an outbreak, or any resulting impact such costs could have on the Township's operations

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 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 Township.

Based on available information as of the date hereof, the Township expects to receive a total of approximately \$306,469.53 from the Plan. Such funds are expected to be received in two equal payments, one within 60 days of enactment of the Plan and the balance no earlier than 12 months from the initial payment. The deadline to obligate the funds is December 31, 2024, and to spend funds is December 31, 2026.

Generally, according to the Plan, the allowable use of the funds to be provided to the Township 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 Township that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; (c) for 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 Township, prior to the emergency; (d) to make necessary investments in water, sewer or broadband infrastructure.

The Township received its first installment under the Plan in amount of \$153,234.76 on July 8, 2022. It intends to utilize some of the funding to continue with COVID-19 testing, vaccinations, food distributions and assisting small businesses. The additional uses of the funds are still to be determined.

MARKET PROTECTION

The Township does not expect to issue additional bonds or notes within the next ninety (90) days.

PROVISIONS WITH REGARD TO GENERAL OBLIGATION DEBT

This summary does not purport to be a full and complete statement of all of the provisions referred to herein, and the cited statutes should be read in full for a complete understanding of all of said provisions.

Local Bond Law

The Local Bond Law (N.J.S.A. 40A:2-1 et. seq.). The Local Bond Law generally governs the issuance of bonds and notes by local units to finance certain capital improvements and appropriations. The Local Bond Law requires that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of capital expenditures. All bonds and notes issued by the Township are general (“full faith and credit”) obligations.

Debt Limits

The net authorized debt of all local units which are municipalities in the State of New Jersey is generally limited by statute to an amount equal to 3.5% of its equalized valuation basis. The equalized valuation basis of the local unit is set by statute as the average for the last three years of the sum of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as annually determined by the State Department of the Treasury, Division of Taxation. Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Exceptions to Debt Limits - Extensions of Credit

The debt limit of a local unit may be exceeded with the approval of the Local Finance Board, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the local unit must apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the ability of a local unit to meet its obligations or to provide essential services, and the Local Finance Board makes other statutory determinations, approval is granted.

School Debt. In the State, in a Type II school district without a Board of School Estimate, school debt authorized by the board of education must be approved by the registered voters of that school district. When the amount authorized exceeds the school district’s limit, the district may use the municipality’s share of available borrowing capacity upon approval of the proposed debt by the State Commissioner of Education and the Local Finance Board, and subsequently by the registered voters of the district. School debt of a Type I school district is authorized by a Board of School Estimate and the governing body of a local unit.

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

The foundation of the New Jersey local finance system is the annual budget. Every local unit must adopt an operating budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). Items of revenue and appropriation are regulated by law and must be certified by the Director of the Division (the “Director”) prior to final adoption of the budget. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review focusing on anticipated revenues serves to protect the solvency of all local units. The budgets of local units must be in balance; i.e., total anticipated revenues must equal total appropriations.

If in any year a Local Unit’s expenditures exceed (or are less than) its realized revenues for that year, then such deficit (excess) must be raised (accounted for) in the succeeding year’s budget.

Real Estate Taxes

The same general principal that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The Local Budget Law (N.J.S.A. 40A:4-29) provides that the 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.

The Local Budget Law (N.J.S.A. 40A:4-41) also provides with regard to current taxes that receipts 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 such 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 collected of the prior year’s tax levy is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The Reserve For Uncollected Taxes is calculated to be the levy required to balance a local unit’s budget multiplied by the prior year’s percentage of uncollected taxes (or a lesser percentage).

Miscellaneous Revenues

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenue 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 thereof with the exception of the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation.

See “COVID-19 RISK FACTORS” herein for a discussion of recent amendments to N.J.S.A. 40A:4-26 in response to the COVID-19 outbreak.

Appropriation and Tax Levy CAP Limitations

Chapter 68 of the Pamphlet Laws of 1976 (N.J.S.A. 40A:4-45.1 et seq.), as amended and supplemented by P.L. 1983, c. 49, P.L. 1990, c.89, and by P.L. 2004, c.74 (the “CAP Law”), imposes restrictions which limit the allowable increase in municipal appropriations over the previous year’s appropriations to the lesser of 102.5% or the increase in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services as published by the United States Department of Commerce (the “Cost-of-Living Adjustment”). If the Cost-of-Living Adjustment is less than or equal to 2.5% an increase equal to 3.5% will be permitted by adoption of an ordinance. If the Cost-of Living Adjustment is greater than 2.5%, an increase in any amount above 2.5% will be permitted upon passage of a referendum. This limitation is subject to the following exceptions among others: (i) all debt service payments; (ii) the amount of revenue generated by the increase in valuations within the municipality based solely on applying the preceding year’s municipal tax rate to the apportionment valuation of new construction or improvements within the municipality and such increase shall be levied in direct proportion to said valuation; (iii) capital expenditures funded by any source; (iv) an increase involving certain defined categories of emergency appropriations as approved by the Director in certain cases; (v) amounts required to be paid pursuant to any contract between the municipality and any political subdivision or public body in connection with the provision and/or financing of projects for certain public purposes such as water, sewer, parking, senior

citizens' housing or any similar purpose; or (vi) that portion of the municipal tax levy which represents funding to participate in any Federal or State aid program and amounts received or to be received from Federal, State or other funds in reimbursement for local expenditures.

Additionally, the Legislature of the State of New Jersey previously enacted P.L. 2007, c. 62 (the "Property Tax Act") effective April 3, 2007, which imposed a 4% 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 Property Tax Act has been amended by the provisions of P.L. 2010, c. 44 effective July 13, 2010 (the "Amendment") and applicable to the next budget year following enactment. The Amendment reduces the tax levy cap to 2% from 4%, limits exclusions only to capital expenditures, including debt service, certain increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare cost increases in excess of 2% and extraordinary costs directly related to a declared emergency. Waivers from the Division of Local Government Services or the Local Finance Board are no longer available under the Amendment.

For municipalities, the levy cap is in addition to the existing appropriation cap; both cap laws must be met.

Deferral of Current Expenses

A local unit may make emergency appropriations after the adoption of a budget and the determination of the tax rate, but only to meet unforeseen pressing needs to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance. With limited exceptions set forth below, such appropriations must be included in full in the following year's budget. If such emergency appropriations exceed 3% of the adopted operating budget, consent of the Director is required (N.J.S.A. 40A:4-46, -47, -49). The exceptions are certain enumerated quasi-capital projects such as ice, snow, and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revision of ordinances, and master plan preparations, which may be amortized over five years (N.J.S.A. 40A:4-55, -55.3). See "COVID-19 RISK FACTORS" herein for a discussion of recent amendments to the special emergency provisions of the Local Budget Law in response to the COVID-19 outbreak.

Under the CAP Law, emergency resolutions aggregating less than 3% of the previous year's final current operating appropriations may be raised in that portion of the budget outside its limitations if approved by at least two-thirds of the members of the governing body and the Director. Emergency resolutions that aggregate more than 3% of the previous year's final current operating appropriations must be raised within its limitations. Emergency resolutions for debt service, capital improvements, the Township's share of Federal or State grants and other statutorily permitted items are outside its limitation.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year. Subaccounts (line items) within an appropriation are not subject to the same year-end transfer restriction; however, they are subject to internal review and approval.

Capital Budget

In accordance with the Local Budget Law, each local unit must adopt and annually revise a capital program budget. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over a period of up to six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body of a local unit setting forth the items and the method of financing or from the annual operating budget if the items were detailed.

Operation of Utilities

Municipal public utilities are supported, in addition to the general taxing power upon real property, by the revenues generated by the respective operations of the utilities.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to fully provide for debt service. The regulations regarding anticipation of revenue 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.

Municipal Bankruptcy

Any county, municipality, school district or other political subdivision of the State has the power to file a petition with any United States court or courts in bankruptcy under the Federal bankruptcy act for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts, provided that the approval of the Municipal Finance Commission of New Jersey has been obtained (N.J.S.A. 52:27-40). The powers of the Municipal Finance Commission of New Jersey have been vested in the Local Finance Board.

LITIGATION

In the opinion of Gebhardt & Kiefer, P.C., Township Attorney, there is no litigation pending or threatened, restraining or enjoining the issuance or delivery of the Bonds offered for sale or the levy or collection of any taxes to pay interest on or principal of the Bonds, or in any manner questioning the authority of proceedings for the issuance of the Bonds or for the levy or collection of said taxes. Moreover, to the knowledge of the Township Attorney no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely decided.

APPROVAL OF LEGAL PROCEEDINGS

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

TAX MATTERS

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

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for purposes of Federal income taxation under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes, retroactive to the date of the issuance of the Bonds. The Township will make certain representations in its

tax certificate which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. Gibbons P.C., Bond Counsel to the Township, has relied upon the representations of the Township made in the tax certificate and has assumed continuing compliance by the Township with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Township observes its covenants with respect to continuing compliance with the Code, Gibbons P.C., Bond Counsel to the Township, is of the opinion that, under existing law, interest on the Bonds are excluded from the gross income of the owners of the Bonds for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

Tax Treatment of Original Issue Discount

The initial public offering price of certain of the Bonds (the “Discount Bonds”) is less than the amount payable on such Bonds at maturity. The difference between the initial public offering price of the Discount Bonds of each such year as set forth on the inside front cover of this Official Statement and the amount payable at maturity of the Discount Bonds of such year, is original issue discount. Bond Counsel is of the opinion that the accrued portion of the original issue discount will be treated for Federal income tax purposes as interest excludable from gross income under Section 103 of the Code to the same extent as stated interest on the Bonds.

The amount of original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder of the Discount Bonds. Under Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual and, in the case of an original holder of the Discount Bonds who purchases at the initial public offering price of such Discount Bonds, the amount treated as interest on the Discount Bonds excludable from gross income under Section 103 of the Code is the sum of the daily portions of the original issue discount attributable to the Discount Bonds for each day during the taxable year that the owner holds such Discount Bonds.

Purchasers of any Discount Bonds, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of original issue discount for Federal income tax purposes, and with respect to state and local tax consequences of owning such Discount Bonds.

Tax Treatment of Original Issue Premium

The initial public offering price of certain maturities of the Bonds (the “Premium Bonds”) is greater than the principal amount of such Bonds payable at maturity. An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the Premium Bond’s yield to maturity. As premium is amortized, the purchaser’s basis of such Premium Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes on the sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no Federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their tax advisors with respect to the determination and treatment of premium for Federal income tax purposes, and with respect to state and local tax consequences of owning such Premium Bonds.

Additional Federal Income Tax Consequences

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

The Bonds have been designated by the Township as “Qualified Tax-Exempt Obligations” for purposes of Section 265(b)(3) of the Code. The Township intends that, by such designation of the Bonds, the Bonds will not be subject to Section 265(b)(1) of the Code, which relates to the complete disallowance of deduction for interest expense of certain financial institutions that is allocable to interest on certain tax-exempt obligations acquired by a financial institution after August 7, 1986. The interest expense of certain financial institutions allocable to Qualified Tax-Exempt Obligations is subject to Sections 291(a)(3) and 291(e)(1)(B) of the Code, relation to the non-deductibility of twenty (20) percent of the interest expense allocable to such tax-exempt obligations.

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

State Taxation

Bond Counsel to the Township is of the opinion that, under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Miscellaneous

Amendments to federal and state tax laws are proposed from time to time and could be enacted, and court decisions and administrative interpretations may be rendered, in the future. There can be no assurance that any such future amendments or actions will not adversely affect the value of the Bonds, the exclusion of interest on the Bonds from gross income, alternative minimum taxable income, state taxable income, or any combination from the date of issuance of the Bonds or any other date, or that such changes will not result in other adverse federal or state tax consequences.

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

SECONDARY MARKET DISCLOSURE

The Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the “Securities Exchange Act”) has adopted amendments to its Rule 15c2-12 (“Rule 15c2-12”) effective July 3, 1995 which generally prohibits a broker, dealer or municipal securities dealer (“Participating Underwriter”) from purchasing or selling municipal securities, such as the Bonds, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board (the “MSRB”) through its electronic data program, the Electronic Municipal Market Access System (“EMMA”) (the “Continuing Disclosure Requirements”).

On the date of delivery of the Bonds, the Township will enter into a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) containing the Continuing Disclosure Requirements for the benefit of the beneficial holders of the Bonds pursuant to which the Township will agree to comply on a continuing basis with the Continuing Disclosure Requirements of Rule 15c2-12, specifically paragraph (d)(2) of Rule 15c2-12. Specifically, the Township will covenant for the benefit of the holders and beneficial owners of the Bonds to provide at least annually certain financial information and operating data relating to the Township (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Township with the MSRB. The notices of enumerated events will be filed by the Township with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in “Appendix C - Form of Continuing Disclosure Certificate”. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12.

The Annual Report and notices of enumerated events can be obtained from Christine Rolef, Chief Financial Officer, Township of Knowlton, 628 Route 94, Columbia, New Jersey 07832, telephone (908) 496-4816 extension 6.

The Township currently does not have undertakings with regard to continuing disclosure for prior obligations issued. The Township has appointed Phoenix Advisors, LLC, Bordentown, New Jersey to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required with respect to the Bonds and future obligations.

UNDERWRITING

The Bonds have been purchased from the Township at a public sale by _____ (the “Underwriter”), at a price of \$ _____ (reflecting the aggregate principal amount of the Bonds, plus a bid premium of \$ _____). The Underwriter purchased the Bonds in accordance with the Notice of Sale.

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

RATING

Moody's Investors Service, Inc. (the Rating Agency") has assigned an underlying rating of "Aa3" to the Bonds based upon the creditworthiness of the Township.

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

MUNICIPAL ADVISOR

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

FINANCIAL STATEMENTS

Certain audited financial data of the Township for the fiscal year ending December 31, 2021 are presented in Appendix "B" to this Official Statement (the "Financial Statements"). The Financial Statements have been prepared by Nisivoccia LLP, Mount Arlington, New Jersey, an independent auditor (the "Auditor"), as stated in its report appearing in Appendix "B" hereto.

PREPARATION OF OFFICIAL STATEMENT

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

The Auditor takes responsibility for the audited financial statements presented in Appendix "B" to the extent specified in their Independent Auditor's Report and has not participated in the review or preparation of this Official Statement and has not verified the accuracy or completeness thereof and accordingly, expresses no opinion or other assurance or assumes any responsibility with respect thereto.

Bond Counsel has not verified the accuracy, completeness or fairness of the information contained herein, except under "TAX MATTERS" and, accordingly, assumes no responsibility therefor and will express no opinion with respect thereto.

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Christine Rolef, Chief Financial Officer, 628 Route 94, Columbia, New Jersey 07832, (908) 496-4816 ext. 6 or to the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds. This Official Statement has been duly executed and delivered by the Chief Financial Officer for and on behalf of the Township.

TOWNSHIP OF KNOWLTON

By: _____
Christine Rolef
Chief Financial Officer

Dated: August __, 2022

APPENDIX A
GENERAL INFORMATION OF THE TOWNSHIP

APPENDIX A

**DESCRIPTION OF
TOWNSHIP OF KNOWLTON
TOGETHER WITH CERTAIN ECONOMIC
AND
DEBT INFORMATION**

**APPENDIX A
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Township of Washington

General Information

The Township, founded in 1798, is a rural community comprised of approximately 25.40 square miles situated in the northwestern part of Warren County, which is itself located in the northwestern part of New Jersey. All of the western border of the township adjoins the Delaware River, which separates the state of New Jersey from the state of Pennsylvania.

All of the township lies in the watershed of the Delaware River. Two secondary watersheds are the Paulinskill and Pequest; the latter drains only a small area at the southern end of the township. Much of the township is hilly, especially in the north in the southwest, where slopes in excess of 15% are found.

The township is predominately rural. The Township is 25.40 square miles, with 67.96 miles of roadways, 1,085 homes and approximately 2,670 residents. No large cities are in the township; small villages are located at Columbia, Delaware, Hainesburg, Knowlton, Polkville and Ramseyburg and post offices are at Columbia (zip code 07832) and Delaware (zip code 07833). Many working residents commute by car to major cities east of Warren County, due to the close proximity to major interstates (I80, I78, Rt. 46, and Rt. 31).

Type of Government

The Township government consists of a five-member Township Committee. The Township Committee members are elected for a three-year term. The Mayor and Deputy Mayor are selected by the Township Committee. The Township employs approximately 23 full-time and part-time personnel.

Township Officials

Municipal Clerk

Kailene Molion was appointed Acting Municipal Clerk in 2022 and is responsible for the daily operations of the Clerk's office.

Chief Financial Officer

Christine Rolef was appointed Chief Financial Officer, in 2013 and is responsible for the maintenance of the Township's finances.

Land Development

The Township is a suburban community of predominantly single family detached owner-occupied homes. The average assessed value on houses in Knowlton Township is approximately \$207,192.

Of the total land area of 25.40 square miles on 16,456 acres, approximately 2,104 acres are residential and approximately 8907 are farmland. Of the remaining 5,445, there are already 3,124 acres preserved as Open Space. Most of the remaining acreage is vacant or commercial.

Educational Facilities

The Board of Education of the Township of Knowlton (the “Board”) operates one elementary school. The Board is composed of seven members elected on a staggered basis for three-year terms, governs the operations of the school district. The Board is the policy making body and appoints the Superintendent of Schools who is responsible for the educative process and business operation of the school district.

Health Care Facilities

Hospital services are available at Hackettstown Regional Medical Center in Hackettstown, St. Lukes in Phillipsburg, and Hunterdon Medical Center in Flemington. All hospitals offer medical care in modern facilities.

Municipal Services

Fire

Fire protection is furnished by the Knowlton Township Fire and Rescue Co. # 1 using the Knowlton Township Volunteer Fire Department with an active base of approximately 30 members. There are two fire stations which house the following equipment: a command vehicle, a tanker, two pumpers, a brush truck, and 1 support/rescue vehicle.

Recreational Facilities

The coordination and supervision of most of the Township’s recreational programs are under the direction of the Recreation Committee. There is one municipal park in the Township. Tunnel Field Park provides approximately 30 acres of playing fields for baseball, softball, and soccer. Tunnel Field Park also has a picnic pavilion, 2 playgrounds, walking trails, volleyball courts, and basketball courts.

The Township has had in place an open space tax which currently collects nineteen cents per \$100 of assessed value for acquisition.

Retirement Systems

All permanent or qualified Township employees are enrolled in the retirement system. This system was established by acts of the State legislature. Benefits, contributions, means of funding and the manner of administration are set by the State. The Division of Pensions within the Treasury Department of the State is the Administrator of the funds with the benefit and contribution level set by the State. The township is enrolled in the Public Employees' Retirement System.

Public Employees' Retirement System

The Public Employees' Retirement System (PERS) include approximately 23 permanent employees. PERS is evaluated every year. Employee rates for contribution are normally determined by the rate applicable at the time of employment.

The following schedule sets for the retirement benefits paid by the Township for the past five years from the Township's Current Fund.

Current Fund:

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
PERS	71,390	65,224	65,642	69,350	59,697
FICA*	37,618	45,069	50,292	45,000	45,000
	\$109,008	\$110,293	\$115,934	\$114,350	\$104,697

* Social Security

Source: The Township's Audited Financial Statements

Liability Insurance

The Township is currently insured through the Statewide Insurance Fund.

CURRENT FUND REVENUE SOURCES

<u>Year</u>	<u>Budget Requirement</u>	<u>Revenue Surplus Appropriated</u>	<u>Realized Miscellaneous Revenues</u>	<u>Realized Receipts From Delinquent Taxes</u>	<u>Realized Amount To Be Raised By Taxation</u>	<u>Excess</u>
2021	\$ 2,627,132	\$ 356,166	\$ 935,280	\$ 417,664	\$ 1,250,256	\$ 332,235
2020	2,486,914	370,000	684,032	323,022	1,158,223	48,363
2019	2,379,257	370,000	817,560	294,504	1,218,684	321,492
2018	2,327,562	320,000	664,485	341,461	1,220,389	218,773
2017	2,380,917	385,000	785,450	352,004	1,149,692	291,230

Source: The Township's Audited Financial Statements.

**CURRENT FUND BALANCES AND AMOUNTS UTILIZED
IN SUCCEEDING YEAR'S BUDGET**

<u>Year</u>	<u>Balance 31-Dec-21</u>	<u>Utilized in Succeeding Year's Budget</u>	
		<u>Amount</u>	<u>Percent</u>
2021	\$ 1,439,488	\$ 429,000	29.80%
2020	1,088,715	370,000	33.99%
2019	1,151,177	370,000	32.14%
2018	1,219,562	370,000	30.34%
2017	853,488	320,000	37.49%

Source: The Township's Audited Financial Statements.

**TAX INFORMATION
As of December 31 for Years Shown**

Tax Collection Procedure

The Township is the political entity responsible for the levying and collection of taxes on all taxable property within its borders, including the tax levies for the county, school districts, municipality and fire district. The levying of taxes is for a fiscal year which for the school districts starts July 1 and ends June 30. The fiscal year for the county, municipality and fire district starts on January 1 and ends December 31.

The taxes for the municipality, county, school districts and fire district cover the current calendar year. Turnover of the tax monies by the municipality to the school districts are based on the schools' needs and are generally made on a monthly basis throughout the year. The municipality remits county taxes, payable quarterly on the 15th day of February, May, August, and November. The municipality remits fire district taxes four times a year.

Property taxes are levied as of January 1. The tax levy is divided into two billings. The first or preliminary billing is an estimate of the current year's levy based upon one half of the prior year's taxes. The second or final billing reflects the current year's tax rate along with any changes in assessment from the previous year. The final tax bill is usually mailed on or before June 14th along with the preliminary billing for the subsequent year. The preliminary billing is divided into two due dates; February 1 and May 1. The final billing is also divided into two due dates; August 1 and November 1.

A ten-day grace period is granted before the taxes are considered delinquent and the imposition of interest charges. Delinquent payments are subject to an interest penalty of 8% of the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes at the end of the year in excess of \$10,000 are subject to an additional 6% penalty. Unpaid taxes of the prior year are a lien and will be placed into a tax sale in accordance with state statutes. Tax sale certificates are subsequently subject to foreclosure proceedings in order to enforce collection of delinquent taxes or acquire title to the property.

TAX RATES, TAX LEVIES, & TAX COLLECTIONS

Tax Rate Apportionment Per \$100 of Assessed Valuation

<u>Year</u>	<u>Municipal Purpose</u>	<u>Municipal Open Space</u>	<u>County Purpose</u>	<u>District School</u>	<u>Tax Rate</u>
2021	\$ 0.42	\$ 0.02	\$ 0.88	\$ 1.19	\$ 3.68
2020	0.42	0.02	0.90	1.12	3.60
2019	0.42	0.02	0.85	1.10	3.47
2018	0.40	0.02	0.88	1.08	3.45
2017	0.40	0.02	0.92	1.08	3.42

Source: Warren County Board of Taxation

PROPERTY VALUATIONS

Real Property Net Assessed Valuations by Classification

<u>Classification</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Residential	\$196,924,800	\$194,887,700	\$194,233,800	\$194,206,300	\$194,568,700
Apartment	665,700	665,700	665,700	665,700	665,700
Farm	34,458,140	35,911,340	36,571,440	36,412,540	36,697,240
Commercial	19,670,400	19,941,900	19,941,900	19,960,700	19,541,700
Industrial	2,189,300	2,189,300			
Vacant Land	4,465,600	4,533,900	5,953,100	6,321,600	6,303,700
Subtotal	\$258,373,940	\$258,129,840	\$257,365,940	\$257,566,840	\$257,777,040
Exempt					
Public	21,842,800	21,076,900	20,431,300	20,431,300	20,431,300
Other	6,840,400	6,840,400	6,754,700	6,984,200	6,719,600
Total	\$287,057,140	\$286,047,140	\$284,551,940	\$284,982,340	\$284,927,940

Source: Property Value Classification for years shown.

Net Assessed and Equalized Property Valuations

<u>Classification</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net Assessed Valuation:					
Real Property	\$258,373,940	\$258,129,840	\$257,365,940	\$257,566,840	\$257,777,040
Personal Tangible Property	68,464,550	72,449,697	49,621,200	53,962,495	54,301,586
Total	\$326,838,490	\$330,579,537	\$306,987,140	\$311,529,335	\$312,078,626
Percent Increase/(Decrease)	-1.13%	7.69%	-1.46%	-0.18%	2.42%
Equalized Valuation:					
Equalized Ratio	93.18%	101.93%	93.75%	102.12%	100.79%
Equalized Valuation	\$350,765,599	\$324,324,463	\$327,437,583	\$305,065,545	\$309,642,090
Percent Increase/(Decrease)	8.15%	-0.95%	7.33%	-1.48%	-0.19%

Source: County of Warren Abstract of Ratables for years shown.

TAX LEVY APPORTIONMENT

Year	Municipal Purpose	Municipal Open Space	County Purpose	County Open Space	District School	Regional School	Added Tax Levy	Total
2021	\$ 1,091,498	\$ 52,024	\$ 2,220,168	\$ 64,356	\$ 3,088,052	\$ 3,032,238	\$ 22,906	9,571,241
2020	1,091,573	51,817	2,243,052	82,779	2,891,720	2,961,937	15,064	9,337,942
2019	1,092,846	52,014	2,134,414	77,382	2,793,225	2,830,748	46,509	9,027,139
2018	1,042,731	51,936	2,194,093	93,459	2,793,225	2,757,399	31,260	8,964,102
2017	1,028,930	51,826	2,246,455	124,831	2,793,225	2,591,424	13,164	8,849,855

Source: The Township's Audited Financial Statements.

TAX COLLECTION EXPERIENCE

Year	Current Levy Collection			Delinquent Taxes Collected	Total Taxes Collected	Percent of Current Levy
	Tax Levy	Amount	Percent			
2021	\$ 9,571,241	\$ 9,280,000	96.95%	\$ 357,963	\$ 9,637,963	100.70%
2020	9,337,942	8,946,189	95.80%	310,046	9,256,234	99.12%
2019	9,027,139	8,648,512	95.81%	294,504	8,943,016	99.07%
2018	8,964,102	8,600,258	95.94%	338,895	8,939,152	99.72%
2017	8,849,855	8,457,304	95.56%	337,004	8,794,308	99.37%

Source: The Township's Audited Financial Statements.

MUNICIPAL PURPOSE TAX LEVY

Year	Municipal Purpose Tax Levy	Current Tax Collection	Delinquent Tax Levy Collection	Total Collected	Reserve For Uncollected Taxes
2021	\$ 1,091,498	\$ 1,250,256	\$ 357,963	\$ 1,608,219	\$ 450,000
2020	1,091,573	1,158,223	310,046	1,468,269	458,404
2019	1,092,846	1,218,684	294,504	1,513,189	457,957
2018	1,042,731	1,220,389	338,895	1,559,284	458,308
2017	1,028,930	1,149,692	337,004	1,486,696	448,323

Source: The Township's Audited Financial Statements.

TAX TITLE LIENS AND DELINQUENT TAXES

Year	Tax Title Liens	Delinquent Taxes	Total Delinquent	Percent of Tax Levy
2021	\$ 278,576	\$ 357,546	\$ 636,122	6.65%
2020	255,070	496,056	751,126	8.04%
2019	261,562	436,094	697,656	7.73%
2018	523,069	399,636	922,705	10.29%
2017	472,927	430,377	903,304	10.21%

Source: The Township's Audited Financial Statements.

TAX TITLE LIENS

Year	Balance January 1,	Transferred From Taxes Receivable	Interest and Costs on Tax Sale	Tax Title Liens Redeemed	Property Acquired For Taxes	Transfer to Foreclosure Adjustment	Balance December 31,
2021	\$ 255,070	\$ 64,360	\$ 25,945	\$ 59,702		\$ 6,983 \$ 114	\$ 278,576
2020	261,562	18,362		12,976		11,878	255,070
2019	523,069	30,121			\$ 291,628		261,562
2018	472,927	44,516	8,192	2,566			523,069
2017	452,916	32,972	1,872	6,118	8,714		472,927

Source: The Township’s Audited Financial Statements.

FORECLOSED PROPERTY

Year	Balance January 1,	Transfer from Tax Liens	Adjustment to Assessed Valuation	Balance December 31,
2021	\$ 898,200	\$ 6,983	\$ 57,417	\$ 962,600
2020	898,200			898,200
2019	664,500	283,516	(49,816)	898,200
2018	664,500			664,500
2017	664,500			664,500

Source: The Township’s Audited Financial Statements.

MAJOR REAL PROPERTY TAXPAYERS

Taxpayer	2021 Assessed Taxpayer Valuation
HPT T/A Properties	\$3,200,000
Simpson Road Project Manager LLC	2,189,300
Gray, Gary & Carol	1,620,500
Taylor Family LTD Partnership #1	1,450,000
Makarevich, Eugene	1,259,100
Embarq NJ Property Tax Department	1,198,751
Zlocki Mark J Columbia Assoc.	1,124,500
Triple Brook RV & Camping Resort LLC	989,500
71 US 46 LLC	817,400
Park Place Gardens	794,700
Total Assessed Valuation	\$14,643,751
Percent of Township’s Total Real Property Assessed Valuation	5.67%

Source: The Township’s Tax Assessor.

**COMPARISON OF MUNICIPAL TAX LEVY
TO DEBT SERVICE REQUIREMENT**

Year	Municipal Purpose Tax Levy	Debt Service Requirement	Percent of Debt Service to Tax Levy
2021	\$ 1,091,498	\$ 111,593	10.22%
2020	1,091,573	64,757	5.93%
2019	1,092,846	21,878	2.00%
2018	1,042,731		0.00%
2017	1,028,930		0.00%

Source: The Township's Audited Financial Statements.

DEBT INFORMATION

The Township's debt incurring capacity is limited to by statute to 3.50% of its statutory equalized valuation. The levy of taxes to pay annual debt service requirements is not limited by any State statute or law.

The following schedules set forth information on the amounts of debt issued and outstanding, debt authorized but not issued debt, annual debt service requirements, and overlapping debt. After the date noted above, the debt information and statistics noted below may vary from the figures shown because of either a reduction or an increase in the amounts of debt for each of the political entities noted.

**STATUTORY DEBT INFORMATION
(As of December 31, 2021)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Purpose:			
General Purpose:			
Bonds and Notes Issued	\$ 929,500		
Less Deductions		\$ 22,454	
Net Debt for General Purpose	<u> </u>	<u> </u>	<u>\$ 907,046</u>
Total Gross Statutory Debt	<u>\$ 929,500</u>		
Total Statutory Deductions		<u>\$ 22,454</u>	
Total Net Statutory Debt			<u>\$ 907,046</u>

Source: The Township's Audited Financial Statements.

STATUTORY BORROWING POWER
(As of December 31, 2021)

Equalized Valuation (1)	\$ 334,175,882
Statutory Borrowing Power (2)	\$ 11,696,156
Statutory Net Debt	907,046
Statutory Remaining Borrowing Power	<u>\$ 10,789,110</u>

Ratio:

Statutory Net Debt to Equalized Valuation	2.71%
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(1) Average for the years 2021, 2020, and 2019, as calculated by the State.

(2) 3.50% of State Equalized Valuation.

Source: The Township's Audited Financial Statements

AUTHORIZED BUT NOT ISSUED DEBT
(As of December 31, 2021)

General Improvements	\$ 907,046
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Source: The Township's Audited Financial Statements

TEMPORARY DEBT ISSUED AND OUTSTANDING
(As of December 31, 2021)

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
General:			
General Purpose	.75-1.25%	12/13/2022	\$ 830,000
Total Temporary Debt Outstanding			<u>\$ 830,000</u>

Source: The Township's Audited Financial Statements.

DIRECT AND OVERLAPPING DEBT ISSUED AND OUTSTANDING
(As of December 31, 2021)

	<u>Direct Debt</u>		<u>Direct and Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Direct Debt:				
General Purpose	\$ 830,000	\$ 807,546	\$ 830,000	\$ 807,546
Overlapping Debt:				
Warren County (1)	-0-	-0-	65,772	32,886
Gross Direct Debt	<u>\$ 830,000</u>			
Net Direct Debt		<u>\$ 807,546</u>		
Gross Direct and Overlapping Debt			<u>\$ 895,772</u>	
Net Direct and Overlapping Debt				<u>\$ 840,432</u>

(1) The Township's Share (2.52%) is obtained from the County.

DEBT RATIOS

	<u>Direct Debt</u>		<u>Direct and Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Per Capita (1)	\$ 283	\$ 276	\$ 306	\$ 287
Equalized Valuation (2)	0.25%	0.24%	0.27%	0.25%

(1) 2020 Census Population figure (2,930)

(2) 2021 Equalized Valuation as prepared by the County of Warren is \$ 334,175,882.

Sources: The Township's Audited Financial Statements and the various political sub-divisions noted above.

APPENDIX B
FINANCIAL STATEMENTS OF THE TOWNSHIP

APPENDIX B
AUDITED FINANCIAL STATEMENTS –
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

TOWNSHIP OF KNOWLTON
FINANCIAL STATEMENTS
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Independent Auditors' Report

The Honorable Mayor and Members
of the Township Committee
Township of Knowlton
Knowlton, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements – *regulatory basis* - of the various funds and account group of the Township of Knowlton, in the County of Warren (the "Township") as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, as listed in the table of contents.

Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the Basis for Unmodified and Qualified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the general fixed assets account group of the Township as of December 31, 2021 and 2020 in accordance with the accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division").

Unmodified Opinions on the Various Funds 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 Township as of December 31, 2021 and 2020, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the years then ended in accordance with the accounting practices prescribed or permitted 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 and account group of the Township as of December 31, 2021 and 2020, or the changes in financial position or where applicable, cash flows thereof for the years then ended.

Basis for Unmodified Opinions on the Various Funds and Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting

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 Township, 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.

Matter Giving Rise to Qualified Opinion on General Fixed Assets Account Group on Regulatory Basis of Accounting

The Township's general fixed assets account group is stated at historical cost or estimated historical cost in the accompanying financial statements. We were unable to obtain sufficient evidence to support the cost of the fixed assets of the general fixed assets account group. As more fully described in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. Therefore, based upon the underlying accounting records, we have not audited the general fixed assets account group.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Township 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 *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.

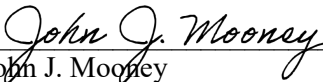
The Honorable Mayor and Members
of the Township Committee
Township of Knowlton
Page 3

- 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 Township’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 Township’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
July 14, 2022

Nisivoccia LLP
NISIVOCCIA LLP



John J. Mooney
Registered Municipal Accountant No. 560
Certified Public Accountant

TOWNSHIP OF KNOWLTON
CURRENT FUND
COMPARATIVE BALANCE SHEET

	December 31,		
	2021	2020	2019
<u>ASSETS</u>			
Regular Fund:			
Cash and Cash Equivalents:			
Cash - Treasurer	\$ 3,017,761.83	\$ 2,342,458.69	\$ 2,303,925.97
Due from State of New Jersey:			
Veterans and Senior Citizens Deductions	4,107.60	3,857.60	2,107.60
	3,021,869.43	2,346,316.29	2,306,033.57
Receivables and Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	357,545.77	496,055.59	436,093.66
Tax Title Liens Receivable	278,576.47	255,070.20	261,562.38
Property Acquired for Taxes	962,600.00	898,200.00	898,200.00
Revenue Accounts Receivable	1,818.55	2,280.17	3,382.10
Due from:			
Animal Control Fund	2,788.13	10,302.26	9,119.28
General Capital Fund		4,030.84	90,000.00
	1,603,328.92	1,665,939.06	1,698,357.42
Total Receivables and Other Assets With Full Reserves			
	4,625,198.35	4,012,255.35	4,004,390.99
Federal and State Grant Fund:			
Cash and Cash Equivalents	68,902.17	86,827.42	144,417.97
Federal and State Grants Receivable	248,071.09	19,100.59	380,175.47
Due from Current Fund	144,325.42		169,598.42
	461,298.68	105,928.01	694,191.86
Total Federal and State Grant Fund			
<u>TOTAL ASSETS</u>	\$ 5,086,497.03	\$ 4,118,183.36	\$ 4,698,582.85

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

TOWNSHIP OF KNOWLTON
CURRENT FUND
COMPARATIVE BALANCE SHEET
(Continued)

	December 31,		
	2021	2020	2019
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Regular Fund:			
Appropriation Reserves:			
Unencumbered	\$ 370,614.82	\$ 366,093.95	\$ 154,556.49
Encumbered		14,227.67	2,566.66
Total Appropriation Reserves	370,614.82	380,321.62	157,123.15
Prepaid Taxes	77,049.18	96,842.46	95,115.42
Tax Overpayments	4,294.03	8,929.61	2,062.23
County Taxes Payable	34,183.94	15,197.44	15,252.09
Local School District Taxes Payable	254,096.35	132,776.35	109,140.34
Regional High School Taxes Payable	555,172.44	484,915.46	384,212.44
Due Federal and State Grant Fund	144,325.42		169,598.42
Due Other Trust Fund	44,955.69	17,370.38	100,138.97
Due Sewer Utility Operating Fund	8,646.00		
Due Payroll Account		20,480.41	21,745.67
Due State of New Jersey - Marriage License Fees	150.00	400.00	100.00
Reserve for Sale of Municipal Assets	76,410.20	90,000.00	90,000.00
Reserve for Third Party Liens		10,367.53	10,367.53
Reserve for Garden State Preservation Trust Fund	12,483.00		
	1,582,381.07	1,257,601.26	1,154,856.26
Reserve for Receivables and Other Assets	1,603,328.92	1,665,939.06	1,698,357.42
Fund Balance	1,439,488.36	1,088,715.03	1,151,177.31
Total Regular Fund	4,625,198.35	4,012,255.35	4,004,390.99
Federal and State Grant Fund:			
Appropriated Reserves	280,527.60	83,756.60	453,480.91
Unappropriated Reserves	158,659.92	60.25	5,951.83
Due to Other Trust Fund	22,111.16	22,111.16	72,111.16
Due to Animal Control Fund			10,000.00
Due to General Capital Fund			152,647.96
Total Federal and State Grant Fund	461,298.68	105,928.01	694,191.86
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 5,086,497.03</u>	<u>\$ 4,118,183.36</u>	<u>\$ 4,698,582.85</u>

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

TOWNSHIP OF KNOWLTON
CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Year Ended December 31,		
	2021	2020	2019
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	\$ 356,166.00	\$ 370,000.00	\$ 370,000.00
Miscellaneous Revenue Anticipated	865,118.08	606,523.09	694,932.70
Receipts from:			
Delinquent Taxes	417,664.39	323,021.87	294,504.43
Current Taxes	9,279,999.76	8,946,188.63	8,648,511.84
Nonbudget Revenue	70,161.74	77,508.80	122,627.04
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	352,385.01	113,442.80	79,077.80
Interfunds Returned	14,333.10	99,119.28	
Reserve for Third Party Liens Cancelled	10,367.53		
Grant Reserves Cancelled		353,892.97	
Total Income	<u>11,366,195.61</u>	<u>10,889,697.44</u>	<u>10,209,653.81</u>
<u>Expenditures</u>			
Budget Appropriations:			
Municipal Purposes	2,176,724.73	1,970,835.84	1,917,598.35
County Taxes	2,220,327.91	2,243,052.36	2,196,544.64
County Open Space Taxes	64,355.94	82,644.88	
Amount Due County for Added and Omitted Taxes	22,745.32	15,197.44	15,252.09
Local School District Taxes	3,088,052.00	2,891,720.00	2,793,225.00
Regional School Tax	3,032,238.00	2,961,937.00	2,830,748.00
Municipal Open Space Tax	52,024.25	51,817.40	52,014.44
Interfunds Advanced	2,788.13	14,333.10	99,119.28
Interfund Receivable Cancelled			
Grant Receivables Cancelled		350,621.70	
Refund of Prior Year Revenue			3,537.04
Total Expenditures	<u>10,659,256.28</u>	<u>10,582,159.72</u>	<u>9,908,038.84</u>
Excess in Revenue	706,939.33	307,537.72	301,614.97
<u>Fund Balance</u>			
Balance January 1	<u>1,088,715.03</u>	<u>1,151,177.31</u>	<u>1,219,562.34</u>
	1,795,654.36	1,458,715.03	1,521,177.31
Decreased by:			
Utilized as Anticipated Revenue	<u>356,166.00</u>	<u>370,000.00</u>	<u>370,000.00</u>
Balance December 31	<u>\$ 1,439,488.36</u>	<u>\$ 1,088,715.03</u>	<u>\$ 1,151,177.31</u>

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

TOWNSHIP OF KNOWLTON
CURRENT FUND
COMPARATIVE STATEMENT OF REVENUE

	<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>Budget After Modification</u>	<u>Realized</u>	<u>Budget After Modification</u>	<u>Realized</u>	<u>Budget After Modification</u>	<u>Realized</u>
Fund Balance Anticipated	\$ 356,166.00	\$ 356,166.00	\$ 370,000.00	\$ 370,000.00	\$ 370,000.00	\$ 370,000.00
Total Miscellaneous Revenue	860,801.02	865,118.08	705,340.39	606,523.09	581,410.65	694,932.70
Receipts from Delinquent Taxes	320,000.00	417,664.39	320,000.00	323,021.87	335,000.00	294,504.43
Amount to be Raised by Taxes for Support of Municipal Budget:						
Local Tax for Municipal Purposes	1,090,165.00	1,250,256.34	1,091,573.32	1,158,223.10	1,092,846.07	1,218,684.21
Nonbudget Revenue		70,161.74		77,508.80		122,627.04
	<u>\$ 2,627,132.02</u>	<u>\$ 2,959,366.55</u>	<u>\$ 2,486,913.71</u>	<u>\$ 2,535,276.86</u>	<u>\$ 2,379,256.72</u>	<u>\$ 2,700,748.38</u>

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

TOWNSHIP OF KNOWLTON
CURRENT FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For the Years Ended December 31,

	2021			2020			2019		
	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Operations for Municipal Purposes:									
Salaries and Wages	\$ 541,819.98	\$ 462,551.21	\$ 79,268.77	\$ 686,222.79	\$ 563,448.75	\$ 122,774.04	\$ 639,350.00	\$ 622,356.27	\$ 16,993.73
Other Expenses	1,144,922.04	867,958.07	276,963.97	968,805.60	826,485.69	103,319.91	948,538.20	810,975.44	129,130.17
Capital Improvements	255,000.00	255,000.00		210,000.00	70,000.00	140,000.00	144,000.00	140,420.39	
Debt Service	112,000.00	111,592.71		64,800.00	64,756.89		22,000.00	21,877.78	
Expenditures	123,390.00	109,007.92	14,382.08	98,681.77	80,050.56		167,411.98	167,411.98	
Total Operations for for Municipal Purposes	2,177,132.02	1,806,109.91	370,614.82	2,028,510.16	1,604,741.89	366,093.95	1,921,300.18	1,763,041.86	146,123.90
Reserve for Uncollected Taxes	450,000.00	450,000.00		458,403.55	458,403.55		457,956.54	457,956.54	
	<u>\$ 2,627,132.02</u>	<u>\$ 2,256,109.91</u>	<u>\$ 370,614.82</u>	<u>\$ 2,486,913.71</u>	<u>\$ 2,063,145.44</u>	<u>\$ 366,093.95</u>	<u>\$ 2,379,256.72</u>	<u>\$ 2,220,998.40</u>	<u>\$ 146,123.90</u>
Adopted Budget	\$ 2,385,317.00			\$ 2,471,836.15			\$ 2,365,860.07		
Added by N.J.S.A. 40A:4-87	241,815.02			15,077.56			13,396.65		
	<u>\$ 2,627,132.02</u>			<u>\$ 2,486,913.71</u>			<u>\$ 2,379,256.72</u>		

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

TOWNSHIP OF KNOWLTON
TRUST FUNDS
COMPARATIVE BALANCE SHEET

	December 31,		
	2021	2020	2019
<u>ASSETS</u>			
Animal Control Fund:			
Cash and Cash Equivalents	\$ 17,000.19	\$ 22,715.92	\$ 10,171.88
Due Federal and State Grant Fund			10,000.00
	<u>17,000.19</u>	<u>22,715.92</u>	<u>20,171.88</u>
Other Trust Funds:			
Cash and Cash Equivalents	514,377.16	526,639.59	435,059.92
Due Current Fund	44,955.69	17,370.38	100,138.97
Due Federal and State Grant Fund	22,111.16	22,111.16	72,111.16
	<u>581,444.01</u>	<u>566,121.13</u>	<u>607,310.05</u>
<u>TOTAL ASSETS</u>	<u>\$ 598,444.20</u>	<u>\$ 588,837.05</u>	<u>\$ 627,481.93</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Fund:			
Due to State of New Jersey	\$ 9.60	\$ 9.60	\$ 9.60
Due to Current Fund	2,788.13	10,302.26	9,119.28
Reserve for Animal Control Fund Expenditures	14,202.46	12,404.06	11,043.00
	<u>17,000.19</u>	<u>22,715.92</u>	<u>20,171.88</u>
Other Trust Funds:			
Due to General Captial Fund			118,533.00
Reserve for:			
Parking Offenses Adjudication Act	76.00	66.00	64.00
Driveway Bond Deposit	21,971.08	21,960.95	21,941.17
Courtland Estates Escrow	9,498.00	9,494.20	9,490.23
Developers Escrow Trust	151,411.59	88,308.69	81,908.25
Developers Fee Trust	11,935.00	11,935.00	11,935.00
Open Space Trust Fund	27,334.39	46,178.33	8,800.56
Council on Affordable Housing	205,254.50	200,069.56	196,846.91
Public Defender	2,853.38	4,443.32	6,302.02
Tax Lien and Premium Deposits	124,927.95	180,742.80	149,072.52
Driving Under the Influence Trust Fund	1,177.02	1,122.28	1,116.39
Recreation Trust Fund	2,200.00	1,300.00	1,300.00
Cell Tower		500.00	
Driveway Bonds	22,805.10		
	<u>581,444.01</u>	<u>566,121.13</u>	<u>607,310.05</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 598,444.20</u>	<u>\$ 588,837.05</u>	<u>\$ 627,481.93</u>

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

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET

	December 31,		
	2021	2020	2019
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 288,813.40	\$ 356,406.64	\$ 12,426.69
NJ Department of Transportation Grant Receivable	289,773.04	68,698.04	212,069.29
Due Federal and State Grant Fund			152,647.96
Due Other Trust Fund			118,533.00
Deferred Charges to Future Taxation:			
Unfunded	929,500.00	1,039,950.00	1,065,500.56
<u>TOTAL ASSETS</u>	<u>\$ 1,508,086.44</u>	<u>\$ 1,465,054.68</u>	<u>\$ 1,561,177.50</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Bond Anticipation Notes Payable	\$ 830,000.00	\$ 930,000.00	\$ 980,000.00
Improvement Authorizations:			
Funded	488,830.23	92,052.51	118,233.34
Unfunded		137,672.27	158,598.85
Due Current Fund		4,030.84	90,000.00
Due to Payroll Account		60,000.00	60,000.00
Capital Improvement Fund	88,754.83	58,254.83	3,754.83
Reserve for:			
Payment of Debt Service	22,454.35	22,454.35	0.60
Road Improvements	37,300.00	127,300.00	127,300.00
Recreation Facilities	1,400.00	1,400.00	1,400.00
Fire Equipment	10,580.00	10,580.00	580.00
Capital Fund Balance	28,767.03	21,309.88	21,309.88
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 1,508,086.44</u>	<u>\$ 1,465,054.68</u>	<u>\$ 1,561,177.50</u>

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

TOWNSHIP OF KNOWLTON
GENERAL CAPITAL FUND
STATEMENT OF FUND BALANCE

	December 31,		
	2021	2020	2019
Balance December 31,	\$ 21,309.88	\$ 21,309.88	\$ 21,309.88
Increased by:			
Improvement Authorizations Canceled	7,457.15	21,309.88	21,309.88
	28,767.03		
Balance December 31,	\$ 28,767.03	\$ 21,309.88	\$ 21,309.88

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

TOWNSHIP OF KNOWLTON
SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET

	December 31,		
	2021	2020	2019
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents:	\$ 526,516.62	\$ 488,782.72	\$ 461,942.80
Due to Current Fund	8,646.00		
Total Operating Fund	<u>535,162.62</u>	<u>488,782.72</u>	<u>461,942.80</u>
<u>TOTAL ASSETS</u>	<u>\$ 535,162.62</u>	<u>\$ 488,782.72</u>	<u>\$ 461,942.80</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves:			
Encumbered	\$ 110,565.31	\$ 67,043.10	\$ 132,219.87
Reserve for Repairs & Deficiencies	155,929.49	155,929.49	155,929.49
Fund Balance	268,667.82	265,810.13	173,793.44
Total Operating Fund	<u>535,162.62</u>	<u>488,782.72</u>	<u>461,942.80</u>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 535,162.62</u>	<u>\$ 488,782.72</u>	<u>\$ 461,942.80</u>

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

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE

	Year Ended December 31,		
	2021	2020	2019
<u>Revenue and Other Income Realized</u>			
Surplus Anticipated	\$ 75,000.00	\$ 58,000.00	\$ 58,000.00
Sewer Rents	299,448.00	295,428.00	306,943.00
Non-Budget Revenues	1,366.59	2,368.82	3,426.72
Other Credits to Income:			
Unexpected Balance of Appropriation Reserves	67,043.10	132,219.87	49,528.57
Total Income	<u>442,857.69</u>	<u>488,016.69</u>	<u>417,898.29</u>
<u>Expenditures</u>			
Budget Expenditures:			
Operating	365,000.00	338,000.00	338,000.00
Total Expenditures	<u>365,000.00</u>	<u>338,000.00</u>	<u>338,000.00</u>
Excess in Revenue	77,857.69	150,016.69	79,898.29
<u>Fund Balance</u>			
Balance January 1	265,810.13	173,793.44	151,895.15
	<u>343,667.82</u>	<u>323,810.13</u>	<u>231,793.44</u>
Decreased by:			
Utilization as Anticipated Revenue	75,000.00	58,000.00	58,000.00
Balance December 31	<u>\$ 268,667.82</u>	<u>\$ 265,810.13</u>	<u>\$ 173,793.44</u>

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

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF REVENUE

	For the Years Ended December 31,					
	2021		2020		2019	
	Anticipated	Realized	Anticipated	Realized	Anticipated	Realized
Fund Balance Anticipated	\$ 75,000.00	\$ 75,000.00	\$ 58,000.00	\$ 58,000.00	\$ 58,000.00	\$ 58,000.00
Sewer Rents	290,000.00	299,448.00	280,000.00	295,428.00	280,000.00	306,943.00
Budget Totals	365,000.00	374,448.00	338,000.00	353,428.00	338,000.00	364,943.00
Nonbudget Revenue		1,366.59		2,368.82		3,426.72
	\$ 365,000.00	\$ 375,814.59	\$ 338,000.00	\$ 355,796.82	\$ 338,000.00	\$ 368,369.72

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

TOWNSHIP OF KNOWLTON
SEWER UTILITY OPERATING FUND
COMPARATIVE STATEMENT OF EXPENDITURES

For The Years Ended December 31,									
2021			2020			2019			
Operating:	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved	Budget After Modification	Paid or Charged	Reserved
Salaries and Wages	\$ 5,000.00		\$ 5,000.00	\$ 8,000.00		\$ 8,000.00	\$ 8,000.00		\$ 8,000.00
Other Expenses	360,000.00	\$ 254,434.69	105,565.31	330,000.00	\$ 270,956.90	59,043.10	330,000.00	\$ 205,780.13	124,219.87
	<u>\$ 365,000.00</u>	<u>\$ 254,434.69</u>	<u>\$ 110,565.31</u>	<u>\$ 338,000.00</u>	<u>\$ 270,956.90</u>	<u>\$ 67,043.10</u>	<u>\$ 338,000.00</u>	<u>\$ 205,780.13</u>	<u>\$ 132,219.87</u>

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

TOWNSHIP OF KNOWLTON
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET

	December 31,		
	2021	2020	2019
<u>ASSETS</u>			
Land	\$ 2,971,338.00	\$ 2,971,338.00	\$ 2,971,338.00
Buildings	1,451,805.80	1,451,805.80	1,423,893.30
Machinery and Equipment	3,271,134.85	3,271,134.85	3,271,134.85
<u>TOTAL ASSETS</u>	<u>\$ 7,694,278.65</u>	<u>\$ 7,694,278.65</u>	<u>\$ 7,666,366.15</u>
<u>RESERVE</u>			
Reserve for General Fixed Assets	\$ 7,694,278.65	\$ 7,694,278.65	\$ 7,666,366.15
<u>TOTAL RESERVE</u>	<u>\$ 7,694,278.65</u>	<u>\$ 7,694,278.65</u>	<u>\$ 7,666,366.15</u>

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

TOWNSHIP OF KNOWLTON
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 Township of Knowlton include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Knowlton, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Township of Knowlton 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 Township of Knowlton 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 Township of Knowlton 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 Fund - Receipt, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

TOWNSHIP OF KNOWLTON
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 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 Fund - Account for the operations of the municipally owned sewer utility.

General Fixed Assets Account Group (Unaudited) - These accounts were established with estimated values of land, buildings and certain fixed assets of the Township as discussed in Note 1E.

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 more significant accounting policies in New Jersey follow.

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.

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.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

C. Basis of Accounting (Cont'd)

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 Township'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 budgeted and inventories would not be reflected as expenditures at the time of purchase, investments would generally be stated at fair value and the Township's net OPEB liability and net pension liability and related deferred inflows and outflows, would be recorded.

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

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 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 or by issuing loans or entering into capital lease agreements or by raising it in the budget.

E. Other significant accounting policies include:

Management Estimates – The preparation of financial statements required 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.

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

TOWNSHIP OF KNOWLTON
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):

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 are 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.

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

General Fixed Assets (Unaudited) - General fixed assets are recorded at cost except for land and buildings, which are recorded at estimated historical cost. Infrastructure assets are not included in fixed assets; maintenance and minor parts 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 on general fixed assets. The total value recorded for general fixed assets is offset by a reserve called “Investments in 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, Sewer Utility Operating Fund and General Capital Fund. The values recorded in the General Fixed Assets Account Group and the Current, Sewer Utility Operating and General Capital Funds may not always agree due to differences in valuation methods, timing or recognition of assets and the recognition of infrastructures. Fixed assets are reviewed for impairment.

F. Budget/Budgetary Control

Annual appropriated budgets are usually prepared in the first quarter for current operating, utility, and open space trust funds. The budgets are submitted to the governing body and the State 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 NJSA 40A. All budget amendments/transfers must be approved by the Township during the year.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 2 - Long-Term Debt

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

Summary of Municipal Debt

	December 31,		
	2021	2020	2019
Issued			
General:			
Bonds, Notes and Loans	\$ 830,000.00	\$ 930,000.00	\$ 980,000.00
Net Debt Issued	830,000.00	930,000.00	980,000.00
Authorized but not Issued:			
General Capital:			
Bonds and Notes	99,500.00	109,950.00	85,500.56
Total Authorized but not Issued	99,500.00	109,950.00	85,500.56
Less:			
General:			
Reserve to Pay Debt Service	22,454.35	22,454.35	0.60
Net Bonds, Notes and Loans Issued and Authorized but not Issued	\$ 907,045.65	\$ 1,017,495.65	\$ 1,065,499.96

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 Revised Annual Debt Statement and indicates a statutory net debt of 0.271%.

	Gross Debt	Deductions	Net Debt
General Debt	\$ 929,500.00	\$ 22,454.35	\$ 907,045.65
	\$ 929,500.00	\$ 22,454.35	\$ 907,045.65

Net Debt: \$907,045.65 divided by Average Equalized Valuations of \$334,175,881.67 of Real Property = 0.271%.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

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

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

3-1/2% Average Equalized Valuation of Real Property	\$ 11,696,155.86
Net Debt	<u>907,045.65</u>
Remaining Borrowing Power	<u><u>\$ 10,789,110.21</u></u>

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

Summary of Municipal Debt Issued and Outstanding - Current Year

Fund	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021
Bond Anticipation Notes:				
General Capital Fund	\$ 930,000.00	\$ 830,000.00	\$ 930,000.00	\$ 830,000.00
	<u>\$ 930,000.00</u>	<u>\$ 830,000.00</u>	<u>\$ 930,000.00</u>	<u>\$ 830,000.00</u>

Summary of Municipal Debt Issued and Outstanding - Prior Year

Fund	Balance 12/31/2019	Additions	Retirements	Balance 12/31/2020
Bond Anticipation Notes:				
General Capital Fund	\$ 980,000.00	\$ 930,000.00	\$ 980,000.00	\$ 930,000.00
	<u>\$ 980,000.00</u>	<u>\$ 930,000.00</u>	<u>\$ 980,000.00</u>	<u>\$ 930,000.00</u>

At December 31, 2021, the Township had debt issued and outstanding described as follows:

Schedule of General Capital - Bond Anticipation Notes

Purpose	Final Maturity	Rate	Amount
Various Capital Improvements	12/13/2022	0.75%	\$ 830,000.00
Total Debt Issued and Outstanding			<u>\$ 830,000.00</u>

Note 3 - Fund Balances Appropriated

The amount of fund balance at December 31, 2021 which was included in the budgets for the year ending December 31, 2022 is \$429,000 for the Current Fund and \$140,000 for the Sewer Utility Operating Fund.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plan

Township employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS).

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

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - 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 are adjusted by the rate of return on the actuarial value of assets.

Township contributions to PERS amounted to \$71,390 for 2021.

The employee contribution rate was 7.5% effective July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2020, the Township's liability was \$1,019,288 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 Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2020, the Township's proportion was 0.0064%, which was an increase of 0.0001% from its proportion measured as of June 30, 2019. The Township has rolled forward the net pension liability as of June 30, 2020 with no adjustments. The State of New Jersey Public Employee's Retirement System's (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 to include the June 30, 2020 information in the Note to the Financial Statements as of June 30, 2021 information has not been released as of the date of this audit.

For the year ended December 31, 2020, the Township recognized actual pension expense in the amount of \$71,390.00.

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:

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - 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 table on the following page:

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - 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.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 4 - Pension Plans (Cont'd)

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

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

The following table presents the Township'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 Township'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:

	June 30, 2020		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Township's proportionate share of the Net Pension Liability	\$ 1,280,272	\$ 1,019,288	\$ 793,663

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

Note 5 - Accrued Sick and Vacation Time

The Township of Knowlton permits employees to accrue a limited amount of unused sick and vacation pay, which may be taken as time off or paid at a later date at an agreed-upon rate. The Township maintains records for their employees who are allowed to accrue unused sick, and vacation time. The maximum liability for the six eligible employees would be \$29,258. This amount, as directed by accounting requirements of the Division of Local Government Services, is not reported as an expenditure or liability. Such compensation would be included in the Township's budget operating expenditures in the year it is paid.

Note 6 - 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 current year may be placed in lien at a tax sale held after December 10.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 6 - Selected Tax Information (Cont'd)

	2021	2020	2019
Tax Rate	\$ 3.682	\$ 3.599	\$ 3.471
<u>Apportionment of Tax Rate</u>			
Municipal	\$ 0.420	\$ 0.421	\$ 0.423
County	0.882	0.899	0.852
Local School	1.191	1.116	1.095
Regional School	1.170	1.143	1.081
Local Open Space	0.019	0.020	0.020
<u>Assessed Valuations</u>			
2021	\$ 259,324,711.00		
2020		\$ 259,086,982.00	
2019			\$ 258,288,591.00

Comparison of Tax Levies and Collections Currently

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	\$ 9,571,241.48	\$ 9,279,999.76	96.95%
2020	9,337,942.40	8,946,188.63	95.80%
2019	9,027,138.94	8,648,511.84	95.80%

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 7 - Cash and Cash Equivalents

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

Investments are stated at cost. The Township 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.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

GASB requires disclosure of the level of custodial credit risk assumed by the Township 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.

Interest Rate Risk – In accordance with its cash management plan, the Township ensures that any deposit or investment 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 Township 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 Township's policy with respect to custodial credit risk requires that the Township ensures that Township funds are only deposited in financial institutions in which New Jersey 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 (FDIC), or by any other agency of the United States that insures deposits made in public depositories. Municipalities also are 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 collected public funds on deposit, and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value 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 Township 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;

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

- (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;
- (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 (C17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

(Continued)

Note 7 - Cash and Cash Equivalents (Cont'd)

Investments (Cont'd)

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

<u>Fund</u>	<u>Checking Accounts</u>	<u>NJ Cash Management Fund</u>	<u>Totals</u>
Current	\$ 2,988,642.28	\$ 29,119.55	\$ 3,017,761.83
Federal and State Grant	68,902.17		68,902.17
Animal Control	17,000.19		17,000.19
Other Trust	514,377.16		514,377.16
General Capital	288,813.40		288,813.40
Sewer Utility Operating	526,516.62		526,516.62
	<u>\$ 4,404,251.82</u>	<u>\$ 29,119.55</u>	<u>\$ 4,433,371.37</u>

The carrying amount of the Township's cash and cash equivalents at December 31, 2021, was \$4,433,371.37 and the bank balance was \$4,762,747.18. The \$29,119.55 in the NJ Cash Management Fund is uninsured and unregistered.

The Township held no investments during the year.

Note 8 - Risk Management

The Township 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 Benefits are provided to employees through the State of New Jersey health benefits plan.

Property and Liability Insurance

The Township of Knowlton is currently a member of the Statewide Insurance Fund (the "Fund"). The Fund provides their members with Liability, Property and Workers' Compensation Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self-administered group of governmental entities established for the purpose of providing low-cost insurance coverage for respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of the Fund, the Township 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.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 8 - Risk Management (Cont'd)

Property and Liability Insurance (Cont'd)

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 the individual assessment relates to the total assessment of the membership body.

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

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

Financial statements for the Fund are available at the offices of the Fund's Executive Director:

Statewide Insurance Fund
Public Entity Group Administrative Services
One Sylvan Way
Parsippany, NJ 07054
(862) 260-2050

Note 9 - Open Space Trust Fund

The Township created an Open Space Trust Fund with a tax levy of \$.02 per \$100 of assessed valuation. The funds collected are used to acquire and maintain open space property in the Township. As of December 31, 2021, the balance in the Open Space Trust Fund was \$27,334.39.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 10 - Interfund Receivables and Payables

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

Fund	Interfund Receivable	Interfund Payable
Current	\$ 2,788.13	\$ 197,927.11
Federal and State Grant	144,325.42	22,111.16
Animal Control		2,788.13
Other Trust	67,066.85	
Sewer Utility Operating	8,646.00	
	\$ 222,826.40	\$ 222,826.40

The interfund receivable in the Current Fund is for statutory excess due from Animal Control Fund. Interfund activity between the Current Fund and the Federal and State Grant Fund consists mostly of receipts and expenditures flowing through the Current Fund during the year. The interfund receivable in the Other Trust Fund is from bonds and escrow received in Current Fund which were not turned over by year end and from a cash advance made to the Federal and State Grant Fund. The interfund receivable in the Sewer Utility Operating Fund is from wastewater rents collected in Current Fund which were not turned over by year end.

Note 11 - Contingent Liabilities

The Township is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and various contract disputes.

The Township vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on their financial position.

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 Township 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 Township officials expect such amounts, if any, to be immaterial.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 12 - 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. Local District Tax has been raised and liabilities deferred by statutes (under provisions of C.63, P.L. 1991, as amended), resulting in the school taxes payable set forth in the current fund liabilities as follows:

	Local School Tax	
	Balance 12/31/2020	Balance 12/31/2021
Balance of Tax	\$ 1,430,497.35	\$ 1,551,817.35
Deferred	1,297,721.00	1,297,721.00
Taxes Payable	\$ 132,776.35	\$ 254,096.35

Note 13 - Regional 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. Regional District Tax has been raised and liabilities deferred by statutes (under provisions of C.63, P.L. 1991, as amended), resulting in the school taxes payable set forth in the current fund liabilities as follows:

	Regional School Tax	
	Balance 12/31/2020	Balance 12/31/2021
Balance of Tax	\$ 1,516,056.60	\$ 1,586,313.58
Deferred	1,031,141.14	1,031,141.14
Taxes Payable	\$ 484,915.46	\$ 555,172.44

Note 14 - Economic Dependency

The Township of Knowlton receives a substantial amount of 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 Township's programs and activities.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 15 - Postemployment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

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.

Benefits Provided

The Plan provides medical and prescription drug coverage to retirees and their dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a 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.

The Township no longer offers post-employment benefits to employees. The two retired employees receiving post-employment benefits were awarded on an individual basis.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 15 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

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.

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 (benefit)/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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Township has rolled forward the net OPEB liability as of June 30, 2020 with no adjustments. The Division of Local Government Services, Department of Community Affairs, State of New Jersey 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 as of the date of this audit.

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2020.

At June 30, 2020, the Township had a liability of \$344,396 for its proportionate share of the net OPEB liability. At June 30, 2020, the Township's proportion was .001919% which was a decrease of .000131% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020 the Township's OPEB benefit as determined by the State of New Jersey Division of Pensions and Benefits was \$359,008.

The Township's actual post retirement payments in 2021 for 2 retiree employees were \$17,382.24.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 15 - Postemployment 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%

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

Mortality:

PERS Pub-2010 General 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 PERS experience study prepared for July 1, 2014 – June 30, 2018.

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.

TOWNSHIP OF KNOWLTON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(Continued)

Note 15 - Postemployment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Discount Rate

The discount rate for June 30, 2020 was 2.21%. The discount rate for June 30, 2019 was 3.50%. 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.

Sensitivity of the Net OPEB Liability Attributable to the Township to Changes in the Discount Rate

The following presents the net OPEB Liability of the Township as of June 30, 2020, calculated using the discount rate as disclosed in this note, as well as what the net OPEB Liability of the Township 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		
	At 1% Decrease (1.21%)	At Discount Rate (2.21%)	At 1% Increase (3.21%)
Net OPEB Liability Attributable to the Township	\$ 407,148	\$ 344,396	\$ 294,721

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

The following presents the net OPEB Liability of the Township as of June 30, 2020, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Township would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2020		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability Attributable to the Township	\$ 284,988	\$ 344,396	\$ 422,191

TOWNSHIP OF KNOWLTON
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2021

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “Schedules”) include the federal and state grant activity of the Township of Knowlton under programs of the federal and state governments for the year ended December 31, 2021. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Township, they are not intended to and do not present the financial position, changes in fund balance or cash flows of the Township.

B. BASIS OF ACCOUNTING

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Township has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE is made as of September 1, 2022 by the Township of Knowlton, New Jersey, a political subdivision duly organized under the laws of the State of New Jersey (the “Issuer”).

WITNESSETH:

WHEREAS, the Issuer is issuing its Sewer Utility Bonds, Series 2022, dated their date of delivery in the aggregate principal amount of \$ _____ (the “Bonds”) on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to a bond ordinance and a resolution adopted by the Issuer and a certificate signed by the Issuer on August 18, 2022; and

WHEREAS, the Securities and Exchange Commission (the “SEC”) pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified on the date hereof at 15 U.S.C. 77 et seq.) (the “Securities Exchange Act”) has adopted amendments to its Rule 15c2-12 (codified at 17 C.F.R. § 240.15c2-12) effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and event notices to the Municipal Securities Rulemaking Board, as the same may be amended or officially interpreted from time to time (“Rule 15c2-12”); and

WHEREAS, the Issuer represented in its Notice of Sale dated August 11, 2022 (the “Notice of Sale”) that it would deliver on the closing date for the Bonds a “Continuing Disclosure Certificate” pursuant to which the Issuer will agree to provide at the times and to the persons described in Rule 15c2-12 the annual financial information and event notices required to be disclosed on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on August 18, 2022, the Issuer accepted the bid of _____, on behalf of itself and each of the original underwriters for the Bonds (each, a “Participating Underwriter”) for the purchase of the Bonds; and

WHEREAS, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

WHEREAS, the Issuer is executing this Certificate for the benefit of the Holders of the Bonds.

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Issuer, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Terms Defined in Recitals. The following terms shall have the meanings set forth in the recitals hereto:

Bonds	Participating Underwriter
Certificate	Rule 15c2-12
Issuer	SEC
Notice of Sale	Securities Exchange Act

Section 1.2 Additional Definitions. The following additional terms shall have the meanings specified below:

“Annual Report” means Financial and Operating Data.

“Bondholder” or “holder” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York, New York or in Newark, New Jersey are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

“Disclosure Event” means any event described in subsection 2.1(b) of this Certificate.

“Disclosure Event Notice” means the notice to the MSRB as provided in subsection 2.4(a).

“Disclosure Representative” means the Chief Financial Officer of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

“Dissemination Agent” means an entity acting in such capacity under this Certificate or any other successor entity designated in writing by the Issuer and which has filed a written acceptance of such designation.

“Final Official Statement” means the final Official Statement of the Issuer dated August 18, 2022 pertaining to the Bonds.

“Financial and Operating Data” means certain financial information and operating data of the Issuer of the type customarily prepared by the Issuer and is publicly available, which consists solely of the Issuer’s audited financial statements.

“Fiscal Year” means the fiscal year of the Issuer. As of the date of this Certificate, the Fiscal Year of the Issuer begins on January 1 and closes on December 31 of each calendar year.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“State” means the State of New Jersey.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Certificate. The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

As the context shall require, the disjunctive term “or” shall be interpreted conjunctively as required to insure that the Issuer performs any obligations, mentioned in the passage in which such term appears.

The headings of this Certificate are for convenience only and shall not defined or limit the provisions hereof.

ARTICLE II
CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1 Continuing Disclosure Covenants of the Issuer. The Issuer agrees that it will provide, or shall cause the Dissemination Agent to provide:

- (a) At least annually, the Annual Report, to the MSRB;
- (b) In a timely manner not in excess of ten business days following the occurrence of any of the Disclosure Events (hereinafter defined), to the MSRB, notice of any of the following events with respect to the Bonds (each, a “Disclosure Event”);
 - (i) principal and interest delinquencies;
 - (ii) non-payment related defaults, if material;
 - (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (v) substitution of credit or liquidity providers, or their failure to perform;
 - (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (vii) modifications to rights of Bondholders; if material;
 - (viii) Bond calls, if material, and tender offers;
 - (ix) defeasances;
 - (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (xi) rating changes;
 - (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;
 - (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (xv) incurrence of a financial obligation (as defined in Rule 15c2-12) of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

Section 2.2 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

(a) If the Issuer or the Dissemination Agent (if one has been appointed or engaged by the Issuer) has determined it necessary to report the occurrence of a Disclosure Event, the Issuer or Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a notice of such occurrence with the MSRB (the “Disclosure Event Notice”) in the form provided by the Issuer.

Section 2.3 Appointment, Removal and Resignation of the Dissemination Agent.

(a) The Issuer 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. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s negligence or willful misconduct. The obligations of the Issuer under this subsection shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer. Such resignation shall take effect on the date specified in such notice.

**ARTICLE III
DISCLOSURE DEFAULT AND REMEDIES**

Section 3.1 Disclosure Default. The occurrence and continuation of a failure or refusal by the Issuer to observe, perform or comply with any covenant, condition or agreement on its part to

be observed or performed in this Certificate and such failure or refusal shall remain uncured for a period of thirty (30) days shall constitute a Disclosure Default hereunder.

Section 3.2 Remedies on Default.

(a) Any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Issuer and of the officers, agents and employees of the Issuer which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Issuer under this Certificate and may compel the Issuer or any such officers, agents, or employees, except of the Dissemination Agent, to perform and carry out their duties under this Certificate; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the Issuer and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer and any Bondholder shall continue as though no such proceeding had been taken.

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.2(a) of this Certificate.

ARTICLE IV MISCELLANEOUS

Section 4.1 Purposes of the Continuing Disclosure Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriters in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices or requests for the Annual Report or Disclosure Event Notice shall be in writing and shall be sent by registered or certified mail to the Issuer, Municipal Building, 628 Route 94, Columbia, New Jersey 07832, Attention: Christine Rolef, Chief Financial Officer.

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications.

(a) Without the consent of any Bondholders, the Issuer at any time and from time to time may enter into any amendments or modifications to this Certificate for any of the following purposes:

(i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Issuer by this Certificate;

(ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

(iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification.

provided, that prior to approving any such amendment or modification, the Issuer determines that such amendment or modifications does not adversely affect the interests of the Holders of the Bonds in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the dissemination Agent to deliver, to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5.

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the participating Underwriters to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by any Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendment shall be permitted or necessary to assure continued compliance by the Participating

Underwriter with Rule 15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

Section 4.7 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State.

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10) with respect to the Bonds in either event, only after the Issuer delivers, or causes the Dissemination Agent to deliver, to the MSRB written notice to such effect. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are outstanding.

Section 4.9 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

IN WITNESS WHEREOF, THE TOWNSHIP OF KNOWLTON, NEW JERSEY has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

[SEAL]

TOWNSHIP OF KNOWLTON, NEW JERSEY

By: _____
Christine Rolef, Chief Financial Officer

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

September __, 2022

Mayor and Township Committee
Township of Knowlton
Municipal Building
628 Route 94
Columbia, New Jersey 07832

Dear Mayor and Committee Members:

We have examined certified copies of the proceedings of the Committee of the Township of Knowlton, in the County of Warren, State of New Jersey (the “Township”), including ordinances, affidavits and certificates delivered by officials of the Township, and other proofs submitted to us relative to the issuance and sale by the Township of its \$ _____ Sewer Utility Bonds, Series 2022 (the “Bonds”), dated their date of delivery.

The Bonds are issued pursuant to the Local Bond Law, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the “Local Bond Law”), a resolution of the Township adopted on August 8, 2022, and a certain bond ordinance of the Township, in all respects duly adopted by the Committee of the Township.

Each of the Bonds is dated the date of delivery, bears interest at the interest rate set forth on the face of the Bonds and matures on September 1 in the years and principal amounts as set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2023		2033	
2024		2034	
2025		2035	
2026		2036	
2027		2037	
2028		2038	
2029		2039	
2030		2040	
2031		2041	
2032		2042	

The Bonds are subject to redemption prior to their stated maturities.

We have examined the Local Bond Law and such other laws and originals (or copies certified or otherwise identified to our satisfaction) of such instruments, certificates and documents as we deem necessary to render the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authentication of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies.

Based upon the foregoing and subject to the qualifications set forth herein, we are of the opinion that:

1. The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Local Bond Law, and other applicable provisions of law, and that the Bonds have been duly authorized, executed and delivered and are a valid and legally binding obligation of the Township.

2. The Township has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Township for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

3. Under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding any other Federal income tax consequences arising with respect to the Bonds.

4. Under existing law, interest on the Bonds and net gains from the sale of the Bonds are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

With respect to our federal income tax opinion, we note that the Code imposes certain requirements that must be met on the date of issuance and on a continuing basis subsequent to the issuance of the Bonds in order for interest on the Bonds to be excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. The Township has made certain representations and covenants in its tax certificate, which is executed on the date of issuance of the Bonds, as to various tax requirements. In addition, the Township has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action to be taken which would cause the interest on the Bonds to lose the exclusion from gross income for Federal income tax purposes under Section 103 of the Code or cause interest on the Bonds to be treated as an item of tax preference under Section 57 of the Code. With your permission, we have relied upon the representations made in the tax certificate and have assumed continuing compliance by the Township with the above covenants in rendering our federal tax opinion with respect to the exclusion of interest on the Bonds from gross income for Federal income tax purposes and with respect to interest on the Bonds not constituting an item of tax preference.

Attention is called to the fact that for purposes of this letter we have not been requested to examine and have not examined any documents or information relating to the Township other than the certified copies of the proceedings and proofs referred to hereinabove, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of said Bonds.

Our opinion concerning the enforceability of the Bonds is subject to federal and state laws regarding bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies generally (including, without limitation, laws relating to fraudulent conveyance, and by general principles of law and equity (regardless of whether enforcement is considered or sought in proceedings at law or in equity) and by limitation on remedial rights under applicable law). Their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Township with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

GIBBONS P.C.