

# PRELIMINARY OFFICIAL STATEMENT DATED JULY 8, 2020

NEW ISSUE (BOOK-ENTRY ONLY)

RATINGS: S&P: "AA" (BONDS)  
S&P: "SP-1+" (NOTES)  
(See "RATINGS" herein)

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

**\$5,215,000**  
**CITY OF RAHWAY**  
**IN THE COUNTY OF UNION**  
**STATE OF NEW JERSEY**

**GENERAL IMPROVEMENT BONDS, SERIES 2020**

**CALLABLE**

**Dated: Date of Delivery**  
**Due: July 15, as shown on the inside front cover**

**\$11,023,000**  
**CITY OF RAHWAY**  
**IN THE COUNTY OF UNION**  
**STATE OF NEW JERSEY**

**GENERAL OBLIGATION NOTES, SERIES 2020**

**CONSISTING OF**

**\$7,775,000 GENERAL IMPROVEMENT**

**BOND ANTICIPATION NOTES, SERIES 2020**

**\$1,000,000 WATER UTILITY BOND ANTICIPATION NOTES, SERIES 2020**

**\$1,498,000 SEWER UTILITY BOND ANTICIPATION NOTES, SERIES 2020**

**AND**

**\$750,000 PARKING UTILITY BOND ANTICIPATION NOTES, SERIES 2020**

**NON-CALLABLE**

**Dated: Date of Delivery**

**Due: July 28, 2021**

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

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

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

The (i) \$5,215,000 aggregate principal amount of General Improvement Bonds, Series 2020, dated the date hereof (the "Bonds"), and (ii) \$11,023,000 aggregate principal amount of General Obligation Notes, Series 2020, dated the date hereof, consisting of \$7,775,000 aggregate principal amount of General Improvement Bond Anticipation Notes, Series 2020 (the "General Improvement Notes"), \$1,000,000 aggregate principal amount of Water Utility Bond Anticipation Notes, Series 2020 (the "Water Utility Notes"), \$1,498,000 aggregate principal amount of Sewer Utility Bond Anticipation Notes, Series 2020 (the "Sewer Utility Notes"), and \$750,000 aggregate principal amount of Parking Utility Bond Anticipation Notes, Series 2020 (the "Parking Utility Notes") and together with the General Improvement Notes, the Water Utility Notes, and the Sewer Utility Notes, the "Notes"), are general obligations of the City of Rahway, in the County of Union, State of New Jersey (the "City") for which the full faith and credit of the City are pledged and, unless paid from other sources, the City is authorized and required by law to levy *ad valorem* taxes upon all the taxable property within the City without limitation as to rate or amount for the payment of the principal of the Bonds and Notes and the interest thereon.

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

The Bonds shall bear interest from the date of delivery thereof, and be payable semi-annually on the fifteenth day of January and July of each year, commencing January 15, 2021, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the City or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the City to the registered owner thereof as of the Record Dates (as defined herein).

The Notes will bear interest at the rate set forth above from the date of delivery thereof. Interest on the Notes will be payable at maturity as set forth above. Principal of and interest on the Notes will be payable by the City or a duly designated paying agent on the date of maturity upon presentation and surrender thereof at the offices of the City or a duly designated paying agent.

The Bonds and Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the City Council of the City on the dates set forth herein, and by a resolution duly adopted by the City Council of the City on June 15, 2020.

The proceeds of the Bonds will be used to refund, on a current basis, a \$5,215,000 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$10,254,000 on July 31, 2019 and maturing on July 30, 2020. The General Improvement Notes are being issued to (i) refund, on a current basis, an \$4,626,500 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$10,254,000 on July 31, 2019 and maturing on July 30, 2020 (the remaining balance of prior bond anticipation notes in the amount of \$4,122,500 is being paid by a 2020 budget appropriation and/or excess note proceeds), (ii) temporarily finance the cost of various capital improvements in and for the City in the amount of \$3,148,500, and (iii) pay the costs associated with the issuance of the General Improvement Notes. The Water Utility Notes are being issued to (i) temporarily finance the cost of various water utility improvements in and for the City in the amount of \$1,000,000, and (ii) pay the costs associated with the issuance of the Water Utility Notes. The Sewer Utility Notes are being issued to (i) temporarily finance the cost of various sewer utility improvements in and for the City in the amount of \$1,498,000, and (ii) pay the costs associated with the issuance of the Sewer Utility Notes. The Parking Utility Notes are being issued to refund, on a current basis, a \$750,000 parking utility bond anticipation note of the City, dated July 31, 2019 and maturing on July 30, 2020.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS" under the subheading entitled "Optional Redemption". The Notes are not subject to redemption prior to their stated maturity.

The Bonds and the Notes are not debt or obligations, legal, moral or otherwise, of the State of New Jersey, or any county, municipality or political subdivision thereof other than the City.

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

**The Bonds and Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney, Louis N. Rainone, Esq. of Rainone Coughlin Minchello, LLC, Iselin, New Jersey. It is anticipated that the Bonds and the Notes will be available for delivery through DTC on or about July 29, 2020.**

Electronic bid submissions for the Bonds, in accordance with the Full Notice of Sale for the Bonds, must be made via the Parity Electronic Bid System of i-Deal LLC at or prior to 11:00 a.m. on July 15, 2020. For more details on how to bid electronically, view the Full Notice of Sale posted at [www.munihub.com](http://www.munihub.com).

Bids for the Notes, in accordance with the Notice of Sale for the Notes, will be received by Bond Counsel, on behalf of the Chief Financial Officer of the City, at or prior to 11:15 a.m. on July 15, 2020, via electronic mail at [ejohnson@wilentz.com](mailto:ejohnson@wilentz.com), facsimile at (732) 726-6645 or via the Parity Electronic Bid System of i-Deal LLC. For more details on how to bid electronically, view the Notice of Sale posted at [www.munihub.com](http://www.munihub.com).

\* A registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes. The City does not make any representation with respect to such number or undertakes any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of a procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to the Notes.

**CITY OF RAHWAY  
IN THE COUNTY OF UNION  
STATE OF NEW JERSEY  
\$5,215,000 GENERAL IMPROVEMENT BONDS, SERIES 2020**

**CALLABLE**

**Dated: Date of Delivery  
Due: July 15, as shown below**

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

<u>Year (July 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2021	\$ 330,000	%	%	
2022	405,000			
2023	430,000			
2024	485,000			
2025	515,000			
2026	545,000			
2027	575,000			
2028	625,000			
2029	645,000			
2030	660,000			
<b>Total:</b>	<b><u>\$5,215,000</u></b>			

\* A registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a Standard & Poor's Financial Services LLC business. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds. The City 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, among other things, a partial redemption of the Bonds and 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.

**CITY OF RAHWAY  
IN THE COUNTY OF UNION  
STATE OF NEW JERSEY**

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**MAYOR**

Raymond A. Giacobbe, Jr.

**CITY COUNCIL**

Jeremy E. Mojica, President  
Joanna Miles, Vice President  
Rodney Farrar  
Michael Cox  
Robert Bresenhan, Jr.  
David Brown  
Danielle Newbury  
Joseph D. Gibilisco  
James Baker  
Joanna Miles

**CHIEF FINANCIAL OFFICER**

Frank C. Ruggiero

**BUSINESS ADMINISTRATOR**

Robert M. Landolfi

**CITY CLERK**

Rayna E. Harris

**CITY ATTORNEY**

Rainone Coughlin Minchello, LLC  
Iselin, New Jersey

**INDEPENDENT AUDITORS**

Lerch, Vinci & Higgins, LLP  
Fair Lawn, New Jersey

**BOND COUNSEL**

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

No dealer, broker, salesperson or other person has been authorized by the City of Rahway, in the County of Union, State of New Jersey (the "City") to give any information or to make any representations with respect to the Bonds and Notes other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the City. 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 and Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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

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

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

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

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

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

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

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**OFFICIAL STATEMENT  
OF THE  
CITY OF RAHWAY  
IN THE COUNTY OF UNION, STATE OF NEW JERSEY**

**RELATING TO**

**\$5,215,000 GENERAL IMPROVEMENT BONDS, SERIES 2020**

**\$11,023,000 GENERAL OBLIGATION NOTES, SERIES 2020**

**Consisting of:**

**\$7,775,000 General Improvement Bond Anticipation Notes, Series 2020**

**\$1,000,000 Water Utility Bond Anticipation Notes, Series 2020**

**\$1,498,000 Sewer Utility Bond Anticipation Notes, Series 2020 and**

**\$750,000 Parking Utility Bond Anticipation Notes, Series 2020**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the City of Rahway (the "City"), in the County of Union (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of (i) \$5,215,000 aggregate principal amount of General Improvement Bonds, Series 2020 (the "Bonds") and (ii) \$11,023,000 aggregate principal amount of General Obligation Notes, Series 2020, consisting of \$7,775,000 aggregate principal amount of General Improvement Bond Anticipation Notes, Series 2020 (the "General Improvement Notes"), \$1,000,000 aggregate principal amount of Water Utility Bond Anticipation Notes, Series 2020 (the "Water Utility Notes"), \$1,498,000 aggregate principal amount of Sewer Utility Bond Anticipation Notes, Series 2020 (the "Sewer Utility Notes"), and \$750,000 aggregate principal amount of Parking Utility Bond Anticipation Notes, Series 2020 (the "Parking Utility Notes" and together with the General Improvement Notes, the Water Utility Notes, and the Sewer Utility Notes, the "Notes") of the City. This Official Statement, which includes the cover page, inside front cover page and appendices attached hereto, has been authorized by the City Council of the City, executed by and on behalf of the City by its Chief Financial Officer, and is to be distributed in connection with the marketing and sale of the Bonds and Notes.

This Official Statement contains specific information relating to the Bonds and Notes including their general description, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

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

**DESCRIPTION OF THE BONDS**

**General Description**

The Bonds are dated the date of delivery thereof and shall bear interest at the rates shown on the inside front cover page hereof from such date, payable semi-annually on the fifteenth day of January and July of each year (each an "Interest Payment Date"), commencing January 15, 2021, until maturity or prior redemption. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective January 1 and July 1 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for

that purpose by the City's Chief Financial Officer, as registrar and paying agent for the City, or such other duly designated paying agent.

The Bonds will mature on July 15 in each of the years and in the respective principal amounts as set forth on the inside front cover page.

The Bonds, when issued, will be registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

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

### **Optional Redemption**

The Bonds maturing prior to July 15, 2028 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after July 15, 2028 are redeemable at the option of the City, in whole or in part, on any date on or after July 15, 2027, upon notice as required herein, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

Notice of Redemption ("Notice of Redemption") shall be given by first class mail, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption, in a sealed envelope with postage prepaid to the owners of the Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed bond registrar. So long as The Depository Trust Company (or any successor thereto) acts as Securities Depository for the Bonds, Notices of Redemption shall be sent to such Securities Depository and shall not be sent to the Beneficial Owners of the Bonds. Any failure of the Securities Depository to advise any of its Participants or any failure of any Participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be redeemed by the City in inverse order of maturity and within any maturity shall be selected by the City by lot. The Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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



## Authorization for the Issuance of the Bonds

The Bonds are authorized by, and are issued pursuant to, the provisions of (i) the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), (ii) various bond ordinances duly adopted by the City Council of the City ("City Council") on the dates set forth in the chart below, approved by the Mayor, and published as required by law, and (iii) a resolution duly adopted by the City Council of the City on June 15, 2020.

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

## Purpose of the Bonds

The proceeds of the General Improvement Bonds will be used to refund, on a current basis, a \$5,215,000 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$10,254,000 on July 31, 2019 and maturing on July 30, 2020 (the "Prior Bond Anticipation Notes"). The improvements and purposes for which the General Improvement Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described on the following table by ordinance number, description and date of final adoption and the amount of General Improvement Bonds proceeds used for such purposes. The bond ordinances are as follows:

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount of Proceeds</b>
O-30-16	Various 2016 Capital Improvements, finally adopted 12/12/16	\$ 720,405
O-22-17	Sidewalk and Roadway Improvements, finally adopted 8/14/17	190,476
O-25-17, as amended by O-6-18	Various 2017 Capital Improvements, finally adopted 9/11/17, as amended on 5/7/18	1,632,622
O-7-18	2018 Road Reconstruction and Resurfacing Program, finally adopted 7/9/18	1,035,785
O-13-18	Various 2018 Capital Improvements, finally adopted 7/9/18	<u>1,635,712</u>
	TOTAL	<u>\$5,215,000</u>

## DESCRIPTION OF THE NOTES

### General Description

The Notes are general obligations of the City and are issued in the aggregate principal amount of \$11,023,000, consisting of \$7,775,000 aggregate principal amount of General Improvement Notes, \$1,000,000 aggregate principal amount of Water Utility Notes, \$1,498,000 aggregate principal amount of Sewer Utility Notes, and \$750,000 aggregate principal amount of Parking Utility Notes. The Notes shall be dated and shall bear interest from July 29, 2020 and shall mature on July 28, 2021. The Notes shall bear interest at the rate as indicated on the cover page of this Official Statement, payable upon maturity. Interest

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

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

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

### **Optional Redemption**

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

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

The Notes are authorized by, and are issued pursuant to, the provisions of (i) the Local Bond Law, (ii) various bond ordinances duly adopted by the City Council of the City on the dates set forth in the chart on the following page, approved by the Mayor, and published as required by law, and (iii) a resolution duly adopted by the City Council of the City on June 15, 2020.

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

### **Purpose of the Notes**

The General Improvement Notes are being issued to (i) refund, on a current basis, a \$4,626,500 portion of the Prior Bond Anticipation Notes of the City (the remaining balance of prior bond anticipation notes in the amount of \$412,500 is being paid by a 2020 budget appropriation and/or excess note proceeds), (ii) temporarily finance the cost of various capital improvements in and for the City in the amount of \$3,148,500, and (iii) pay the costs associated with the issuance of the General Improvement Notes. The improvements or purposes for which the General Improvement Notes are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described on the following table by ordinance number, description and date of final adoption and the amount of General Improvement Notes proceeds used for such purposes. The bond ordinances are as follows:

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount</b>
O-26-17	Field and Amenity Improvements to Madden Field, finally adopted 9/11/17	\$ 2,141,423
O-22-18	Monroe Street Road Improvements, finally adopted 12/10/18	476,190
O-05-19	Various Road Improvements, finally adopted 3/11/19	1,662,500
O-10-19	Acquisition of Real Property Being Designated as Block 160, Lot 7 on the Official Tax Map of the City, finally adopted 5/13/19	85,137
O-11-19	Acquisition of Equipment for the Fire Department, finally adopted 5/13/19	261,250
O-15-19	Aid to Redevelopment Project, finally adopted 7/16/19	2,000,000
O-19-19	Purchase of Buses for Senior Citizen Transportation, finally adopted 9/9/19	142,500
O-31-19	Various 2019 Capital Acquisitions and Improvements, finally adopted 11/12/19	<u>1,006,000</u>
	TOTAL	<u>\$7,775,000</u>

The Water Utility Notes are being issued to (i) temporarily finance the cost of various water utility improvements in and for the City in the amount of \$1,000,000, and (ii) pay the costs associated with the issuance of the Water Utility Notes. The improvements and purposes for which the Water Utility Notes are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described on the following table by ordinance number, description and date of final adoption and the amount of Water Utility Notes proceeds used for such purposes. The bond ordinances are as follows:

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount</b>
O-15-18	Various Improvements to the Water Treatment Plant, finally adopted 7/9/18	\$ 400,000
O-6-19	Various Acquisitions and Improvements to the Water Utility, finally adopted 3/11/19	<u>600,000</u>
	TOTAL	<u>\$1,000,000</u>

The Sewer Utility Notes are being issued to (i) temporarily finance the cost of various sewer utility improvements in and for the City in the amount of \$1,498,000, and (ii) pay the costs associated with the issuance of the Sewer Utility Notes. The improvements and purposes for which the Sewer Utility Notes are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described on the following table by ordinance number, description and date of final adoption and the amount of Sewer Utility Notes proceeds used for such purposes. The bond ordinances are as follows:

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount</b>
O-23-17	Various Sewer Improvements, finally adopted 8/14/17	\$ 200,000
O-16-18	Various Sewer Improvements, finally adopted 7/9/18	798,000
O-20-19	Repair of Sink Holes, finally adopted 9/9/19	<u>500,000</u>
TOTAL		<u>\$1,498,000</u>

The Parking Utility Notes are being issued to refund, on a current basis, a \$750,000 parking utility bond anticipation note of the City, dated July 31, 2019 and maturing on July 30, 2020. The improvements and purposes for which the Parking Utility Notes are to be issued have been authorized by a duly adopted, approved and published bond ordinance of the City, which bond ordinance is described on the following table by ordinance number, description and date of final adoption and the amount of Parking Utility Notes proceeds used for such purposes. The bond ordinance is as follows:

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount</b>
O-09-19	Various Parking Utility Acquisitions and Improvements, finally adopted 5/13/19	<u>\$750,000</u>
TOTAL		<u>\$750,000</u>

### **SECURITY FOR THE BONDS AND NOTES**

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

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

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

### **RECENT HEALTHCARE DEVELOPMENTS**

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

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

#### **NO DEFAULT**

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

#### **MARKET PROTECTION**

The City does not anticipate issuing any additional bonds in 2020. The City may issue additional bond anticipation notes for new money borrowing in 2020.

#### **BOOK-ENTRY ONLY SYSTEM**

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

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

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

Purchases of the Bonds or Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds or Notes on DTC's records. The ownership interest of

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

To facilitate subsequent transfers, all Bonds or Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds or Notes 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 or Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds or Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

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

### **Procedure for Authorization**

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

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

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

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

## **Short Term Financing**

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

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

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

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds.

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

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

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

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

The debt limit of the City may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of



the inhabitants of the City and that the proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. The City has not exceeded its debt limit.

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

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

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

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

#### **Investment of Municipal Funds**

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

## FINANCIAL MANAGEMENT

### Accounting and Reporting Practices

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Deferral of Current Expenses**

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

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

## **Budget Transfers**

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

## **Anticipation of Real Estate Taxes**

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

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

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

Total of Local, County, and School Levies - Anticipated Revenues = Cash Required from Taxes to Support Local Municipal Budget and Other Taxes

Cash Required from Taxes to Support Local Municipal Budget and Other Taxes = Amount to be Raised by Taxation  
Prior Year's Percentage of Current Tax Collection (or Lesser %)

### **Anticipation of Miscellaneous Revenues**

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

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

### **Debt Statements**

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

### **CAPITAL IMPROVEMENT PROGRAM**

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

### **TAX ASSESSMENT AND COLLECTION**

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

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

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

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

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

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

## **Tax Appeals**

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1<sup>st</sup> day of April of the current tax year for its review or the 1<sup>st</sup> day of May for municipalities that have conducted revaluations. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations. Due to the outbreak of COVID-19, Chief Justice Stuart Rabner of the New Jersey Supreme Court has delayed the deadline for filing regular and revaluation/assessment tax appeals until the later of May 1 or 30 days following the Governor's determination that the State of Emergency declared by Executive Order No. 103 has ended. On May 28, 2020, Governor Phil Murphy signed legislation (A4157), which temporarily extends the deadline to file a property tax appeal to July 1, 2020, and the deadline for county boards of taxation to render decisions in tax appeal cases to September 30, 2020. The bill took effect immediately and applied retroactively to April 1, 2020.

## **TAX MATTERS**

### **Federal Income Tax Treatment**

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

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

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

### **[Original Issue Premium**

The Bonds maturing on July 15 in the years \_\_\_\_ through \_\_\_\_, inclusive (the "Premium Bonds") were purchased at a premium ("original issue premium") over the stated principal amounts of the Bonds. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Bonds. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Bonds rather than creating a deductible expense or loss. Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the purchaser's basis in the Premium Bonds to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code. Holders of the Premium Bonds should consult their tax advisors for an explanation of the bond premium amortization rules.]

### **[Original Issue Discount**

Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on July 15 in the years \_\_\_\_ through \_\_\_\_, inclusive (the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

### **Additional Federal Income Tax Consequences Relating to Bonds and Notes**

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

advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

### **State Taxation**

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

### **Prospective Tax Law Changes**

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

### **Other Tax Consequences**

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds and Notes. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and Notes and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds and Notes paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

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

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

## **LEGALITY FOR INVESTMENT**

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

## **RISK TO HOLDERS OF BONDS AND NOTES**

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

### **Municipal Bankruptcy**

**THE CITY HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY**



**IMPLICATION THAT THE CITY EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS AND NOTES, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.**

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

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

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

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

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

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

## **CERTIFICATES OF THE CITY**

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

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale, the execution, and the delivery of the Bonds and Notes are subject to the approval of Bond Counsel, whose approving legal opinions will be delivered with the Bonds and Notes substantially in the forms set forth as APPENDIX C and APPENDIX D, respectively, hereto. Certain legal matters with respect to the Bonds and Notes will be passed on for the City by its City Attorney, Louis N. Rainone, Esq. of Rainone, Coughlin Minchello, LLC Iselin, New Jersey (the "City Attorney").

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the City of Rahway, Frank Ruggiero, Chief Financial Officer, 1 City Hall Plaza, Rahway, New Jersey 07065, (732) 827-2020 and Everett M. Johnson, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6149.

## **LITIGATION**

Other than as stated in this Official Statement, including as provided in the Audit (as hereinafter defined) included in APPENDIX B hereto, to the knowledge of the City Attorney there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds or Notes offered for sale or the levy and collection of any taxes to pay the principal of or the interest on said Bonds or Notes, or in any manner questioning the authority of the proceedings for the issuance of the Bonds or Notes or for the levy or collection of taxes to pay the principal of and interest on the Bonds or Notes, or any action contesting the corporate existence or boundaries of the City or the title of any of its present officers. Further, to the knowledge of the City Attorney, there is no litigation presently pending or threatened against the City that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided. The respective original purchasers of the Bonds and Notes will receive a certificate of the City Attorney to such effect upon the closing of the Bonds and Notes.

## **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS**

The City has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to annually provide certain financial information and operating data of the City and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Disclosure Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in APPENDIX E attached hereto. Such Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data,

and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB").

The City has filed operating and financial data for some, but not all, of its outstanding obligations (and other entities for which it guarantees debt) and certain of the filings were late. The City has retained Phoenix Advisors, LLC as dissemination agent for purposes of on-going secondary market disclosure compliance.

In 2011, the City changed its fiscal year end from June 30 to December 31 and did not timely file notice of such change with EMMA. As a result of such fiscal year change, on August 7, 2014, the City filed a notice of such fiscal year change and its intent to amend its prior continuing disclosure undertakings to provide for the filing of its annual financial information within 270 days from December 31 of each year to ensure future compliance with its continuing disclosure obligations. However, the City failed to amend its prior continuing disclosure undertakings for obligations that were issued prior to the City's change in its fiscal year end. As a result, with respect to its General Obligation Refunding Bonds, Series 2005, dated June 28, 2005, General Obligation Bonds, Series 2006, dated June 26, 2006, and General Obligation Refunding Bonds, Series 2006, dated January 25, 2007, the City failed to timely file with EMMA (i) audited financial information for the fiscal years ending December 31, 2014 and 2015, (ii) annual debt statements for fiscal years ending December 31, 2014 and 2015; and (iii) certain operating and financial data for fiscal years ending December 31, 2014 and 2015 because such information was required to be filed with EMMA no later than December 31 of each year, which, after the change in the City's fiscal year end from June 30 to December 31, made compliance with its continuing disclosure undertakings for such fiscal years impossible. Currently, all of the City's bonds that were issued prior to the City's change in its fiscal year end from June 30 to December 31 have been paid in full and the City is no longer an "obligated person" for such bonds. For such reasons, there is no need for the City to amend its prior continuing disclosure undertakings at this point in time.

The City timely filed its audited financial information, annual debt statements, and certain operating and financial data for all bonds that were issued, and continuing disclosure undertakings that were entered into, after the notice of its intent to amend its prior continuing obligations was filed with EMMA on August 7, 2014.

The City is also "obligated" to provide continuing disclosure for bonds issued by The Rahway Redevelopment Agency (the "Agency"). In accordance with the Agency's continuing disclosure undertakings, the City is obligated to provide its annual financial information to EMMA no later than February 28 of each year. Due to the change in the City's fiscal year end from June 30 to December 31 in 2011, it is impractical for the City to timely file its annual financial information, which includes audited financial statements, for the Agency by February 28 of each year. As a result, with respect to the Agency's outstanding Tax-Exempt City-Secured Arts District Extension Revenue Bonds, Series 2011, dated September 15, 2011, Federally Taxable City-Secured Arts District Extension Revenue Bonds, Series 2011, dated September 15, 2011, and the City-Secured Public Library Revenue Refunding Bonds, Series 2012, dated May 3, 2012, the City failed to timely file with EMMA (i) audited financial information for the fiscal years ending December 31, 2014, 2015, 2016, 2017 and 2018, (ii) annual debt statements for fiscal years ending December 31, 2014, 2015, 2016, 2017 and 2018; and (iii) certain operating and financial data for fiscal years ending December 31, 2014, 2015, 2016, 2017 and 2018. The City also failed to file notices of such late filings. The Agency plans to amend its continuing disclosure agreements to provide that the City's annual financial information will be due within 270 days after the close of the City's December 31 fiscal year end to ensure that the Agency will be in compliance with its continuing disclosure obligations in future years.

#### **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

The City has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the Rule (the "Notices"). The Notices will be filed by the City or a duly appointed dissemination agent with the MSRB. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in APPENDIX F hereto, such certificate to be delivered concurrently with the delivery of the Notes.

## PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the preparation and review of this Official Statement but has not participated in the collection of financial, statistical or demographic information contained in this Official Statement nor has Bond Counsel not verified the accuracy, completeness, or fairness thereof and, accordingly, expresses no opinion or other assurance with respect thereto but takes responsibility for the opinions to the extent specified and appearing in APPENDIX C and APPENDIX D hereto.

Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, the Auditor to the City, has participated in the preparation of the information contained in this Official Statement but has not verified the accuracy, completeness, or fairness thereof and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

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

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

## RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("Standard & Poor's"), has assigned a rating of "AA" to the Bonds and "SP-1+" to the Notes.

An explanation of the significance of the ratings on the Bonds and Notes may be obtained from Standard & Poor's at 55 Water Street, New York, New York 10041. Such ratings reflect only the views of Standard & Poor's, and there is no assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn entirely, if in the judgment of Standard & Poor's, circumstances so warrant. Any revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds and Notes. Except as set forth in APPENDIX E and APPENDIX F, the City has not agreed to take any action with respect to any proposed rating changes or to bring the rating changes, if any, to the attention of the owners of the Bonds and Notes.

## UNDERWRITING

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

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

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

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

### **FINANCIAL STATEMENTS**

The financial statements of the City for the years ended December 31, 2018 and 2017 (the "Audit") and unaudited financial information for the year ended December 31, 2019 are presented in APPENDIX B to this Official Statement. The financial statements referred to above have been prepared by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, independent auditors, as stated in their Accountant's Compilation Report and Independent Auditors Report appearing in APPENDIX B.

### **MISCELLANEOUS**

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

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

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

**CITY OF RAHWAY, IN THE  
COUNTY OF UNION,  
STATE OF NEW JERSEY**

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**FRANK RUGGIERO,  
Chief Financial Officer**

DATED: July \_\_\_\_, 2020

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**APPENDIX A**

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION  
CONCERNING THE CITY OF RAHWAY**

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## **DEMOGRAPHIC AND ECONOMIC FACTORS**

### **Size and Geographical Location**

The City of Rahway, in the County of Union, State of New Jersey, is located approximately 15 miles from New York City and encompasses an area of approximately four (4) square miles. Neighboring municipalities include Linden and Clark in Union County and Carteret and Woodbridge in Middlesex County.

### **Form of Government**

The City is governed by the provisions of the Mayor-Council Plan of the Optional Municipal Charter Law as provided for in N.J.S.A. 40:69A-1 et seq., as amended and supplemented. This form of government provides for a Mayor, three (3) Council members-at-large and six (6) Ward Council members, all elected for four (4) year terms.

### **Transportation**

Residents have access to all parts of New York, New Jersey and Philadelphia via U.S. Route 1-9, New Jersey Route 27, the Garden State Parkway and the New Jersey Turnpike. New Jersey Transit provides rail service north to New York City, south to Philadelphia and easterly to Perth Amboy and the New Jersey Shore. New Jersey Transit provides bus service to Newark and New York City.

### **Protection**

The City is served by a police department consisting of 73 officers including 12 detectives who operate 20 marked vehicles, 13 unmarked vehicles, 2 motorcycles and 6 bicycles. The fire department consists of 49 uniformed firefighters who operate 3 pumpers, 1 tower ladder truck, 2 rescue trucks, 3 Chief's vehicles, 1 pick-up truck, 1 alarm system truck and 1 rescue boat with trailer.

### **Sewer and Sanitation**

The City is a member of the Rahway Valley Sewerage Authority. The Authority levies a pro-rata assessment upon all of its members for annual costs based, among other things, on their respective usage. Rahway's share of Authority indebtedness is approximately 16%.

The City provides garbage collection twice weekly and recycling pick-up twice a month.

### **Utilities**

Electricity is supplied by Public Service Electric & Gas. Gas is supplied by Elizabethtown Gas.

The City owns a water supply, treatment, transmission, storage and distribution system, (the "Water System"). The City has entered into a management services agreement with Suez Water Environmental Service, Inc. ("Suez") for the operation, management, maintenance and repair of the Water System in accordance with the provisions of the "New Jersey Water Supply Public-Private Contracting Act" set forth at N.J.S.A. 58:26-19 et seq. Pursuant to the terms of the agreement, the City retains ownership of the Water System and Suez operates, manages, maintains and repairs the Water System for a period of 20 years. In exchange for these services, the City pays Suez an annual Fixed Management Fee. The agreement does not provide for the payment of any concession fees by Suez to the City.

### **Recreation**

The Recreation Department sponsors and organizes various recreational programs and events throughout the year. During the summer, City playgrounds are manned by counselors who supervise various arts and crafts, sports and game activities. During the winter months, indoor recreation programs are carried out in schools and at the Recreation Center, a state of the art facility that opened in 1999.

The City maintains a Senior Citizen Center, where programs of all types are offered by the City's Recreation Department staff and instructors to the senior citizens of the community. A variety of senior citizen organizations also use this facility on a regular basis.

In addition to the Recreation Department, there are special programs run by private organizations such as JFK Center programs, CYO Sports Leagues, etc.

**Education**

The City's school district, coterminous with the City, is a Type II school district, and is an independent legal entity administered by a nine (9) member Board of Education elected by the voters of the school district. The school district is not part of any regional or consolidated school district, and neither receives nor sends students, except for a limited number of special education students. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The school system is comprised of four (4) elementary schools (grades K-5), one (1) middle school (grades 6-8) and one (1) high school (grades 9-12).

**Employment and Unemployment Comparisons**

The New Jersey Department of Labor reported the following annual average employment information for the City, the County and the State:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<u>City of Rahway</u>				
2019	14,879	14,287	592	4.0%
2018	14,635	13,977	658	4.5%
2017	14,796	14,015	781	5.3%
2016	14,827	14,001	826	5.6%
2015	14,600	13,600	1,000	6.6%
<u>County of Union</u>				
2019	276,382	266,189	10,193	3.7%
2018	272,683	260,935	11,748	4.3%
2017	276,968	263,748	13,220	4.8%
2016	277,400	263,100	14,300	5.2%
2015	279,900	263,500	16,400	5.9%
<u>State of New Jersey</u>				
2019	4,493,100	4,333,300	159,800	3.6%
2018	4,422,900	4,239,600	183,300	4.1%
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,524,300	4,299,900	224,400	5.0%
2015	4,543,800	4,288,800	255,000	5.6%

Source: New Jersey Department of Labor, Division of Labor Market and Demographic Research.

## Population

Population trends for the City, County and the State of New Jersey since 1980 are shown below:

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2019</u>
City of Rahway	26,723	25,325	26,500	27,346	29,895
County of Union	504,094	493,819	522,541	536,499	556,341
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,882,190

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Source: New Jersey Department of Labor, Division of Labor Market and Demographic Research.

## Income as of 2017

	<b>Median Household <u>Income</u></b>	<b>Median Family <u>Income</u></b>	<b>Per Capita <u>Income</u></b>
City of Rahway	\$ 69,813	\$ 78,810	\$ 33,796
County of Union	73,376	86,824	38,163
State of New Jersey	76,475	94,337	39,069

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Source: U.S. Census Bureau, 2013-2017 American Community Survey - 5 Year Estimates.

**SUMMARY OF MUNICIPAL BUDGETS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Anticipated Revenues					
Fund Balance	\$ 2,250,000	\$ 2,250,000	\$ 2,500,000	\$ 2,200,000	\$ 2,300,000
Miscellaneous Revenues	14,116,074	14,088,286	13,323,145	13,541,346	13,234,286
Receipts from Delinquent Taxes	1,390,000	1,350,000	1,350,000	1,000,000	930,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>38,983,658</u>	<u>38,337,344</u>	<u>37,730,534</u>	<u>37,441,621</u>	<u>36,709,714</u>
	<u>\$ 56,739,732</u>	<u>\$ 56,025,630</u>	<u>\$ 54,903,679</u>	<u>\$ 54,182,967</u>	<u>\$ 53,174,000</u>
Appropriations					
Salaries and Wages	\$ 24,115,289	\$ 23,671,000	\$ 22,863,500	\$ 22,172,000	\$ 21,739,000
Other Expenses	17,489,670	17,678,860	17,848,069	18,302,477	17,782,967
Deferred Charges and Statutory Expenditures	5,674,988	5,665,488	5,467,474	5,259,567	5,206,956
Capital Improvement Fund	250,000	250,000	150,000	150,000	160,000
Municipal Debt Service	6,959,785	6,510,282	6,324,636	6,248,923	6,235,077
Reserve for Uncollected Taxes	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,050,000</u>	<u>2,050,000</u>
	<u>\$ 56,739,732</u>	<u>\$ 56,025,630</u>	<u>\$ 54,903,679</u>	<u>\$ 54,182,967</u>	<u>\$ 53,174,000</u>

Source: Adopted Municipal Budgets

**DEBT INFORMATION OF THE CITY**

**Debt Incurring Capacity  
as of December 31, 2019 (Unaudited)**

Municipal	
Equalized Valuation Basis (2019, 2018, and 2017)	\$ 2,782,633,438
3 1/2% Borrowing Margin	97,392,170
Net Debt Issued, Outstanding and Authorized	54,454,574
Excess School Borrowing	-
Total Charge to Borrowing Margin	54,454,574
Remaining Municipal Borrowing Capacity	42,937,596
Local School	
4% Borrowing Margin	111,305,338
Debt, Issued, Outstanding and Authorized	14,430,000
Remaining School Borrowing Capacity	96,875,338

Source: City of Rahway's 2019 Annual Debt Statement.

**Gross and Statutory Net Debt**

<u>December 31,</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2019 (Unaudited)	\$ 113,852,853	\$ 54,454,574	1.96%
2018	114,111,224	53,450,315	2.03%
2017	118,154,593	53,968,200	2.14%
2016	119,903,239	52,869,328	2.11%
2015	123,994,609	54,269,135	2.12%

Note: Includes debt guaranteed by the City that has been issued by the Rahway Redevelopment Agency.

Source: City of Rahway's Annual Audit Reports and 2019 Annual Debt Statement.

**Statement of Indebtedness**  
**As of December 31, 2019 (Unaudited)**

**GENERAL PURPOSES**

Bonds, Notes and Loans Issued and Outstanding		
Bonds	\$	41,077,135
Notes		10,254,000
Loans		193,934
Bonds and Notes Authorized But Not Issued		<u>3,150,286</u>
	\$	54,675,355

**CITY GUARANTEED DEBT**

Rahway Redevelopment Agency		5,425,000
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**WATER UTILITY**

Bonds and Loans Issued and Outstanding		
Bonds		9,469,000
Loans		14,177,939
Bonds and Notes Authorized But Not Issued		<u>6,855,912</u>
		30,502,851

**SEWER UTILITY**

Bonds and Loans Issued and Outstanding		
Bonds		2,884,865
Loans		527,534
Bonds and Notes Authorized But Not Issued		<u>1,502,248</u>
		4,914,647

**PARKING UTILITY**

Bonds and Notes Issued and Outstanding		
Bonds Issued and Outstanding		3,155,000
Notes Issued and Outstanding		<u>750,000</u>
		3,905,000

**LOCAL SCHOOL**

Bonds and Notes Authorized But Not Issued		<u>14,430,000</u>
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		<u>\$ 113,852,853</u>
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**STATUTORY DEDUCTIONS**

General Purposes	\$	830,646
City Guaranteed		5,425,000
Utility Debt		38,712,633
Local School		<u>14,430,000</u>
	\$	<u>59,398,279</u>

		<u>\$ 54,454,574</u>
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**Statement of Indebtedness**  
**As of December 31, 2019 (Unaudited)**  
(Continued)

**OVERLAPPING DEBT**

County of Union (1)	\$ 22,102,642
Rahway Valley Sewerage Authority (2)	<u>18,011,080</u>

TOTAL OVERLAPPING DEBT \$ 40,113,722

**GROSS DEBT**

Per Capita (2019 - 29,895)	\$3,808
Percent of Net Valuation Taxable (2020 - \$1,435,801,351)	7.93%
Percent of Estimated True Value of Real Property (2019 - \$2,998,857,784)	3.80%

**NET MUNICIPAL DEBT**

Per Capita (2019 - 29,895)	\$1,822
Percent of Net Valuation Taxable (2020 - \$1,435,801,351)	3.79%
Percent of Estimated True Value of Real Property (2019 - \$2,998,857,784)	1.82%

**OVERALL DEBT (Net and Overlapping Debt)**

Per Capita (2019 - 29,895)	\$3,163
Percent of Net Valuation Taxable (2020 - \$1,435,801,351)	6.59%
Percent of Estimated True Value of Real Property (2019 - \$2,998,857,784)	3.15%

Note (1) Union County Treasurer's Office. The County Debt was apportioned to Rahway City by dividing the City's equalized value by the total equalized value for Union County.

Note (2) Overlapping debt was computed based upon municipal flow to the Authority.

Source: City of Rahway's 2019 Annual Debt Statement

**COMPARATIVE SCHEDULE OF FUND BALANCES -  
CURRENT FUND**

<u>December 31,</u>	<u>Fund Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2019 (Unaudited)	\$ 5,354,141	\$ 2,250,000
2018	4,528,192	2,250,000
2017	5,135,781	2,500,000
2016	6,030,986	2,200,000
2015	5,758,676	2,300,000

Source: City of Rahway's Annual Audit Reports and 2019 Unaudited Annual Financial Statement.

**TAX INFORMATION OF THE CITY**

**Current Tax Collections**

<u>December 31,</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2019 (Unaudited)	\$ 98,173,123	\$ 96,436,716	98.23%
2018	95,898,091	94,307,822	98.34%
2017	94,935,013	93,034,904	97.99%
2016	93,350,313	91,842,321	98.38%
2015	92,427,947	90,496,121	97.90%

Source: City of Rahway’s Annual Audit Reports and 2019 Unaudited Annual Financial Statement.

**Delinquent Taxes and Tax Title Liens**

<u>December 31,</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2019 (Unaudited)	\$ 427,083	\$ 1,648,462	\$ 2,075,545	2.11%
2018	377,047	1,614,716	1,991,763	2.08%
2017	452,502	1,815,306	2,267,808	2.39%
2016	422,273	1,431,810	1,854,083	1.99%
2015	395,011	1,786,381	2,181,392	2.36%

Source: City of Rahway’s Annual Audit Reports and 2019 Unaudited Annual Financial Statement.

**Assessed Valuations of Property Owned by the City of Rahway Acquired for Taxes**

<u>Year</u>	<u>Amount</u>
2019 (Unaudited)	\$ 2,664,500
2018	2,664,500
2017	2,644,300
2016	2,644,300
2015	2,644,300

Source: City of Rahway’s Annual Audit Reports and 2019 Unaudited Annual Financial Statement.



## Ten Largest Taxpayers

The 10 largest taxpayers in the City and their 2019 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Merck Sharp & Dohme Corp.	\$ 193,325,200
Nova Park Square, LLC	14,505,410
80 E Milton Avenue, LLC	10,265,400
Park Terrace at Rahway, LLC	6,684,500
Alard Realty Associates, LLC	5,477,900
3101-15 Ave I, LLC	5,362,000
Family Hospitality, LLC	5,307,000
Meridia Brownstones Urban Renewal	4,434,800
Woodbridge Avenel, LLC	4,025,300
Rahway Industrial Sites, Inc.	<u>3,752,700</u>
 Total	 <u><u>\$ 253,140,210</u></u>

Source: City of Rahway Tax Assessor.

## Assessed Valuations Land and Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Industrial</u>	<u>Total</u>
2020	\$ 14,225,300	\$ 975,344,850	\$ 127,167,150	\$ 68,948,400	\$ 250,115,600	\$ 1,435,801,300
2019	12,726,700	971,631,900	129,481,300	67,738,500	249,712,000	1,431,290,400
2018	13,442,400	968,768,800	128,482,600	67,738,510	249,791,200	1,428,223,510
2017	9,758,100	966,655,600	130,209,200	72,236,600	272,104,200	1,450,963,700
2016	9,648,500	967,400,100	132,439,900	72,261,000	272,162,800	1,453,912,300

Source: City of Rahway - Tax List District Summary.

## Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2020	\$ 1,435,801,300	\$ 51	\$ 1,435,801,351	48.26%	\$ 2,998,857,784
2019	1,431,290,400	51	1,431,290,451	51.35%	2,809,625,444
2018	1,428,223,510	55	1,428,223,565	55.79%	2,582,162,059
2017	1,450,963,700	57	1,450,963,757	57.56%	2,543,223,255
2016	1,453,912,300	3,542,314	1,457,454,614	58.09%	2,529,176,515

Source: Union County Abstract of Ratables and 2020 Equalization Table.

**Total Tax Requirements  
Including School and County Purposes**

<u>Year</u>		<u>Total</u>	<u>Municipal*</u>	<u>Local School</u>	<u>County</u>
2019 (Unaudited)	\$	98,173,123	\$ 38,629,559	\$ 44,940,280	\$ 14,603,284
2018		95,898,091	38,015,910	44,269,686	13,612,495
2017		94,935,013	37,648,526	43,569,355	13,717,132
2016		93,350,313	36,941,787	42,753,589	13,654,937
2015		92,427,947	36,950,134	41,959,236	13,518,577

\* Includes Special Improvement District.

Source: City of Rahway's Annual Audit Reports and 2019 Unaudited Annual Financial Statement.

**Components of Real Estate Tax Rate  
(Per \$100 of Assessment)\***

<u>Year</u>		<u>Total</u>	<u>Municipal*</u>	<u>Local School</u>	<u>County</u>
2019	\$	6.837	\$ 2.679	\$ 3.140	\$ 1.018
2018		6.693	2.642	3.100	0.951
2017		6.528	2.581	3.003	0.944
2016		6.389	2.519	2.935	0.935
2015		6.317	2.490	2.896	0.931

\* Does not include Special Improvement District.

Source: City of Rahway Tax Collector

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF RAHWAY  
FOR THE YEAR ENDING DECEMBER 31, 2018 AND 2017 AND UNAUDITED  
FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019**

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

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# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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## ACCOUNTANT'S COMPILATION REPORT

Honorable Mayor and  
Members of the City Council  
City of Rahway  
Rahway, New Jersey

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

The City of Rahway has prepared these financial statements in accordance with the financial and accounting reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. The effect on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

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

By/s/

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

Fair Lawn, New Jersey  
June 10, 2020

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

	<u>2019</u>
<b>ASSETS</b>	
Cash	\$ 18,204,138
Cash - Change Funds	1,595
Grants Receivable	512,785
Due from State of New Jersey - Senior Citizen and Veterans Deductions	<u>69,852</u>
	<u>18,788,370</u>
Receivables with Full Reserves	
Taxes Receivable	1,648,462
Tax Title Liens Receivable	427,083
Property Acquired for Taxes (Assessed Value)	2,664,500
Other Liens Receivable	40,962
Due from Rahway Redevelopment Agency	27,583
Due from Animal Control Fund	12
Due from Self Insurance Trust Fund	5,015
Due from CDBG Trust Fund	116,085
Due from Water Utility Operating Fund	1,576,148
Due from Sewer Utility Operating Fund	3,430,260
Due from Parking Utility Operating Fund	<u>559,799</u>
	<u>10,495,909</u>
Total Assets	<u>\$ 29,284,279</u>



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

2019

LIABILITIES, RESERVES AND FUND BALANCE

Appropriation Reserves	\$ 1,474,861
Encumbrances Payable	1,439,974
Accounts Payable	207,331
Tax Overpayments	124,692
Prepaid Taxes	357,424
Local School Taxes Payable	136,396
County Taxes Payable	35,598
Due to Other Trust Fund	2,942,745
Due to General Capital Fund	3,773,150
Due to Sewer Utility Capital Fund	209,483
Reserve for Special Improvement District Taxes	512,500
Reserve for Federal and State Grants - Unappropriated	142,670
Reserve for Federal and State Grants - Appropriated	1,827,746
Reserve for Tax Appeals	<u>249,659</u>
	13,434,229
Reserve for Receivables	10,495,909
Fund Balance	<u>5,354,141</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 29,284,279</u>

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

	<u>2019</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>	
Fund Balance Anticipated	\$ 2,250,000
Miscellaneous Revenue Anticipated	14,428,561
Receipts from Delinquent Taxes	1,661,673
Receipts from Current Taxes	96,436,716
Non-Budget Revenues	261,572
Other Credits to Income	
Unexpended Balance of Appropriation Reserves	1,301,636
Redemption of Other Liens	12,702
Interfunds Liquidated	<u>6,096,044</u>
 Total Income	 <u>122,448,904</u>
<b>EXPENDITURES</b>	
Budget Appropriations	
Salaries and Wages	23,279,400
Other Expenses	18,113,704
Deferred Charges and Statutory Expenditures	5,665,488
Capital Improvements	250,000
Municipal Debt Service	6,509,677
County Taxes	14,567,686
Amount Due County for Added and Omitted Taxes	35,598
Local District School Tax	44,940,280
Special Improvement District Tax	130,000
Interfunds Advanced	5,714,902
Cancelled Grants Receivable	9,094
Refund of Prior Year Revenue and Taxes	<u>157,126</u>
 Total Expenditures	 <u>119,372,955</u>
 Excess in Revenue	 3,075,949
Fund Balance, Beginning of Year	<u>4,528,292</u>
	7,604,241
Decreased by:	
Utilized as Anticipated Revenue	<u>2,250,000</u>
 Fund Balance, End of Year	 <u>\$ 5,354,241</u>

**CITY OF RAHWAY**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	Adopted <u>Budget</u>	Added by <u>NJSA 40A:4-87</u>	<u>Actual</u>	Excess or <u>(Deficit)</u>
Surplus Anticipated	\$ 2,250,000	-	\$ 2,250,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	56,000		56,705	\$ 705
Other	5,000		7,965	2,965
Fees and Permits	125,000		144,386	19,386
Fines and Costs				
Municipal Court	660,000		710,873	50,873
Interest and Costs on Taxes	375,000		371,439	(3,561)
Interest on Investments and Deposits	55,000		137,973	82,973
Anticipated Utility Operating Surplus- Water	904,332		904,332	
Anticipated Utility Operating Surplus- Sewer	403,591		403,591	
Anticipated Utility Operating Surplus - Parking	270,000		270,000	
Police Department Fees	90,000		96,522	6,522
Payments in Lieu of Taxes (PILOT)				
Lower Essex St. - Denholtz Management	490,000		516,621	26,621
Rosegate	25,000		26,719	1,719
Housing Authority	60,000		65,296	5,296
Senior Citizen Housing	280,000		299,306	19,306
Meyers Sr. Residence	21,000		15,026	(5,974)
Metro	155,000		166,353	11,353
Waters Edge	180,000		183,134	3,134
Lafayette	180,000		242,704	62,704
Cellular Phone Tower Fees	425,000		455,318	30,318
Vacant/Foreclosure House Registration	630,000		384,700	(245,300)
Police Security - Administrative Fees	280,000		398,427	118,427
Planning Board Application Fees	5,000		8,566	3,566
Street Open Permits	70,000		62,419	(7,581)
Motor Vehicle Fines	3,000		7,270	4,270
UCC Penalties	15,000		23,690	8,690
Comcast Cable Franchise Fee	98,000		85,837	(12,163)
Uniform Construction Code Fees	700,000		723,297	23,297
State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Aid	526,841		526,841	
Energy Receipts Taxes	3,482,132		3,482,132	
Interlocal Service Agreement Offset with Appropriations				
Berkeley Heights Health Services Contract	67,000		74,006	7,006

**CITY OF RAHWAY**  
**STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	Modified <u>Budget</u>	Added by <u>NJSA 40A:4-87</u>	<u>Actual</u>	Excess or <u>(Deficit)</u>
Public and Private Revenues Offset with Appropriations				
Clean Communities	\$ 47,465		\$ 47,465	
Multiple Housing Inspections	8,495		8,495	
Drug Free Communities	125,000		125,000	
NJ DOT Highway Safety Grant	19,515		19,515	
Grahill Charitable Trust	5,000	\$ 5,000	10,000	
Distracted Driving	6,035		6,035	
Municipal Alliance on Alcoholism and Drug Abuse	21,880		21,880	
Alcohol Education and Rehabilitation		1,206	1,206	
Body Armor Grant		7,143	7,143	
Emergency Management				
Justice Assistance Grant		4,425	4,425	
Level Playingfield Grant		25,470	25,470	
Other Special Items of Revenue				
U.C.U.A. - Host Community Fees	2,350,000		2,350,000	
U.C.U.A. - Host Community Fees - Excess Tonnage	445,000		459,019	\$ 14,019
Solid Waste Fees				
Rahway Housing Authority	27,000		39,284	12,284
Rahway Board of Education	40,000		53,329	13,329
Bulky Waste Fees				
Kenilworth	50,000		92,850	42,850
Outside Health Services				
Scotch Plains	70,000		35,220	(34,780)
Hillside	11,000		37,507	26,507
Winfield	5,000		8,200	3,200
Hotel Fees	220,000	-	225,070	5,070
Total Miscellaneous Revenues	<u>14,088,286</u>	<u>43,244</u>	<u>14,428,561</u>	<u>297,031</u>
Receipts from Delinquent Taxes	<u>1,350,000</u>	<u>-</u>	<u>1,661,673</u>	<u>311,673</u>
Amount to be Raised by Taxes for Municipal Budget				
Local Tax for Municipal Purposes	37,410,228		38,086,036	675,808
Minimum Library Tax	927,116	-	927,116	-
Total Amount to be Raised by Taxes	<u>38,337,344</u>	<u>-</u>	<u>39,013,152</u>	<u>675,808</u>
Budget Totals	<u>\$ 56,025,630</u>	<u>\$ 43,244</u>	<u>\$ 57,353,386</u>	<u>\$ 1,284,512</u>

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>OPERATIONS - WITHIN "CAPS"</b>					
General Government					
Department of Administration					
Salaries and Wages	\$ 384,000	\$ 412,000	\$ 411,024	\$ 976	
Other Expenses	520,000	515,000	505,184	9,816	
Mayor's Office					
Salaries and Wages	72,000	72,000	72,000		
Municipal Council					
Salaries and Wages	75,000	75,000	69,106	5,894	
Other Expenses	1,000	1,000	503	497	
Environmental Commission					
Salaries and Wages	4,000	4,000	3,893	107	
Other Expenses	1,000	1,000	844	156	
City Clerk					
Salaries and Wages	165,000	165,000	147,865	17,135	
Other Expenses	57,000	57,000	56,869	131	
Department of Revenue and Finance					
Salaries and Wages	420,000	479,900	479,900		
Other Expenses	638,000	778,000	752,838	25,162	
Municipal Audit	60,000	60,000	60,000		
Revenue Administration (Tax Collection)					
Salaries and Wages	189,000	189,000	185,301	3,699	
Other Expenses	60,000	60,000	51,284	8,716	
Department of Assessment					
Salaries and Wages	123,000	123,000	116,308	6,692	
Other Expenses	50,000	50,000	31,661	18,339	
Department of Law					
Salaries and Wages	87,000	87,000	85,790	1,210	
Other Expenses	550,000	550,000	477,472	72,528	
Division of Engineering					
Salaries and Wages	198,000	173,000	166,997	6,003	
Other Expenses	415,000	632,500	445,223	187,277	
Department of Building, Planning & Economic Development					
Salaries and Wages	186,000	176,000	135,579	40,421	
Other Expenses	10,000	10,000	4,689	5,311	
Planning Board					
Salaries and Wages	4,000	4,300	4,211	89	
Other Expenses	4,000	4,100	4,076	24	
Zoning Board of Adjustment					
Salaries and Wages	4,000	4,200	4,163	37	
Other Expenses	9,000	9,000	8,884	116	
Uniform Construction Code Enforcement (NJSA 52:27D-120 etc.)					
Salaries and Wages	551,000	511,000	497,404	13,596	
Other Expenses	30,000	30,000	8,696	21,304	
Municipal A.B.C. Board					
Salaries and Wages	4,000	4,000	2,999	1,001	
Other Expenses	1,000	1,000	934	66	
Insurance					
Other Insurance	1,350,000	1,224,400	1,221,210	3,190	
Employee Group Insurance	6,900,000	6,871,600	6,792,709	78,891	
Police Department					
Salaries and Wages	9,476,000	9,401,000	9,355,790	45,210	
Other Expenses	333,000	333,000	300,237	32,763	

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
Office of Emergency Management					
Salaries and Wages	\$ 57,000	\$ 68,000	\$ 54,807	\$ 13,193	
Other Expenses	33,000	33,000	31,731	1,269	
Fire Department					
Salaries and Wages	5,766,000	5,916,000	5,850,418	65,582	
Other Expenses	220,000	220,000	219,991	9	
Department of Public Works					
Salaries and Wages	2,832,000	2,532,000	2,391,051	140,949	
Other Expenses	1,457,000	1,327,000	1,097,006	229,994	
Solid Waste and Recycling					
Salaries and Wages	1,221,000	1,221,000	1,221,000		
Other Expenses	1,400,000	1,400,000	1,259,188	140,812	
Department of Health and Welfare					
Salaries and Wages	396,000	396,000	387,348	8,652	
Other Expenses	183,000	183,000	182,622	378	
Community Services - Senior Services					
Salaries and Wages	199,000	201,000	198,528	2,472	
Other Expenses	45,000	45,000	44,317	683	
Recreation Department					
Salaries and Wages	469,000	505,000	504,595	405	
Other Expenses	207,000	216,000	215,881	119	
Municipal Court					
Salaries and Wages	510,000	510,000	498,929	11,071	
Other Expenses	45,000	45,000	39,828	5,172	
Contribution to Rahway Redevelopment Agency	100,000	100,000	100,000		
Unclassified					
Electricity	320,000	380,000	345,493	34,507	
Heating Fuels	143,000	118,000	65,274	52,726	
Telephone	125,000	125,000	106,057	18,943	
Street Lighting	562,000	612,000	496,772	115,228	-
<b>Total Operations Within "CAPS"</b>	<b>39,221,000</b>	<b>39,221,000</b>	<b>37,772,479</b>	<b>1,448,521</b>	<b>-</b>
Contingent	-	-	-	-	-
<b>Total Operations Including Contingent - Within "CAPS"</b>	<b>39,221,000</b>	<b>39,221,000</b>	<b>37,772,479</b>	<b>1,448,521</b>	<b>-</b>
Detail:					
Salaries & Wages	23,392,000	23,229,400	22,678,009	378,391	-
Other Expenses (Including Contingent)	15,829,000	15,991,600	15,094,470	1,070,130	-

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS" STATUTORY EXPENDITURES					
Contribution to:					
Public Employees' Retirement System	\$ 966,504	\$ 966,504	\$ 966,504		
Police and Firemen's Retirement System	3,808,984	3,808,984	3,808,984		
Pension Adjustment Fund	20,000	18,000	17,955	\$ 45	
Social Security	850,000	852,500	852,233	267	
DCRP Contribution	20,000	19,500	18,332	1,168	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	5,665,488	5,665,488	5,664,008	1,480	-
Total General Appropriations for Municipal Purposes Within "CAPS"	44,886,488	44,886,488	43,436,487	1,450,001	-
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (Chapter 82, P.L. 1985)					
Other Expenses	1,473,000	1,473,000	1,473,000		
Police Dispatch 9-1-1 System					
Salaries and Wages	212,000	223,000	222,923	77	
Other Expenses	138,000	127,000	102,217	24,783	
Interlocal Service Agreements					
PHPF Berkeley Heights Direct	67,000	67,000	67,000		
Public and Private Programs Offset with Revenues					
Clean Communities Program	47,465	47,465	47,465		
Multiple Housing Inspections	8,495	8,495	8,495		
Alcohol Education & Ed		1,206	1,206		
Police Body Armor		7,143	7,143		
NJ DOT Safe Highway Grant	19,515	19,515	19,515		
Drug Free Communities	125,000	125,000	125,000		
Distracted Driving	6,035	6,035	6,035		
Justice Assistance Grant		4,425	4,425		
Level Playing Field Grant		25,470	25,470		
Municipal Alliance	21,880	21,880	21,880		
Municipal Allianc Match	5,470	5,470	5,470		
Grahill Charitable Trust	5,000	10,000	10,000	-	-
Total Operations - Excluded from "CAPS"	2,128,860	2,172,104	2,147,244	24,860	-
Detail:					
Salaries and Wages	212,000	223,000	222,923	77	
Other Expenses	1,916,860	1,949,104	1,924,321	24,783	-

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 250,000	\$ 250,000	\$ 250,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	3,600,328	3,600,328	3,600,328		
Payment of Note Principal	120,915	120,915	120,915		
Interest on Bonds	1,411,092	1,411,092	1,411,092		
Interest in Notes	187,538	187,538	187,538		
NJ DCA Loan Repayment	48,000	48,000	47,395		\$ 605
Capital Grant Agreement - Rahway Redevelopment Agency Library Project/Arts Center Project	<u>1,142,409</u>	<u>1,142,409</u>	<u>1,142,409</u>	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>6,510,282</u>	<u>6,510,282</u>	<u>6,509,677</u>	-	<u>605</u>
Total General Appropriations - Excluded from "CAPS"	<u>8,889,142</u>	<u>8,932,386</u>	<u>8,906,921</u>	\$ 24,860	<u>605</u>
Subtotal General Appropriations	53,775,630	53,818,874	52,343,408	1,474,861	605
Reserve for Uncollected Taxes	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,250,000</u>	-	-
Total General Appropriations	<u>\$ 56,025,630</u>	<u>\$ 56,068,874</u>	<u>\$ 54,593,408</u>	<u>\$ 1,474,861</u>	<u>\$ 605</u>
Budget as Adopted		\$ 56,025,630			
Added by N.J.S. 40A:4-87		<u>43,244</u>			
		<u>\$ 56,068,874</u>			



**CITY OF RAHWAY**  
**BALANCE SHEET - REGULATORY BASIS - TRUST FUND**  
**AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
ASSETS	
Animal Control Fund	
Cash	\$ <u>6,805</u>
	<u>6,805</u>
Community Development Trust Fund	
Cash	504,871
Community Development Grants Receivable	658,821
Loans Receivable	218,244
Deferred Loans Receivable	<u>2,721,817</u>
	<u>4,103,753</u>
Other Trust Fund	
Cash	2,667,989
Due from Current Fund	<u>2,942,745</u>
	<u>5,610,734</u>
Self- Insurance Fund	
Cash	<u>84,693</u>
	<u>84,693</u>
Total Assets	<u>\$ 9,805,985</u>

**CITY OF RAHWAY  
BALANCE SHEET - REGULATORY BASIS - TRUST FUND  
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
<b>LIABILITIES, RESERVES AND FUND BALANCES</b>	
Animal Control Fund	
Due to State of New Jersey	\$ 219
Reserve for Animal Control Expenditures	6,574
Due to Current Fund	<u>12</u>
	<u>6,805</u>
Community Development Trust Fund	
Due to Current Fund	116,085
Due to General Capital Fund	561,000
Reserve for Loans Receivable	2,940,061
Encumbrances Payable	136,590
Reserve for Community Development Expenditures	<u>350,017</u>
	<u>4,103,753</u>
Other Trust Fund	
Due to Self Insurance Trust Fund	
Due to Sewer Utility Operating Fund	
Miscellaneous Reserves and Deposits	5,124,601
Other Liabilities	189,355
Payroll Deductions Payable	259,128
Fund Balance	<u>37,650</u>
	<u>5,610,734</u>
Self- Insurance Fund	
Due to Current Fund	5,015
Reserve for Workers' Compensation	1,580
Reserve for Unemployment Compensation	<u>78,098</u>
	<u>84,693</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 9,805,985</u></u>

**CITY OF RAHWAY**  
**STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS -**  
**OTHER TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
Balance, Beginning of Year	\$ <u>37,650</u>
Balance, End of Year	\$ <u><u>37,650</u></u>

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

	<u>2019</u>
<b>ASSETS</b>	
Cash	\$ 8,707,148
Deferred Charges to Future Taxation	
Funded	41,271,069
Unfunded	13,108,881
Grants Receivable	2,295,545
Due from Current Fund	3,773,150
Due from Water Utility Capital Fund	2,259,684
Due from Sewer Utility Operating Fund	100,880
Due from CDBG Trust Fund	<u>561,000</u>
 Total Assets	 <u>\$ 72,077,357</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>	
Serial Bonds Payable	\$ 41,077,135
Bond Anticipation Notes Payable	10,254,000
Green Acres Loans Payable	193,934
Contracts Payable	1,998,030
Improvement Authorizations:	
Funded	2,798,518
Unfunded	6,589,373
Due to Rahway Redevelopment Agency	235,708
Due to Sewer Utility Capital Fund	750,144
Capital Improvement Fund	209,772
Reserve for Grants Receivable	2,095,545
Reserve for Payment of Debt	610,646
Fund Balance	<u>5,264,552</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 72,077,357</u>

There were bonds and notes authorized but not issued on December 31, 2019 of \$3,150,286.

**CITY OF RAHWAY**  
**STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
Balance, Beginning of Year	\$ 4,799,506
Increased by:	
Premium on Bonds/Bond Anticipation Notes	271,250
Cancellation of Funded Improvement Authorizations	<u>193,796</u>
Balance, End of Year	<u>\$ 5,264,552</u>

**CITY OF RAHWAY  
BALANCE SHEET - REGULATORY BASIS -  
WATER UTILITY FUND  
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
ASSETS	
Operating Fund	
Cash	\$ 704,824
Cash - Change Fund	200
Due from Water Utility Capital Fund	3,439,299
Due from Sewer Utility Capital Fund	<u>600,000</u>
	<u>4,744,323</u>
Receivables and Other Assets With Full Reserves	
Consumer Accounts Receivable	<u>1,060,969</u>
Total Operating Fund	<u>5,805,292</u>
Capital Fund	
Cash	3,065,861
Cash with Fiscal Agents	1,802,167
Fixed Capital	52,808,776
Fixed Capital Authorized and Uncompleted	<u>7,524,683</u>
Total Capital Fund	<u>65,201,487</u>
Total Assets	<u>\$ 71,006,779</u>

**CITY OF RAHWAY  
BALANCE SHEET - REGULATORY BASIS -  
WATER UTILITY FUND  
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>	
Operating Fund	
Appropriation Reserves	\$ 207,474
Encumbrances Payable	23,428
Accounts Payable and Other Liabilities	125,559
Accrued Interest on Bonds and Notes	101,221
Due to Current Fund	1,576,148
Due to Sewer Utility Operating Fund	<u>349,960</u>
	2,383,790
Reserve for Receivables	1,060,969
Fund Balance	<u>2,360,533</u>
 Total Operating Fund	 <u>5,805,292</u>
Capital Fund	
Serial Bonds Payable	9,469,000
NJ EIT Loan Payable	14,177,939
Contracts Payable	432,316
Capital Improvement Fund	106,472
Improvement Authorizations	
Funded	655,023
Unfunded	4,074,058
Reserve for Amortization	29,526,679
Reserve for Deferred Amortization	303,929
Due to General Capital Fund	2,259,684
Due to Water Utility Operating Fund	3,439,299
Fund Balance	<u>757,088</u>
 Total Capital Fund	 <u>65,201,487</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 71,006,779</u>

There were bonds and notes authorized but not issued on December 31, 2019 of \$6,855,912.

**CITY OF RAHWAY**  
**STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS - WATER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>2018</u>
Revenue and Other Income Realized	
Rents	\$ 7,100,000
Additional Water Rents	438,160
Non-Budget Revenues	278,998
Other Credits to Income	
Unexpended Balance of Appropriation Reserves	<u>114,357</u>
	<u>7,931,515</u>
Expenditures	
Budget Appropriations	
Operating	4,690,000
Debt Service	1,595,668
Refund of Prior Year Revenue	<u>1,246</u>
	<u>6,286,914</u>
Excess in Revenues Over Expenditures	1,644,601
Adjustments to Income Before Fund Balance	
Surplus to General Budget	<u>(904,332)</u>
Statutory Excess to Fund Balance	740,269
Fund Balance, Beginning of Year	<u>1,620,264</u>
Fund Balance, End of Year	<u>\$ 2,360,533</u>



**CITY OF RAHWAY**  
**COMPARATIVE STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS**  
**WATER UTILITY CAPITAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
Balance, Beginning of Year	\$ 484,088
Increased by:	
Premium on Issuance of Bonds and Notes	<u>273,000</u>
Balance, End of Year	<u><u>\$ 757,088</u></u>

**CITY OF RAHWAY  
STATEMENT OF REVENUES - REGULATORY BASIS  
WATER UTILITY OPERATING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>Anticipated</u>	<u>Realized</u>	Excess <u>(Deficit)</u>
Rents	\$ 7,100,000	\$ 7,100,000	
Additional Water Rents	<u>90,000</u>	<u>438,160</u>	<u>\$ 348,160</u>
	<u>\$ 7,190,000</u>	<u>\$ 7,538,160</u>	<u>\$ 348,160</u>

**CITY OF RAHWAY**  
**STATEMENT OF EXPENDITURES -REGULATORY BASIS**  
**WATER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>Appropriation</u>		<u>Expended</u>	
	Budget		Paid or <u>Charged</u>	<u>Reserved</u>
	<u>Budget</u>	<u>Modification</u>		
Operating				
Management Fee	\$ 4,090,000	\$ 4,090,000	\$ 4,087,247	\$ 2,753
Other Expenses	600,000	600,000	395,279	204,721
Debt Service				
Payment of Bond Principal	365,000	365,000	365,000	
Payment of Bond Anticipation Notes	105,327	105,327	105,327	
Interest on Bonds	198,643	198,643	198,643	
Interest on Notes	169,824	169,824	169,824	
Principal and Interest on Loans	756,874	756,874	756,874	
Surplus (General Budget)	<u>904,332</u>	<u>904,332</u>	<u>904,332</u>	<u>-</u>
	<u>\$ 7,190,000</u>	<u>\$ 7,190,000</u>	<u>\$ 6,982,526</u>	<u>\$ 207,474</u>

**CITY OF RAHWAY  
BALANCE SHEET - REGULATORY BASIS -  
SEWER UTILITY FUND  
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
<b>ASSETS</b>	
Operating Fund	
Cash	\$ 5,345,411
Due from Water Utility Operating Fund	349,960
Due from Sewer Utility Capital Fund	<u>85,099</u>
	<u>5,780,470</u>
Receivables and Other Assets With Full Reserves	
Consumer Accounts Receivable	<u>486,138</u>
Total Operating Fund	<u>6,266,608</u>
Capital Fund	
Cash	656,305
Fixed Capital	4,205,428
Fixed Capital Authorized and Uncompleted	3,538,000
Due from General Capital Fund	750,144
Due from Current Fund	<u>209,483</u>
Total Capital Fund	<u>9,359,360</u>
Total Assets	<u>\$ 15,625,968</u>

**CITY OF RAHWAY  
BALANCE SHEET - REGULATORY BASIS -  
SEWER UTILITY FUND  
AS OF DECEMBER 31, 2019 (UNAUDITED)**

2019

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund	
Appropriation Reserves	\$ 123,659
Encumbrances Payable	4,800
Due to Current Fund	3,430,260
Due to General Capital Fund	100,880
Accrued Interest on Bond and Loans	<u>8,763</u>
	3,668,362
Reserve for Receivables	486,138
Fund Balance	<u>2,112,108</u>
Total Operating Fund	<u>6,266,608</u>
Capital Fund	
Serial Bonds Payable	2,884,865
NJ Environmental Infrastructure Loan Payable	527,534
Due to Water Utility Operating Fund	600,000
Due to Sewer Utility Operating Fund	85,099
Improvement Authorizations	
Funded	443,739
Unfunded	883,796
Contracts Payable	445,425
Capital Improvement Fund	374,500
Reserve for Amortization	2,822,081
Deferred Reserve for Amortization	6,700
Fund Balance	<u>285,621</u>
Total Capital Fund	<u>9,359,360</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 15,625,968</u>

There were bonds and notes authorized but not issued of \$1,502,248 on December 31, 2019.

**CITY OF RAHWAY**  
**STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS - SEWER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
Revenue and Other Income Realized	
Surplus Anticipated	\$ 250,000
Rents	5,086,645
Industrial Sewer Flow Charges	303,367
Sewer Connection Fees	24,194
Non-Budget Revenues	16,669
Other Credits to Income	
Unexpended Balance of Appropriation Reserves	<u>36,138</u>
	<u>5,717,013</u>
Expenditures	
Budget Appropriations	
Operating	4,460,180
Debt Service	409,083
Deferred Charges and Statutory Expenditures	<u>12,000</u>
	<u>4,881,263</u>
Excess in Revenues Over Expenditures	835,750
Adjustments to Income Before Fund Balance	
Surplus to General Budget	<u>(403,591)</u>
Statutory Excess to Fund Balance	432,159
Fund Balance, Beginning of Year	<u>1,929,949</u>
	2,362,108
Decreased by:	
Utilized as Anticipated Revenue	<u>250,000</u>
Fund Balance, End of Year	<u><u>\$ 2,112,108</u></u>

**CITY OF RAHWAY**  
**STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS**  
**SEWER UTILITY CAPITAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
Balance, Beginning of Year	\$ 125,743
Increased by:	
Premium on Bonds/Bond Anticipation Notes	<u>159,878</u>
Balance, End of Year	<u>\$ 285,621</u>

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

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Surplus Anticipated	\$ 250,000	\$ 250,000	
Rents	4,800,000	5,086,645	\$ 286,645
Industrial Sewer Flow Charges	125,000	303,367	178,367
Sewer Connection Fees	<u>155,000</u>	<u>24,194</u>	<u>(130,806)</u>
	<u>\$ 5,330,000</u>	<u>\$ 5,664,206</u>	<u>\$ 334,206</u>



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

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 200,000	\$ 210,000	\$ 208,680	\$ 1,320	
Other Expenses	200,000	187,900	65,928	121,972	
Sewer Treatment Expense					
Rahway Valley Sewer Authority	3,992,000	3,992,100	3,992,030	70	
Sewer Permit Fees	70,180	70,180	70,180		
Debt Service					
Payment of Bond Principal	129,672	129,672	129,672		
Payment of Bond Anticipation Notes	40,413	40,413	40,413		
Interest on Bonds	19,433	19,433	19,431	\$ 2	
Interest on Notes	108,055	108,055	68,055		40,000
Principal and Interest on Loans	156,656	156,656	151,512		5,144
Statutory Expenditures					
Social Security System (O.A.S.I.)	10,000	12,000	11,703	297	
Surplus (General Budget)	<u>403,591</u>	<u>403,591</u>	<u>403,591</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,330,000</u>	<u>\$ 5,330,000</u>	<u>\$ 5,161,195</u>	<u>\$ 123,659</u>	<u>\$ 45,146</u>

**CITY OF RAHWAY  
BALANCE SHEET - REGULATORY BASIS -  
PARKING UTILITY FUND  
AS OF DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
ASSETS	
Operating Fund	
Cash	\$ <u>4,905,246</u>
Total Operating Fund	<u>4,905,246</u>
Capital Fund	
Cash	492,925
Fixed Capital	11,190,396
Fixed Capital Authorized and Uncompleted	750,000
Due from Parking Utility Operating	<u>183,770</u>
Total Capital Fund	<u>12,617,091</u>
Total Assets	<u>\$ 17,522,337</u>

**CITY OF RAHWAY  
BALANCE SHEET - REGULATORY BASIS -  
PARKING UTILITY FUND  
AS OF DECEMBER 31, 2019 (UNAUDITED)**

2019

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund	
Appropriation Reserves	\$ 362,894
Encumbrances Payable	45,755
Due to Parking Utility Capital Fund	183,770
Due to Current Fund	559,799
Reserve for Rate Stabilization	1,500,000
Accrued Interest on Bonds and Notes	4,932
Reserve for Security Deposits	3,325
Prepaid Revenue	<u>1,453</u>
	2,661,928
Fund Balance	<u>2,243,318</u>
Total Operating Fund	<u>4,905,246</u>
Capital Fund	
Serial Bonds Payable	3,155,000
Bond Anticipation Notes	750,000
Reserve for Amortization	8,035,396
Reserve for Future Capital Improvements	186,524
Contracts Payable	239,098
Improvement Authorizations	
Unfunded	238,413
Fund Balance	<u>12,660</u>
Total Capital Fund	<u>12,617,091</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 17,522,337</u>

There were no bonds and notes authorized but not issued on December 31, 2019.

**CITY OF RAHWAY**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS - PARKING UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
Revenue and Other Income Realized	
Parking Fees	\$ 1,722,026
Ground Lease	482,827
Non-Budget Revenues	<u>119,956</u>
	<u>2,324,809</u>
Expenditures	
Budget Appropriations	
Operating	915,000
Debt Service	320,000
Deferred Charges and Statutory Expenditures	<u>37,000</u>
	<u>1,272,000</u>
Excess in Revenues Over Expenditures	1,052,809
Adjustments to Income Before Fund Balance	
Expenditures Included Above Which by Statute are Required to be Raised in Subsequent Year Surplus to General Budget	<u>(270,000)</u>
Statutory Excess to Fund Balance	782,809
Fund Balance, Beginning of Year	<u>1,460,509</u>
Fund Balance, End of Year	<u><u>\$ 2,243,318</u></u>

**CITY OF RAHWAY**  
**STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS**  
**PARKING UTILITY CAPITAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>2019</u>
Balance, Beginning of Year	\$ -
Increased by:	
Premium on Bond Anticipation Notes	<u>12,660</u>
Balance, End of Year	<u>\$ 12,660</u>

**CITY OF RAHWAY**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**PARKING UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Parking Fees	\$ 1,062,000	\$ 1,722,026	\$ 660,026
Ground Lease	<u>480,000</u>	<u>482,827</u>	<u>2,827</u>
	<u>\$ 1,542,000</u>	<u>\$ 2,204,853</u>	<u>\$ 662,853</u>

**CITY OF RAHWAY**  
**STATEMENT OF EXPENDITURES -REGULATORY BASIS**  
**PARKING UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)**

	<u>Appropriation</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Operating				
Salaries and Wages	\$ 340,000	\$ 340,000	\$ 291,259	\$ 48,741
Other Expenses	575,000	575,000	297,847	277,153
Debt Service				
Payment of Bond Principal	180,000	180,000	180,000	
Interest on Bonds	140,000	140,000	140,000	
Interest on Notes				
Statutory Expenditures				
Contribution to Public Employees' Retirement System	12,000	12,000		12,000
Social Security System (O.A.S.I.)	25,000	25,000		25,000
Surplus (General Budget)	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>-</u>
	<u>\$ 1,542,000</u>	<u>\$ 1,542,000</u>	<u>\$ 1,179,106</u>	<u>\$ 362,894</u>

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

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# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
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ROBERT LERCH, CPA  
CHRIS SOHN, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
City of Rahway  
Rahway, New Jersey

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the City of Rahway as of December 31, 2018 and 2017, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2018 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated August 15, 2019 on our consideration of the City of Rahway’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Rahway’s internal control over financial reporting and compliance.

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

Fair Lawn, New Jersey  
August 15, 2019

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 13,170,632	\$ 15,488,052
Cash - Change Funds	1,595	1,295
Grants Receivable	509,977	634,977
Due from State of New Jersey - Senior Citizen and Veterans Deductions	<u>68,128</u>	<u>52,520</u>
	<u>13,750,332</u>	<u>16,176,844</u>
Receivables with Full Reserves		
Taxes Receivable	1,614,716	1,815,306
Tax Title Liens Receivable	377,047	452,502
Property Acquired for Taxes (Assessed Value)	2,664,500	2,644,300
Revenue Accounts Receivable	39,907	51,761
Other Liens Receivable	36,662	
Due from Rahway Redevelopment Agency	520,969	
Due from Animal Control Fund	14,806	19,232
Due from Self Insurance Trust Fund	17	166
Due from CDBG Trust Fund	56,800	65,800
Due from General Capital Fund	1,836,174	1,884,675
Due from Water Utility Operating Fund	516,632	1,237,451
Due from Sewer Utility Operating Fund	<u>3,150,646</u>	<u>-</u>
	<u>10,828,876</u>	<u>8,171,193</u>
Total Assets	<u>\$ 24,579,208</u>	<u>\$ 24,348,037</u>

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

	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 1,662,114	\$ 1,662,005
Encumbrances Payable	1,692,885	1,084,466
Accounts Payable		33,204
Tax Overpayments	145,320	129,312
Prepaid Taxes	352,924	1,327,175
Local School Taxes Payable	150,276	149,089
County Taxes Payable	25,172	12,422
Due to Other Trust Fund	2,075,755	2,244,447
Due to Sewer Utility Capital Fund	209,483	209,483
Reserve for Special Improvement District Taxes	675,000	675,000
Reserve for Federal and State Grants - Unappropriated	103,390	113,069
Reserve for Federal and State Grants - Appropriated	1,880,162	2,001,391
Reserve for Tax Appeals	<u>249,659</u>	<u>1,400,000</u>
	9,222,140	11,041,063
Reserve for Receivables	10,828,876	8,171,193
Fund Balance	<u>4,528,192</u>	<u>5,135,781</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 24,579,208</u>	 <u>\$ 24,348,037</u>

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

	<u>2018</u>	<u>2017</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>		
Fund Balance Anticipated	\$ 2,500,000	\$ 2,200,000
Miscellaneous Revenue Anticipated	14,748,575	14,927,583
Receipts from Delinquent Taxes	1,907,798	1,448,753
Receipts from Current Taxes	94,307,822	93,034,904
Non-Budget Revenues	744,971	487,410
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	1,326,764	1,282,457
Redemption of Other Liens		9,938
Interfunds Liquidated	3,207,324	689,269
Statutory Excess - Animal Control Trust fund	6,388	8,502
Cancellation of Prior Year Accounts Payable	<u>-</u>	<u>127,093</u>
 Total Income	 <u>118,749,642</u>	 <u>114,215,909</u>
<b>EXPENDITURES</b>		
Budget Appropriations		
Salaries and Wages	22,285,400	22,170,600
Other Expenses	18,373,569	18,344,196
Deferred Charges and Statutory Expenditures	5,482,353	5,259,567
Capital Improvements	150,000	150,000
Municipal Debt Service	6,362,357	6,249,660
County Taxes	13,587,323	13,704,710
Amount Due County for Added and Omitted Taxes	25,172	12,422
Local District School Tax	44,269,686	43,569,355
Special Improvement District Tax	130,000	130,000
Interfunds Advanced	6,096,044	3,207,324
Senior Citizens and Veterans Deductions Disallowed - Prior Year	4,562	
Refund of Prior Year Revenue and Taxes	<u>90,765</u>	<u>113,280</u>
 Total Expenditures	 <u>116,857,231</u>	 <u>112,911,114</u>
 Excess in Revenue	 1,892,411	 1,304,795
Fund Balance, Beginning of Year	<u>5,135,781</u>	<u>6,030,986</u>
	7,028,192	7,335,781
Decreased by:		
Utilized as Anticipated Revenue	<u>2,500,000</u>	<u>2,200,000</u>
Fund Balance, End of Year	<u>\$ 4,528,192</u>	<u>\$ 5,135,781</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**CITY OF RAHWAY**  
**COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>		<u>2017</u>	
	Adopted <u>Budget</u>	<u>Actual</u>	Adopted <u>Budget</u>	<u>Actual</u>
Surplus Anticipated	\$ 2,500,000	\$ 2,500,000	\$ 2,200,000	2,200,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	56,000	57,400	57,000	57,650
Other	5,000	12,980	5,000	5,656
Fees and Permits	110,000	131,051	100,000	119,414
Fines and Costs				
Municipal Court	660,000	687,139	585,000	667,326
Interest and Costs on Taxes	330,000	390,410	250,000	335,139
Interest on Investments and Deposits	60,000	55,371	48,000	63,176
Anticipated Utility Operating Surplus- Water	483,896	483,896	1,303,319	1,237,451
Anticipated Utility Operating Surplus- Sewer	206,707	206,707	165,847	165,847
Police Department Fees	88,000	104,511	95,000	88,923
Payments in Lieu of Taxes (PILOT)				
Lower Essex St. - Denholtz Management	470,000	493,846	460,000	472,488
Rahway Parking Authority	170,000	155,833	170,000	184,167
Rosegate	25,000	32,242	18,000	25,000
Housing Authority	60,000	65,519	48,000	63,544
Senior Citizen Housing	270,000	285,159	250,000	274,121
Meyers Sr. Residence	28,000	21,593	55,000	28,269
Metro	160,000	155,535	265,000	160,169
Waters Edge	180,000	183,868	215,000	184,487
Lafayette	180,000	181,935		
Cellular Phone Tower Fees	405,000	440,413	400,000	407,630
Vacant/Foreclosure House Registration	410,000	630,195	350,000	606,815
Police Security - Administrative Fees	280,000	333,391	175,000	286,378
Planning Board Application Fees	10,000	6,825	5,000	10,950
Street Open Permits	70,000	95,682	60,000	73,988
Motor Vehicle Fines	15,000	3,620	3,000	19,478
UCC Penalties	15,000	25,782	15,000	17,665
Comcast Cable Franchise Fee	98,000	101,177	90,000	98,353
Uniform Construction Code Fees	700,000	1,362,753	435,000	731,286
State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Aid	712,042	712,042	824,141	824,141
Energy Receipts Taxes	3,296,931	3,296,931	3,184,832	3,184,832
Interlocal Service Agreement Offset with Appropriations				
Berkeley Heights Health Services Contract	67,000	73,274	67,000	72,555



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

	Modified <u>Budget</u>	<u>Actual</u>	<u>Actual</u>	Excess or <u>(Deficit)</u>
Public and Private Revenues Offset with Appropriations				
Clean Communities	\$ 49,610	\$ 49,610	\$ 58,394	\$ 58,394
Recycling Tonnage Grant	16,323	16,323	34,970	34,970
Drunk Driving Enforcement Fund			5,423	5,423
Multiple Housing Inspections	8,729	8,729	10,612	10,612
Body Armor Replacement Program	6,365	6,365	6,355	6,355
Drug Free Communities			125,000	125,000
Kids Recreation Trust			24,980	24,980
Recreation Heart Grant	1,250	1,250		
Distracted Driving	5,500	5,500		
UC History Grant	375	375		
Green the Streets	2,330	2,330		
Impaired Driving Countermeasure	5,919	5,919		
State Forestry Services	3,000	3,000		
Blue Acres Grant	8,684	8,684		
Municipal Alliance on Alcoholism and Drug Abuse	4,984	4,984	25,487	25,487
Highway Safety Grant			16,532	16,532
Union County Recreation Grant			54,180	54,180
Anti-Gang Strategies			234,191	234,191
Grahill Charitable Trust	7,500	7,500	30,000	30,000
Other Special Items of Revenue				
U.C.U.A. - Host Community Fees	2,350,000	2,350,000	2,350,000	2,363,693
U.C.U.A. - Host Community Fees - Excess Tonnage	350,000	467,056	350,000	878,225
Reserve for Health Insurance Claims	500,000	500,000		
Solid Waste Fees				
Rahway Housing Authority	27,000	27,750	18,000	27,750
Rahway Board of Education	40,000	50,000	40,000	40,000
Bulky Waste Fees				
Kenilworth	38,000	116,476	60,000	38,113
Outside Health Services				
Scotch Plains	66,000	70,000	66,000	70,000
Hillside	20,000	11,545	20,000	23,465
Winfield	5,000	8,677	5,000	9,065
Reserve for FEMA Reimbursements			199,102	199,102
Hotel Fees	<u>185,000</u>	<u>239,422</u>	<u>150,000</u>	<u>185,148</u>
 Total Miscellaneous Revenues	 <u>13,323,145</u>	 <u>14,748,575</u>	 <u>13,583,365</u>	 <u>14,927,583</u>
 Receipts from Delinquent Taxes	 <u>1,350,000</u>	 <u>1,907,798</u>	 <u>1,000,000</u>	 <u>1,448,753</u>
 Amount to be Raised by Taxes for Municipal Budget				
Local Tax for Municipal Purposes	36,863,615	37,678,722	36,598,472	36,825,268
Minimum Library Tax	<u>866,919</u>	<u>866,919</u>	<u>843,149</u>	<u>843,149</u>
 Total Amount to be Raised by Taxes	 <u>37,730,534</u>	 <u>38,545,641</u>	 <u>37,441,621</u>	 <u>37,668,417</u>
 Budget Totals	 <u>\$ 54,903,679</u>	 <u>\$ 57,702,014</u>	 <u>\$ 54,224,986</u>	 <u>\$ 56,244,753</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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**2018 STATEMENT OF EXPENDITURES  
CURRENT FUND**

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
General Government					
Department of Administration					
Salaries and Wages	\$ 313,500	\$ 318,500	\$ 313,512	\$ 4,988	
Other Expenses	392,500	393,500	388,204	5,296	
Mayor's Office					
Salaries and Wages	72,000	72,700	72,688	12	
Municipal Council					
Salaries and Wages	75,000	75,000	70,509	4,491	
Other Expenses	1,000	1,000	63	937	
Environmental Commission					
Salaries and Wages	4,000	4,000		4,000	
Other Expenses	1,000	1,000	830	170	
City Clerk					
Salaries and Wages	132,000	179,000	175,101	3,899	
Other Expenses	50,000	50,000	47,035	2,965	
Department of Revenue and Finance					
Salaries and Wages	453,000	480,000	478,251	1,749	
Other Expenses	679,754	734,754	682,139	52,615	
Municipal Audit	60,000	60,000	41,200	18,800	
Revenue Administration (Tax Collection)					
Salaries and Wages	203,000	103,000	97,672	5,328	
Other Expenses	60,000	60,000	57,894	2,106	
Department of Assessment					
Salaries and Wages	123,000	113,000	112,936	64	
Other Expenses	57,000	57,000	15,972	41,028	
Department of Law					
Salaries and Wages	87,000	87,000	81,537	5,463	
Other Expenses	550,000	550,000	527,916	22,084	
Division of Engineering					
Salaries and Wages	163,000	13,000		13,000	
Other Expenses	419,500	459,500	431,316	28,184	
Department of Building, Planning & Economic Development					
Salaries and Wages	184,000	144,800	144,722	78	
Other Expenses	10,000	10,000	8,884	1,116	
Planning Board					
Salaries and Wages	4,000	4,200	684	3,516	
Other Expenses	4,000	4,000	3,715	285	
Zoning Board of Adjustment					
Salaries and Wages	4,000	4,200	684	3,516	
Other Expenses	9,000	9,000	1,010	7,990	
Uniform Construction Code Enforcement (NJSA 52:27D-120 etc.)					
Salaries and Wages	429,000	454,000	451,896	2,104	
Other Expenses	40,000	40,000	6,454	33,546	
Municipal A.B.C. Board					
Salaries and Wages	4,000	4,000	514	3,486	
Other Expenses	1,000	1,000	483	517	
Insurance					
Other Insurance	1,300,000	1,301,000	1,263,349	37,651	
Employee Group Insurance	7,650,000	8,008,500	7,816,254	192,246	
Police Department					
Salaries and Wages	9,135,000	8,935,000	8,932,467	2,533	
Other Expenses	326,500	326,500	314,282	12,218	

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
Office of Emergency Management					
Salaries and Wages	\$ 57,000	\$ 57,000	\$ 50,597	\$ 6,403	
Other Expenses	28,000	31,000	25,976	5,024	
Fire Department					
Salaries and Wages	5,552,000	5,540,400	5,455,941	84,459	
Other Expenses	196,500	196,500	196,383	117	
Department of Public Works					
Salaries and Wages	2,852,000	2,511,800	2,511,727	73	
Other Expenses	1,359,000	1,134,000	942,461	191,539	
Solid Waste and Recycling					
Salaries and Wages	1,137,000	1,284,700	1,284,640	60	
Other Expenses	1,314,500	1,314,500	1,085,343	229,157	
Department of Health and Welfare					
Salaries and Wages	377,000	513,800	513,756	44	
Other Expenses	211,000	293,000	220,254	72,746	
Community Services - Senior Services					
Salaries and Wages	174,000	162,200	162,176	24	
Other Expenses	121,000	121,000	38,294	82,706	
Recreation Department					
Salaries and Wages	478,000	453,100	453,076	24	
Other Expenses	234,000	259,000	217,608	41,392	
Municipal Court					
Salaries and Wages	534,000	534,000	439,262	94,738	
Other Expenses	34,000	39,000	29,807	9,193	
Unclassified					
Electricity	325,000	325,000	287,873	37,127	
Heating Fuels	143,000	143,000	85,911	57,089	
Telephone	175,000	175,000	100,428	74,572	
Street Lighting	447,000	547,000	429,738	117,262	-
Total Operations Within "CAPS"	<u>38,745,754</u>	<u>38,693,154</u>	<u>37,071,424</u>	<u>1,621,730</u>	<u>-</u>
Contingent	-	-	-	-	-
Total Operations Including Contingent - Within "CAPS"	<u>38,745,754</u>	<u>38,693,154</u>	<u>37,071,424</u>	<u>1,621,730</u>	<u>-</u>
Detail:					
Salaries & Wages	22,546,500	22,048,400	21,804,348	231,052	-
Other Expenses (Including Contingent)	16,199,254	16,644,754	15,267,076	1,390,678	-

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
STATUTORY EXPENDITURES					
Contribution to:					
Public Employees' Retirement System	\$ 895,592	\$ 909,592	\$ 909,353	\$ 239	
Police and Firemen's Retirement System	3,574,603	3,574,603	3,574,603		
Pension Adjustment Fund	20,000	20,000	17,955	2,045	
Social Security	825,000	823,579	821,651	1,928	
DCRP Contribution	12,000	14,300	14,267	33	-
<b>Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"</b>	<b>5,327,195</b>	<b>5,342,074</b>	<b>5,337,829</b>	<b>4,245</b>	<b>-</b>
<b>Total General Appropriations for Municipal Purposes Within "CAPS"</b>	<b>44,072,949</b>	<b>44,035,228</b>	<b>42,409,253</b>	<b>1,625,975</b>	<b>-</b>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (Chapter 82, P.L. 1985)					
Other Expenses	1,432,000	1,432,000	1,432,000		
Police Dispatch 9-1-1 System					
Salaries and Wages	250,000	250,000	228,015	21,985	
Other Expenses	95,000	95,000	82,092	12,908	
Employee Group Insurance					
Interlocal Service Agreements					
PHPF Berkeley Heights Direct	67,000	67,000	67,000		
Public and Private Programs Offset with Revenues					
Clean Communities Program	49,610	49,610	49,610		
Recycling Tonnage Grant	16,323	16,323	16,323		
Multiple Housing Inspections	8,729	8,729	8,729		
Alcohol Education & Ed					
Police Body Armor	6,365	6,365	6,365		
NJ DOT Safe Highway Grant					
Drug Free Communities					
Drunk Driving Enforcement Fund					
RWJ Foundation					
Recreation Heart Grant	1,250	1,250	1,250		
Highway Safety Grant					
State Forestry Services	3,000	3,000	3,000		
Impaired Driving Countermeasure	5,919	5,919	5,919		
Distracted Driving	5,500	5,500	5,500		
Blue Acres Grant	8,684	8,684	8,684		
UC Recreation Grant					
UC Kids Recreation Grant					
UC History Grant	375	375	375		
Green the Streets	2,330	2,330	2,330		
Anti Gang Grant					
Municipal Alliance	4,984	4,984	4,984		
Municipal Alliances Match	1,246	1,246		1,246	
Grahill Charitable Trust	7,500	7,500	7,500	-	-
<b>Total Operations - Excluded from "CAPS"</b>	<b>1,965,815</b>	<b>1,965,815</b>	<b>1,929,676</b>	<b>36,139</b>	<b>-</b>
Detail:					
Salaries and Wages	250,000	250,000	228,015	21,985	
Other Expenses	1,715,815	1,715,815	1,701,661	14,154	-

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 150,000	\$ 150,000	\$ 150,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	3,478,905	3,478,905	3,478,905		
Interest on Bonds	1,533,059	1,533,059	1,533,059		
Interest in Notes	113,000	113,000	113,000		
Green Acres Loan					
Repayment of Principal and Interest	64,979	82,700	82,700	-	
NJ DCA Loan Repayment		20,000	20,000		
Tax Appeal Note Interest					
Capital Grant Agreement - Rahway Redevelopment Agency					
Library Project/Arts Center Project	1,134,693	1,134,693	1,134,693	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>6,324,636</u>	<u>6,362,357</u>	<u>6,362,357</u>	<u>-</u>	<u>-</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - EXCLUDED FROM "CAPS"					
Cancelled Grants Receivable - General Capital Fund	140,279	140,279	140,279	-	-
Total Deferred Charges and Statutory Expenditures Excluded from "CAPS"	<u>140,279</u>	<u>140,279</u>	<u>140,279</u>	<u>-</u>	<u>-</u>
Total General Appropriations - Excluded from "CAPS"	<u>8,580,730</u>	<u>8,618,451</u>	<u>8,582,312</u>	<u>\$ 36,139</u>	<u>-</u>
Subtotal General Appropriations	52,653,679	52,653,679	50,991,565	1,662,114	-
Reserve for Uncollected Taxes	2,250,000	2,250,000	2,250,000	-	-
Total General Appropriations	<u>\$ 54,903,679</u>	<u>\$ 54,903,679</u>	<u>\$ 53,241,565</u>	<u>\$ 1,662,114</u>	<u>\$ -</u>

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**2017 STATEMENT OF EXPENDITURES  
CURRENT FUND**

**CITY OF RAHWAY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriation</u>		<u>Expended</u>		Unexpended Balances <u>Cancelled</u>
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
General Government					
Department of Administration					
Salaries and Wages	\$ 334,000	\$ 347,000	\$ 346,503	\$ 497	
Other Expenses	389,000	389,000	300,033	88,967	
Mayor's Office					
Salaries and Wages	72,000	72,000	72,000		
Municipal Council					
Salaries and Wages	75,000	75,000	74,021	979	
Other Expenses	1,000	1,000	214	786	
Environmental Commission					
Salaries and Wages	4,000	4,000	1,772	2,228	
Other Expenses	1,000	1,000	1,000	-	
City Clerk					
Salaries and Wages	191,000	155,000	153,262	1,738	
Other Expenses	34,000	41,000	39,940	1,060	
Department of Revenue and Finance					
Salaries and Wages	448,000	448,000	436,947	11,053	
Other Expenses	637,000	707,000	673,889	33,111	
Municipal Audit	60,000	60,000	60,000	-	
Revenue Administration (Tax Collection)					
Salaries and Wages	177,000	177,000	99,980	77,020	
Other Expenses	72,000	72,000	57,157	14,843	
Department of Assessment					
Salaries and Wages	117,000	117,000	114,503	2,497	
Other Expenses	80,000	80,000	41,171	38,829	
Department of Law					
Salaries and Wages	85,000	85,000	78,418	6,582	
Other Expenses	600,000	600,000	507,875	92,125	
Division of Engineering					
Salaries and Wages	133,000	-	-		
Other Expenses	330,000	435,000	407,488	27,512	
Department of Building, Planning & Economic Development					
Salaries and Wages	177,000	127,000	124,930	2,070	
Other Expenses	19,000	19,000	5,682	13,318	
Planning Board					
Salaries and Wages	4,000	4,100	4,040	60	
Other Expenses	1,000	6,000	2,752	3,248	
Zoning Board of Adjustment					
Salaries and Wages	4,000	4,100	4,040	60	
Other Expenses	1,000	6,000	4,208	1,792	
Uniform Construction Code Enforcement (NJSA 52:27D-120 etc.)					
Salaries and Wages	416,000	449,800	445,400	4,400	
Other Expenses	35,000	35,000	12,153	22,847	
Municipal A.B.C. Board					
Salaries and Wages	4,000	4,000	2,906	1,094	
Other Expenses	1,000	1,000	566	434	
Insurance					
Other Insurance	1,430,000	1,268,000	1,135,944	132,056	
Employee Group Insurance	7,850,000	7,673,700	7,295,066	378,634	
Police Department					
Salaries and Wages	8,681,000	9,097,000	9,094,987	2,013	
Other Expenses	308,000	308,000	307,125	875	

**CITY OF RAHWAY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
Office of Emergency Management					
Salaries and Wages	\$ 60,000	\$ 60,000	\$ 55,457	\$ 4,543	
Other Expenses	28,000	28,000	27,732	268	
Fire Department					
Salaries and Wages	5,511,000	5,703,000	5,702,697	303	
Other Expenses	175,000	189,000	185,193	3,807	
Department of Public Works					
Salaries and Wages	2,728,000	2,253,000	2,249,719	3,281	
Other Expenses	1,277,000	1,277,000	1,100,679	176,321	
Solid Waste and Recycling					
Salaries and Wages	1,096,000	1,152,000	1,148,697	3,303	
Other Expenses	1,231,000	1,231,000	1,142,402	88,598	
Department of Health and Welfare					
Salaries and Wages	372,000	510,600	510,520	80	
Other Expenses	144,000	164,000	161,344	2,656	
Community Services - Senior Services					
Salaries and Wages	182,000	158,000	157,904	96	
Other Expenses	38,000	38,000	33,516	4,484	
Recreation Department					
Salaries and Wages	494,000	488,000	487,816	184	
Other Expenses	200,000	202,000	199,788	2,212	
Municipal Court					
Salaries and Wages	492,000	432,000	427,875	4,125	
Other Expenses	30,000	38,000	37,820	180	
Unclassified					
Electricity	395,000	395,000	265,689	129,311	
Heating Fuels	143,000	143,000	72,938	70,062	
Telephone	150,000	185,000	174,961	10,039	
Street Lighting	548,000	548,000	382,871	165,129	-
<b>Total Operations Within "CAPS"</b>	<b>38,065,000</b>	<b>38,063,300</b>	<b>36,431,590</b>	<b>1,631,710</b>	<b>-</b>
Contingent	-	-	-	-	-
<b>Total Operations Including Contingent - Within "CAPS"</b>	<b>38,065,000</b>	<b>38,063,300</b>	<b>36,431,590</b>	<b>1,631,710</b>	<b>-</b>
Detail:					
Salaries & Wages	21,724,000	21,922,600	21,794,394	128,206	-
Other Expenses (Including Contingent)	16,341,000	16,140,700	14,637,196	1,503,504	-

**CITY OF RAHWAY**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS" STATUTORY EXPENDITURES					
Contribution to:					
Public Employees' Retirement System	\$ 880,909	\$ 880,909	\$ 880,909		
Police and Firemen's Retirement System	3,324,658	3,324,658	3,324,658		
Pension Adjustment Fund	20,000	20,000	18,044	\$ 1,956	
Social Security	800,000	800,000	794,277	5,723	
DCRP Contribution	<u>10,000</u>	<u>10,000</u>	<u>9,721</u>	<u>279</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>5,035,567</u>	<u>5,035,567</u>	<u>5,027,609</u>	<u>7,958</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>43,100,567</u>	<u>43,098,867</u>	<u>41,459,199</u>	<u>1,639,668</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (Chapter 82, P.L. 1985)					
Other Expenses	1,414,000	1,414,000	1,414,000		
Police Dispatch 9-1-1 System					
Salaries and Wages	248,000	248,000	229,268	18,732	
Other Expenses	90,000	90,000	89,780	220	
Employee Group Insurance					
Interlocal Service Agreements					
PHPF Berkeley Heights Direct	67,000	67,000	67,000		
Public and Private Programs Offset with Revenues					
Clean Communities Program	58,394	58,394	58,394		
Recycling Tonnage Grant	34,970	34,970	34,970		
Multiple Housing Inspections	10,612	10,612	10,612		
Alcohol Education & Ed					
Police Body Armor	6,355	6,355	6,355		
NJ DOT Safe Highway Grant					
Drug Free Communities	125,000	125,000	125,000		
Drunk Driving Enforcement Fund	5,423	5,423	5,423		
RWJ Foundation					
Recreation Heart Grant					
Highway Safety Grant		16,532	16,532		
UC Recreation Grant	54,180				
UC Kids Recreation Grant	24,980	79,160	79,160		
Anti Gang Grant	234,191	234,191	234,191		
Municipal Alliance		25,487	25,487		
Municipal Allianc Match	6,372	6,372	2,987	3,385	
Grahill Charitable Trust	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	<u>2,409,477</u>	<u>2,451,496</u>	<u>2,429,159</u>	<u>22,337</u>	<u>-</u>
Detail:					
Salaries and Wages	248,000	248,000	229,268	18,732	
Other Expenses	<u>2,161,477</u>	<u>2,203,496</u>	<u>2,199,891</u>	<u>3,605</u>	<u>-</u>

**CITY OF RAHWAY  
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<b>CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	\$ 150,000	\$ 150,000	\$ 150,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	3,330,602	3,330,602	3,330,602		
Interest on Bonds	1,652,832	1,652,832	1,652,832		
Interest in Notes	28,000	28,000	27,113		\$ 887
Green Acres Loan					
Repayment of Principal and Interest	82,701	84,401	84,325		76
NJ DCA Loan Repayment	20,000	20,000	20,000		
Capital Grant Agreement - Rahway Redevelopment Agency					
Library Project/Arts Center Project	<u>1,134,788</u>	<u>1,134,788</u>	<u>1,134,788</u>	<u>-</u>	<u>-</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>6,248,923</u>	<u>6,250,623</u>	<u>6,249,660</u>	<u>-</u>	<u>963</u>
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES - EXCLUDED FROM "CAPS"</b>					
Special Emergency Authorizations	<u>224,000</u>	<u>224,000</u>	<u>224,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures Excluded from "CAPS"	<u>224,000</u>	<u>224,000</u>	<u>224,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations - Excluded from "CAPS"	<u>9,032,400</u>	<u>9,076,119</u>	<u>9,052,819</u>	<u>\$ 22,337</u>	<u>963</u>
Subtotal General Appropriations	52,132,967	52,174,986	50,512,018	1,662,005	963
Reserve for Uncollected Taxes	<u>2,050,000</u>	<u>2,050,000</u>	<u>2,050,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 54,182,967</u>	<u>\$ 54,224,986</u>	<u>\$ 52,562,018</u>	<u>\$ 1,662,005</u>	<u>\$ 963</u>
Budget as Adopted		\$ 54,182,967			
Added by N.J.S. 40A:4-87		<u>42,019</u>			
		<u>\$ 54,224,986</u>			

**CITY OF RAHWAY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Animal Control Fund		
Cash	\$ 24,819	\$ 29,012
	<u>24,819</u>	<u>29,012</u>
Community Development Trust Fund		
Cash	567,243	246,576
Community Development Grants Receivable	480,190	440,475
Loans Receivable	218,244	221,912
Deferred Loans Receivable	<u>2,721,817</u>	<u>2,712,859</u>
	<u>3,987,494</u>	<u>3,621,822</u>
Other Trust Fund		
Cash	2,685,240	3,091,157
Due from Current Fund	2,075,755	2,244,447
Due from Sewer Utility Capital Fund	<u>85,039</u>	<u>-</u>
	<u>4,846,034</u>	<u>5,335,604</u>
Self- Insurance Fund		
Cash	83,216	114,341
Due from Other Trust Fund	<u>26,538</u>	<u>26,538</u>
	<u>109,754</u>	<u>140,879</u>
 Total Assets	 <u>\$ 8,968,101</u>	 <u>\$ 9,127,317</u>

**CITY OF RAHWAY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES, RESERVES AND FUND BALANCES</b>		
Animal Control Fund		
Due to State of New Jersey		\$ 23
Reserve for Animal Control Expenditures	\$ 10,013	9,757
Due to Current Fund	<u>14,806</u>	<u>19,232</u>
	<u>24,819</u>	<u>29,012</u>
Community Development Trust Fund		
Due to Current Fund	56,800	65,800
Due to General Capital Fund	546,000	216,000
Reserve for Loans Receivable	2,940,061	2,934,771
Encumbrances Payable	188,078	123,113
Reserve for Community Development Expenditures	<u>256,555</u>	<u>282,138</u>
	<u>3,987,494</u>	<u>3,621,822</u>
Other Trust Fund		
Due to Self Insurance Trust Fund	26,538	26,538
Due to Sewer Utility Operating Fund	85,039	
Miscellaneous Reserves and Deposits	4,216,156	4,688,237
Other Liabilities	213,346	351,425
Payroll Deductions Payable	114,647	118,860
Accrued Salaries and Wages	146,189	105,693
Reserve for Flex Spending	6,469	7,201
Fund Balance	<u>37,650</u>	<u>37,650</u>
	<u>4,846,034</u>	<u>5,335,604</u>
Self- Insurance Fund		
Due to Current Fund	17	166
Reserve for Workers' Compensation	8,698	39,674
Reserve for Unemployment Compensation	71,249	101,039
Due to State of New Jersey	<u>29,790</u>	<u>-</u>
	<u>109,754</u>	<u>140,879</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 8,968,101</u>	<u>\$ 9,127,317</u>

**CITY OF RAHWAY**  
**STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS -**  
**OTHER TRUST FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ <u>37,650</u>	\$ <u>37,650</u>
Balance, End of Year	\$ <u><u>37,650</u></u>	\$ <u><u>37,650</u></u>



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

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash	\$ 6,031,565	\$ 5,580,113
Deferred Charges to Future Taxation		
Funded	41,021,830	44,746,950
Unfunded	12,057,451	8,761,264
Cancelled Grants Receivable		140,279
Grants Receivable	1,730,950	1,810,950
Loans Receivable		13,495
Due from Rahway Redevelopment Agency	278,389	278,389
Due from Water Utility Operating Fund		636,944
Due from Water Utility Capital Fund	2,532,684	5,126,268
Due from Sewer Utility Operating Fund		77,703
Due from CDBG Trust Fund	<u>546,000</u>	<u>216,000</u>
 Total Assets	 <u>\$ 64,198,869</u>	 <u>\$ 67,388,355</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Serial Bonds Payable	\$ 40,802,463	\$ 44,281,368
Bond Anticipation Notes Payable	4,688,453	4,999,278
Green Acres Loans Payable	219,367	278,082
NJ Redevelopment Authority Loan Payable		187,500
Contracts Payable	2,250,483	1,400,237
Improvement Authorizations:		
Funded	2,476,856	5,117,971
Unfunded	4,309,051	3,879,512
Due to Current Fund	1,836,174	1,884,675
Due to Water Utility Operating Fund	4	
Due to Sewer Utility Capital Fund	750,894	751,010
Capital Improvement Fund	124,022	147,078
Reserve for Grants Receivable	1,530,950	1,610,950
Reserve for Payment of Debt	410,646	410,646
Reserve for Preliminary Expenses		8,257
Fund Balance	<u>4,799,506</u>	<u>2,431,791</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 64,198,869</u>	 <u>\$ 67,388,355</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 of \$7,411,141 and \$4,007,335, respectively.

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

	<u>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 2,431,791	\$ 2,379,631
Increased by:		
Premium on Bond Anticipation Notes	106,920	52,160
Cancellation of Funded Improvement Authorizations	<u>2,358,795</u>	<u>-</u>
	4,897,506	2,431,791
Decreased by:		
Appropriated to Finance Improvement Authorizations	<u>98,000</u>	<u>-</u>
Balance, End of Year	<u>\$ 4,799,506</u>	<u>\$ 2,431,791</u>

**CITY OF RAHWAY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -**  
**WATER UTILITY FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Operating Fund		
Cash (Overdraft)	\$ 2,395,831	\$ (221,973)
Cash - Change Fund	200	200
Due from General Capital Fund	4	
Due from Water Utility Capital Fund	<u>3,446,748</u>	<u>3,570,531</u>
	<u>5,842,783</u>	<u>3,348,758</u>
Receivables and Other Assets With Full Reserves		
Consumer Accounts Receivable	<u>1,015,968</u>	<u>993,279</u>
Total Operating Fund	<u>6,858,751</u>	<u>4,342,037</u>
Capital Fund		
Cash	6,606,489	10,134,546
Fixed Capital	52,808,776	36,932,566
Fixed Capital Authorized and Uncompleted	<u>6,924,683</u>	<u>22,400,893</u>
Total Capital Fund	<u>66,339,948</u>	<u>69,468,005</u>
Total Assets	<u>\$ 73,198,699</u>	<u>\$ 73,810,042</u>

**CITY OF RAHWAY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -  
WATER UTILITY FUND  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Operating Fund		
Appropriation Reserves	\$ 135,206	\$ 265,947
Encumbrances Payable	55,416	64,338
Accounts Payable and Other Liabilities	125,559	
Accrued Interest on Bonds and Notes	94,392	78,132
Due to Current Fund	516,632	1,237,451
Due to General Capital Fund		636,944
Due to Sewer Utility Operating Fund	<u>3,295,314</u>	<u>410,312</u>
	4,222,519	2,693,124
Reserve for Receivables	1,015,968	993,279
Fund Balance	<u>1,620,264</u>	<u>655,634</u>
Total Operating Fund	<u>6,858,751</u>	<u>4,342,037</u>
Capital Fund		
Serial Bonds Payable	5,934,000	2,125,000
NJ EIT Loan Payable	14,780,836	2,375,023
Bond Anticipation Notes Payable	4,063,886	21,164,467
Contracts Payable	932,820	951,187
Capital Improvement Fund	106,472	106,472
Improvement Authorizations		
Funded	753,746	
Unfunded	4,547,284	6,317,214
Reserve for Amortization	28,453,455	27,038,192
Reserve for Deferred Amortization	303,929	303,929
Due to General Capital Fund	2,532,684	5,126,268
Due to Water Utility Operating Fund	3,446,748	3,570,531
Fund Balance	<u>484,088</u>	<u>389,722</u>
Total Capital Fund	<u>66,339,948</u>	<u>69,468,005</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 73,198,699</u>	<u>\$ 73,810,042</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 of \$6,197,353 and \$6,326,848, respectively.

**CITY OF RAHWAY**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS - WATER UTILITY OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized		
Rents	\$ 7,111,819	\$ 6,102,350
Additional Water Rents	337,500	650,000
Non-Budget Revenues	621,327	151,910
Other Credits to Income		
Cancellation of Prior Year Accounts Payable		19,896
Unexpended Balance of Appropriation Reserves	<u>59,898</u>	<u>30,101</u>
	<u>8,130,544</u>	<u>6,954,257</u>
Expenditures		
Budget Appropriations		
Operating	4,586,835	4,248,422
Debt Service	1,920,432	1,431,072
Deferred Charges	95,421	34,105
Refund of Prior Year Revenue	<u>79,330</u>	<u>3,207</u>
	<u>6,682,018</u>	<u>5,716,806</u>
Excess in Revenues Over Expenditures	1,448,526	1,237,451
Adjustments to Income Before Fund Balance		
Surplus to General Budget	<u>(483,896)</u>	<u>(1,237,451)</u>
Statutory Excess to Fund Balance	964,630	-
Fund Balance, Beginning of Year	<u>655,634</u>	<u>655,634</u>
Fund Balance, End of Year	<u>\$ 1,620,264</u>	<u>\$ 655,634</u>

**CITY OF RAHWAY**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**WATER UTILITY CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 389,722	\$ 345,016
Increased by:		
Premium on Issuance of Bonds and Notes	<u>94,366</u>	<u>44,706</u>
Balance, End of Year	<u>\$ 484,088</u>	<u>\$ 389,722</u>

**CITY OF RAHWAY**  
**COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS**  
**WATER UTILITY OPERATING FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>		<u>2017</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Rents	\$ 6,750,000	\$ 7,111,819	\$ 6,368,000	\$ 6,102,350
Additional Water Rents	<u>337,500</u>	<u>337,500</u>	<u>650,000</u>	<u>650,000</u>
	<u>\$ 7,087,500</u>	<u>\$ 7,449,319</u>	<u>\$ 7,018,000</u>	<u>\$ 6,752,350</u>

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

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Management Fee	\$ 4,000,000	\$ 4,000,000	\$ 3,990,838	\$ 9,162	
Other Expenses	650,000	586,835	460,791	126,044	
Deferred Charges					
Prior Year Bills	95,421	95,421	95,421		
Debt Service					
Payment of Bond Principal	905,000	905,000	905,000		
Payment of Bond Anticipation Notes	128,195	128,195	127,279		\$ 916
Interest on Bonds	161,988	161,988	161,988		
Interest on Notes	153,000	153,000	153,000		
Principal and Interest on Loans	510,000	573,165	573,165		
Deferred Charges					
Overexpenditure of Appropriations					
Surplus (General Budget)	<u>483,896</u>	<u>483,896</u>	<u>483,896</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,087,500</u>	<u>\$ 7,087,500</u>	<u>\$ 6,951,378</u>	<u>\$ 135,206</u>	<u>\$ 916</u>



**CITY OF RAHWAY**  
**STATEMENT OF EXPENDITURES -REGULATORY BASIS**  
**WATER UTILITY OPERATING FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Management Fee	\$ 3,547,422	\$ 3,547,422	\$ 3,529,347	\$ 18,075	
Other Expenses	725,000	701,000	453,128	247,872	
Capital Improvements					
Capital Improvement Fund	-	-	-		
Debt Service					
Payment of Bond Principal	880,000	880,000	880,000		
Payment of Bond Anticipation Notes	232,154	232,154	232,154		
Interest on Bonds	101,000	101,000	100,290		\$ 710
Interest on Notes	120,000	144,000	143,628		372
Principal and Interest on Loans	75,000	75,000	75,000		
Deferred Charges					
Emergency Authorization	-	-	-		
Overexpenditure of Appropriations	34,105	34,105	34,105		
Deferred Charges Unfunded - Water Utility Capital					
Surplus (General Budget)	<u>1,303,319</u>	<u>1,303,319</u>	<u>1,237,451</u>	<u>-</u>	<u>65,868</u>
	<u>\$ 7,018,000</u>	<u>\$ 7,018,000</u>	<u>\$ 6,685,103</u>	<u>\$ 265,947</u>	<u>\$ 66,950</u>

**CITY OF RAHWAY**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -**  
**SEWER UTILITY FUND**  
**AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Operating Fund		
Cash	\$ 1,916,738	\$ 1,330,743
Due from Other Trust Fund	85,039	
Due from Water Utility Operating Fund	3,295,314	410,312
Due from Sewer Utility Capital Fund	<u>-</u>	<u>85,607</u>
	<u>5,297,091</u>	<u>1,826,662</u>
Receivables and Other Assets With Full Reserves		
Consumer Accounts Receivable	<u>491,288</u>	<u>487,314</u>
 Total Operating Fund	 <u>5,788,379</u>	 <u>2,313,976</u>
Capital Fund		
Cash	296,367	784,447
Fixed Capital	3,655,428	3,655,428
Fixed Capital Authorized and Uncompleted	3,588,000	2,790,000
Due from Sewer Utility Operating Fund	142,391	
Due from General Capital Fund	750,894	751,010
Due from Current Fund	<u>209,483</u>	<u>209,483</u>
 Total Capital Fund	 <u>8,642,563</u>	 <u>8,190,368</u>
 Total Assets	 <u>\$ 14,430,942</u>	 <u>\$ 10,504,344</u>

**CITY OF RAHWAY  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -  
SEWER UTILITY FUND  
AS OF DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
<b>Operating Fund</b>		
Appropriation Reserves	\$ 30,548	\$ 87,993
Encumbrances Payable	8,040	1,509
Due to Current Fund	3,150,646	
Due to General Capital Fund		77,703
Due to Sewer Utility Capital Fund	142,391	
Accrued Interest on Bond and Loans	<u>35,517</u>	<u>32,781</u>
	3,367,142	199,986
Reserve for Receivables	491,288	487,314
Fund Balance	<u>1,929,949</u>	<u>1,626,676</u>
<b>Total Operating Fund</b>	<u>5,788,379</u>	<u>2,313,976</u>
<b>Capital Fund</b>		
Serial Bonds Payable	739,537	870,632
NJ Environmental Infrastructure Loan Payable	666,526	799,503
Bond Anticipation Notes Payable	2,319,661	2,569,557
Due to Other Trust Fund	85,039	
Due to Sewer Utility Operating Fund		85,607
Improvement Authorizations		
Unfunded	1,419,348	1,152,974
Contracts Payable	392,505	45,995
Capital Improvement Fund	374,500	374,500
Reserve for Amortization	2,513,004	2,208,519
Deferred Reserve for Amortization	6,700	6,700
Fund Balance	<u>125,743</u>	<u>76,381</u>
<b>Total Capital Fund</b>	<u>8,642,563</u>	<u>8,190,368</u>
<b>Total Liabilities, Reserves and Fund Balance</b>	<u>\$ 14,430,942</u>	<u>\$ 10,504,344</u>

There were bonds and notes authorized but not issued of \$998,000 and \$200,000, on December 31, 2018 and 2017, respectively.

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

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized		
Surplus Anticipated	\$ 250,000	\$ 250,000
Rents	4,833,499	4,409,871
Additional Sewer Rents		168,000
Industrial Sewer Flow Charges	128,294	98,514
Sewer Connection Fees	393,615	
Reserve for Payment of Debt		111,892
Non-Budget Revenues	6,126	247,681
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	<u>87,993</u>	<u>34,414</u>
	<u>5,699,527</u>	<u>5,320,372</u>
Expenditures		
Budget Appropriations		
Operating	4,518,000	4,656,270
Debt Service	411,547	375,775
Deferred Charges and Statutory Expenditures	<u>10,000</u>	<u>12,000</u>
	<u>4,939,547</u>	<u>5,044,045</u>
Excess in Revenues Over Expenditures	759,980	276,327
Adjustments to Income Before Fund Balance		
Surplus to General Budget	<u>(206,707)</u>	<u>(165,847)</u>
Statutory Excess to Fund Balance	553,273	110,480
Fund Balance, Beginning of Year	<u>1,626,676</u>	<u>1,766,196</u>
	2,179,949	1,876,676
Decreased by:		
Utilized as Anticipated Revenue	<u>250,000</u>	<u>250,000</u>
Fund Balance, End of Year	<u>\$ 1,929,949</u>	<u>\$ 1,626,676</u>

**CITY OF RAHWAY**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**SEWER UTILITY CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 76,381	\$ 49,060
Increased by:		
Premium on Bond Anticipation Notes	<u>49,362</u>	<u>27,321</u>
Balance, End of Year	<u>\$ 125,743</u>	<u>\$ 76,381</u>

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

	<u>2018</u>		<u>2017</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Rents	4,575,000	4,833,499	4,480,000	4,409,871
Additional Sewer Rents			168,000	168,000
Industrial Sewer Flow Charges	98,000	128,294	200,000	98,514
Sewer Connection Fees	224,375	393,615		
Reserve for Payment of Debt	-	-	111,892	111,892
	<u>\$ 5,147,375</u>	<u>\$ 5,605,408</u>	<u>\$ 5,209,892</u>	<u>\$ 5,038,277</u>

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

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 120,000	\$ 132,000	\$ 131,720	\$ 280	
Other Expenses	200,000	188,000	158,930	29,070	
Sewer Treatment Expense					
Rahway Valley Sewer Authority	4,125,000	4,125,000	4,124,748	252	
Sewer Permit Fees	73,000	73,000	72,627	373	
Debt Service					
Payment of Bond Principal	131,095	131,095	131,095		
Payment of Bond Anticipation Notes	40,413	40,413	40,413		
Interest on Bonds	23,360	23,360	23,358		\$ 2
Interest on Notes	62,800	62,800	62,800		
Principal and Interest on Loans	155,000	155,000	153,881		1,119
Deferred Charges					
Overexpenditure of Appropriations					
Statutory Expenditures					
Social Security System (O.A.S.I.)	10,000	10,000	9,427	573	
Surplus (General Budget)	<u>206,707</u>	<u>206,707</u>	<u>206,707</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,147,375</u>	<u>\$ 5,147,375</u>	<u>\$ 5,115,706</u>	<u>\$ 30,548</u>	<u>\$ 1,121</u>

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

	<u>Appropriation</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
Operating				
Salaries and Wages	\$ 145,000	\$ 124,000	\$ 69,678	\$ 54,322
Other Expenses	300,000	180,000	167,112	12,888
Sewer Treatment Expense				
Rahway Valley Sewer Authority	4,145,750	4,265,750	4,262,858	2,892
Sewer Permit Fees	86,520	86,520	75,300	11,220
Capital Improvements				
Capital Improvement Fund	-	-	-	
Debt Service				
Payment of Bond Principal	124,398	124,398	124,398	
Payment of Bond Anticipation Notes	26,311	26,311	26,311	
Interest on Bonds	27,238	27,238	27,238	
Interest on Notes	37,068	37,068	37,068	
Principal and Interest on Loans	139,760	160,760	160,760	
Deferred Charges				
Overexpenditure of Appropriations				
Statutory Expenditures				
Social Security System (O.A.S.I.)	12,000	12,000	5,329	6,671
Surplus (General Budget)	<u>165,847</u>	<u>165,847</u>	<u>165,847</u>	-
	<u>\$ 5,209,892</u>	<u>\$ 5,209,892</u>	<u>\$ 5,121,899</u>	<u>\$ 87,993</u>



**CITY OF RAHWAY  
BALANCE SHEET - REGULATORY BASIS -  
PARKING UTILITY FUND  
AS OF DECEMBER 31, 2018  
(Inception Year)**

2018

## ASSETS

Operating Fund	
Cash	\$ 3,610,509
Total Operating Fund	<u>3,610,509</u>
Capital Fund	
Fixed Capital	11,190,396
Due from Parking Utility Operating	<u>550,000</u>
Total Capital Fund	<u>11,740,396</u>
Total Assets	<u>\$ 15,350,905</u>

## LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund	
Due to Parking Utility Capital Fund	\$ 550,000
Unearned Revenue - NJ Transit	<u>1,600,000</u>
	2,150,000
Fund Balance	<u>1,460,509</u>
Total Operating Fund	<u>3,610,509</u>
Capital Fund	
Serial Bonds Payable	3,335,000
Reserve for Amortization	7,855,396
Reserve for Future Capital Improvements	<u>550,000</u>
Total Capital Fund	<u>11,740,396</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 15,350,905</u>

There were no bonds and notes authorized but not issued on December 31, 2018.

**CITY OF RAHWAY**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE**  
**REGULATORY BASIS - PARKING UTILITY OPERATING FUND**  
**FROM INCEPTION (DECEMBER 21, 2018) TO DECEMBER 31, 2018**

	<u>2018</u>
Revenue and Other Income Realized	
Non-Budget Revenues	\$ 60,214
Other Credits to Income	
Assumption of Rahway Parking Authority	<u>1,400,295</u>
Statutory Excess to Fund Balance	1,460,509
Fund Balance, Beginning of Year	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,460,509</u>

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

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Land	\$ 15,993,700	\$ 15,993,700
Land Improvements	2,187,390	2,187,390
Buildings and Building Improvements	37,046,319	37,046,319
Machinery and Equipment	<u>9,797,717</u>	<u>8,340,408</u>
Total Assets	<u>\$ 65,025,126</u>	<u>\$ 63,567,817</u>
<b>LIABILITIES AND RESERVES</b>		
Investment in General Fixed Assets	<u>\$ 65,025,126</u>	<u>\$ 63,567,817</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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**NOTES TO FINANCIAL STATEMENTS**

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Rahway (the "City") was incorporated in 1858 and operates under the Faulkner Act, an elected Mayor and Council Plan B form of government. The Mayor and nine members of the City Council are elected to four-year terms. Six members of the Council are elected from each of six wards. Three Council members are elected at-large at the same time as the Mayor, two years after the ward seats are up for an election. Under the City's form of government, all executive and administrative authority is rested in the office of the Mayor, who is the Chief Executive Officer of the City. The City Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances. A Business Administrator is appointed by the Mayor and is responsible for the implementation of the policies of the Mayor and Council, the administration of all City affairs and for the day to day operations of the City. The Business Administrator is the Chief Administrator Officer of the City. The City's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, water, sewer and parking services, and general administrative services.

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the City do not include the municipal library, or redevelopment agency, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

**B. Description of Regulatory Basis of Accounting**

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

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

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements**

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

The City has the following funds and account group:

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

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

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

Community Development Block Grant Fund - This fund is used to account for grant proceeds, program income and related expenditures for Federal Block grant entitlements.

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

Self- Insurance Fund - This fund is used to account for the resources and expenditures for workers compensation and unemployment self-insurance claims and premiums.

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

Water Utility Fund - This fund is used to account for the revenues and expenditures for the operation of the City's water utility and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the water utility is accounted for in the capital section of the fund.

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation – Financial Statements (Continued)**

*Sewer Utility Fund* - This fund is used to account for the revenues and expenditures for the operation of the City's sanitary sewerage system and the assets and liabilities relative to such activities. Acquisition or improvement of capital facilities and other capital assets for the sewer utility is accounted for in the capital section of the fund.

*Parking Utility Fund* - This fund is used to account for the revenues and expenditures for the operation of the City's parking facilities and services. Acquisition or improvement of capital facilities and other capital assets for the parking utility is accounted for in the capital section of the fund. The Parking Utility Fund commenced operations on December 21, 2018 upon dissolution of the Rahway Parking Authority.

*General Fixed Assets Account Group* - This account group is used to account for all general fixed assets of the City, other than those accounted for in the water and sewer utility funds. The City's infrastructure is not reported in the account group.

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

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

**Financial Statements – Regulatory Basis**

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

**D. Measurement Focus and Basis of Accounting**

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

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



CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

**Inventories** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**Property Tax Revenues/Receivables** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the City. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The City also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11<sup>th</sup> day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The City may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

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

CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

**Property Acquired for Taxes** – Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded as a capital asset in the government-wide financial statements at fair value on the date of acquisition.

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

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

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

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

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

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

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

**CITY OF RAHWAY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the City of Rahway has developed a fixed assets accounting and reporting system. Fixed assets are defined by the City as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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

General fixed Assets purchased after July 1, 2002 are stated as cost. Donated fixed assets are recorded at acquisition value at the date of donation.

Fixed Assets purchased prior to July 1, 2002 are stated as follows:

Land	Assessed Value
Buildings and Improvements	Estimated Historical Cost
Machinery and Equipment	Estimated Historical Cost

No depreciation has been provided for in the financial statements.

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

Accounting for utility fund "fixed capital" remains unchanged under NJAC 5:30-5.6.

Property and equipment purchased by the water, sewer and parking utility funds are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utilities do not record depreciation on fixed assets.

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

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

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

Trust Funds  
General Capital Fund  
Utility Capital Funds

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. The City did not increase the original budget during 2018. During 2017, the City Council increased the original budget by \$42,019. The increase was funded by additional aid allotted to the City. In addition, the governing body approved several budget transfers during 2018 and 2017.

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

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

- A. Cash Deposits**

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

**CITY OF RAHWAY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**A. Cash Deposits (Continued)**

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2018 and 2017, the book value of the City's deposits were \$37,390,444 and \$36,578,509 and bank and brokerage firm balances of the City's deposits amounted to \$39,109,935 and \$37,383,516, respectively. The City's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured	\$ 39,109,935	\$ 37,383,516

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

**B. Investments**

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

As of December 31, 2018 and 2017 the City had no outstanding investments.

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

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 4 TAXES AND UTILITY CHARGES RECEIVABLE**

Receivables at December 31, 2018 consisted of the following:

	<u>Current</u>	<u>Water</u>	<u>Utility</u>	<u>Sewer</u>	<u>Total</u>
<b><u>2018</u></b>					
Property Taxes	\$ 1,614,716				\$ 1,614,716
Tax Title Liens	377,047				377,047
Utility Rents	<u>-</u>	<u>\$ 1,015,968</u>	<u>\$ 491,288</u>		<u>1,507,256</u>
	<u>\$ 1,991,763</u>	<u>\$ 1,015,968</u>	<u>\$ 491,288</u>		<u>\$ 3,499,019</u>

In 2018, the City collected \$1,907,798 and \$1,480,953 from delinquent taxes and utility charges and fees, which represented 84% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2017.

Receivables at December 31, 2017 consisted of the following:

	<u>Current</u>	<u>Water</u>	<u>Utility</u>	<u>Sewer</u>	<u>Total</u>
<b><u>2017</u></b>					
Property Taxes	\$ 1,815,306				\$ 1,815,306
Tax Title Liens	452,502				452,502
Utility Rents	<u>-</u>	<u>\$ 993,279</u>	<u>\$ 487,314</u>		<u>1,480,593</u>
	<u>\$ 2,267,808</u>	<u>\$ 993,279</u>	<u>\$ 487,314</u>		<u>\$ 3,748,401</u>

In 2017, the City collected \$1,448,753 and \$1,236,062 from delinquent taxes and utility charges and fees, which represented 78% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2016.

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 5 DUE TO/FROM OTHER FUNDS**

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

	<u>2018</u>		<u>2017</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 5,575,075	\$ 2,285,238	\$ 3,207,324	\$ 2,453,930
Trust Fund:				
Animal Control		14,806		19,232
Community Development		602,800		281,800
Other Trust	2,160,794	111,577	2,244,447	26,538
Self Insurance	26,538	17	26,538	166
General Capital Fund	3,078,684	2,587,072	6,056,915	2,635,685
Water Utility Fund:				
Operating	3,446,752	3,811,946	3,570,531	2,284,707
Capital		5,979,432		8,696,799
Sewer Utility Fund:				
Operating	3,380,353	3,293,037	495,919	77,703
Capital	1,102,768	85,039	960,493	85,607
Parking Utility Fund:				
Operating		550,000		
Capital	550,000	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 19,320,964</u>	<u>\$ 19,320,964</u>	<u>\$ 16,562,167</u>	<u>\$ 16,562,167</u>

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

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

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Under the regulatory basis of accounting, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, the following deferred charges are reported on the balance sheets of the following funds:

	<u>Balance December 31</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<b><u>2018</u></b>			
None.			
	<u>Balance December 31</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<b><u>2017</u></b>			
General Capital Fund			
Cancelled Grants Receivable	\$ 140,279	\$ 140,279	\$ -
	<u>\$ 140,279</u>	<u>\$ 140,279</u>	<u>\$ -</u>



**CITY OF RAHWAY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 7 FUND BALANCES APPROPRIATED**

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

	<u>2018</u>		<u>2017</u>	
	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized</u> <u>in Subsequent</u> <u>Year's Budget</u>	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized</u> <u>in Subsequent</u> <u>Year's Budget</u>
<b>Current Fund</b>				
Cash Surplus	\$ 3,950,087	\$ 2,250,000	\$ 4,448,284	\$ 2,500,000
Non-Cash Surplus	<u>578,105</u>	<u>-</u>	<u>687,497</u>	<u>-</u>
	<u>\$ 4,528,192</u>	<u>\$ 2,250,000</u>	<u>\$ 5,135,781</u>	<u>\$ 2,500,000</u>
<b>Water Utility Operating Fund</b>				
Cash Surplus	\$ 1,620,264			
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>\$ 655,634</u>	<u>-</u>
	<u>\$ 1,620,264</u>	<u>-</u>	<u>\$ 655,634</u>	<u>-</u>
<b>Sewer Utility Operating Fund</b>				
Cash Surplus	\$ 1,929,949	\$ 250,000	\$ 1,626,676	\$ 250,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,929,949</u>	<u>\$ 250,000</u>	<u>\$ 1,626,676</u>	<u>\$ 250,000</u>
<b>Parking Utility Operating Fund</b>				
Cash Surplus	\$ 1,460,509			
Non-Cash Surplus	<u>-</u>	<u>-</u>		
	<u>\$ 1,460,509</u>	<u>\$ -</u>		

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 FIXED ASSETS**

**A. General Fixed Assets**

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

	Balance, December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>				
Land	\$ 15,993,700			\$ 15,993,700
Land Improvements	2,187,390			2,187,390
Buildings and Building Improvements	37,046,319			37,046,319
Machinery and Equipment	<u>8,340,408</u>	<u>\$ 1,457,309</u>	<u>-</u>	<u>9,797,717</u>
	<u>\$ 63,567,817</u>	<u>\$ 1,457,309</u>	<u>\$ -</u>	<u>\$ 65,025,126</u>
	Balance, December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>				
Land	\$ 15,993,700			\$ 15,993,700
Land Improvements	2,187,390			2,187,390
Buildings and Building Improvements	37,046,319			37,046,319
Machinery and Equipment	<u>7,606,121</u>	<u>\$ 734,287</u>	<u>-</u>	<u>8,340,408</u>
	<u>\$ 62,833,530</u>	<u>\$ 734,287</u>	<u>\$ -</u>	<u>\$ 63,567,817</u>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 FIXED ASSETS (Continued)**

**B. Utility Funds Fixed Assets**

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

<u>Water Utility Fund</u>	Balance, December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>				
Fixed Capital				
System and System Improvements	\$ 15,542,022	\$ 15,876,210		\$ 31,418,232
Land, Plant, Building and Building Improvements	20,816,708			20,816,708
Vehicles and Equipment	<u>573,836</u>	<u>-</u>	<u>-</u>	<u>573,836</u>
	<u>\$ 36,932,566</u>	<u>15,876,210</u>	<u>-</u>	<u>\$ 52,808,776</u>
	Balance, December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<b><u>2017</u></b>				
Fixed Capital				
System and System Improvements	\$ 14,357,915	\$ 1,184,107		\$ 15,542,022
Land, Plant, Building and Building Improvements	20,816,708			20,816,708
Vehicles and Equipment	<u>573,836</u>	<u>-</u>	<u>-</u>	<u>573,836</u>
	<u>\$ 35,748,459</u>	<u>\$ 1,184,107</u>	<u>-</u>	<u>\$ 36,932,566</u>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 FIXED ASSETS (Continued)**

**B. Utility Funds Fixed Assets (Continued)**

<u><b>Sewer Utility Fund</b></u>	Balance December 31, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<u><b>2018</b></u>				
Fixed Capital				
System and System Improvements	\$ 3,655,428	-	-	\$ 3,655,428
	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u><b>2017</b></u>				
Fixed Capital				
System and System Improvements	\$ 3,655,428	-	-	\$ 3,655,428
<u><b>Parking Utility Fund</b></u>	Balance December 31, <u>2017</u>	Assumption of Parking <u>Authority</u>	<u>Decreases</u>	Balance, December 31, <u>2018</u>
<u><b>2018</b></u>				
Fixed Capital				
Land and Buildings		\$ 9,679,164		\$ 9,679,164
Parking Lots and Improvements		970,666		970,666
Machinery and Equipment	-	540,566	-	540,566
	-	\$ 11,190,396	-	\$ 11,190,396

**CITY OF RAHWAY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT**

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

The City's debt is summarized as follows:

	<u>2018</u>	<u>2017</u>
Issued		
General		
Bonds, Notes and Loans	\$ 45,710,283	\$ 49,746,228
Water Utility		
Bonds, Notes and Loans	24,778,722	25,664,490
Sewer Utility		
Bonds, Notes and Loans	3,725,724	4,239,692
Parking Utility		
Bonds	<u>3,335,000</u>	<u>-</u>
	77,549,729	79,650,410
Less Funds Temporarily Held to Pay Bonds and Notes	<u>410,646</u>	<u>865,478</u>
Net Debt Issued	77,139,083	78,784,932
Authorized But Not Issued		
General		
Bonds and Notes	7,411,141	4,007,335
Water Utility		
Bonds and Notes	6,197,353	6,326,848
Sewer Utility		
Bonds and Notes	<u>998,000</u>	<u>200,000</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 91,745,577</u>	<u>\$ 89,319,115</u>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of 2.03% and 2.14% at December 31, 2018 and 2017, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2018</u></b>			
General Debt	\$ 53,121,424	\$ 410,646	\$ 52,710,778
School Debt	15,600,000	15,600,000	
Utility Debt	39,034,800	38,295,263	739,537
Debt Guarantees (Note 9)	<u>6,355,000</u>	<u>6,355,000</u>	<u>-</u>
Total	<u>\$ 114,111,224</u>	<u>\$ 60,660,909</u>	<u>\$ 53,450,315</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2017</u></b>			
General Debt	\$ 53,753,563	\$ 655,995	\$ 53,097,568
School Debt	16,825,000	16,825,000	
Utility Debt	36,431,030	35,560,398	870,632
Debt Guarantees (Note 9)	<u>11,145,000</u>	<u>11,145,000</u>	<u>-</u>
Total	<u>\$ 118,154,593</u>	<u>\$ 64,186,393</u>	<u>\$ 53,968,200</u>

**Statutory Borrowing Power**

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

	<u>2018</u>	<u>2017</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 92,260,203	\$ 88,847,247
Less: Net Debt	<u>53,450,315</u>	<u>53,968,200</u>
Remaining Borrowing Power	<u>\$ 38,809,888</u>	<u>\$ 34,879,047</u>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt**

The City’s long-term debt consisted of the following at December 31:

**General Obligation Bonds**

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

	<u>2018</u>	<u>2017</u>
\$11,650,000, 2011 Bonds, due in annual installments of \$700,000 through April 15, 2020, interest at 4.00%	\$ 1,400,000	\$ 2,040,000
\$4,994,538, 2012 Refunding Bonds due in annual installments of \$484,825 to \$509,903 through December 1, 2023, interest at 2.125% to 3.00%	2,499,359	2,988,364
\$7,425,000, 2013 Bonds, due in annual installments of \$345,000 to \$515,000 through September 15, 2032, interest at 3.00% to 4.00%	5,850,000	6,175,000
\$1,720,000, 2014 Refunding Bonds, due in annual installments of \$230,000 to \$270,000 through June 15, 2023, interest at 4.00%	1,250,000	1,480,000
\$9,460,000, 2015 Bonds, due in annual installments of \$450,000 to \$700,000 through August 1, 2013, interest at 3.00% to 4.00%	8,370,000	8,760,000
\$4,463,056, 2015 Refunding Bonds, due in annual installments of \$476,780 to \$506,272 through October 1, 2024, interest at 4.00% to 4.25%	2,919,665	3,425,937

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**General Obligation Bonds (Continued)**

	<u>2018</u>	<u>2017</u>
\$8,627,000, 2016 Bonds, due in annual installments of \$400,000 to \$797,000 through August 1, 2031, interest at 3.00% to 4.00%.	\$ 7,827,000	\$ 8,227,000
\$11,683,178, 2016 Refunding Bonds, due in annual installments of \$484,404 to \$1,179,921 through April 15, 2030, interest at 2.00% to 4.00%.	<u>10,686,439</u>	<u>11,185,067</u>
	<u>\$ 40,802,463</u>	<u>\$ 44,281,368</u>

**General Intergovernmental Loans Payable**

The City has entered into loan agreements with the State of New Jersey for the financing relating to the various projects within the City. The City levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
\$375,000, 1999 Green Acres Loan due in Semi-annual installments of \$17,392 to \$17,478 through August, 2018, interest at 2.00%		\$ 34,783
\$477,200, 2006 Green Acres Loan due in Semi-annual installments of \$12,653 to \$14,690 through August, 2026, interest at 2.00%	\$ 219,367	243,299
\$750,000, 2003 New Jersey Redevelopment Authority Loan	<u>-</u>	<u>187,500</u>
	<u>\$ 219,367</u>	<u>\$ 465,582</u>



**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Utility Bonds**

The City pledges revenue from operations to pay debt service on utility bonds issued. The water, sewer and parking utility bonds outstanding at December 31 are as follows:

**Water Utility**

	<b><u>2018</u></b>	<b><u>2017</u></b>
\$5,190,000, 2009 Refunding Bonds, due in an annual installment of \$680,000 on December 1, 2018, interest at 3.5%		\$ 680,000
\$1,670,000, 2014 Refunding Bonds, due in annual installments of \$225,000 to \$265,000 through June 15, 2023, interest at 4.0%	\$ 1,220,000	1,445,000
\$4,714,000, 2018 Bonds, due in annual installments of \$140,000 to \$280,000 through June 25, 2038, interest at 2.0% to 5.0%	<u>4,714,000</u>	<u>-</u>
	<b><u>\$ 5,934,000</u></b>	<b><u>\$ 2,125,000</u></b>

**Sewer Utility**

	<b><u>2018</u></b>	<b><u>2017</u></b>
Allocated \$980,462, 2012 Refunding Bonds, due in annual installments of \$95,175 to \$100,097 through December 1, 2023 interest at 2.0% to 2.625%	\$ 490,641	\$ 586,636
Allocated \$76,944, 2015 Refunding Bonds, due in annual installments of \$8,220 to \$8,643 through October 1, 2024 interest at 4.00%	50,335	59,063
Allocated \$251,822, 2016 Refunding Bonds, due in annual installments of \$23,269 to \$25,854 through April 15, 2026, interest at 2.00% to 4.00%	<u>198,561</u>	<u>224,933</u>
	<b><u>\$ 739,537</u></b>	<b><u>\$ 870,632</u></b>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Utility Bonds (Continued)**

**Parking Utility**

**2018  
(Inception Year)**

\$3,335,000 2018 Revenue Refunding Bonds, due in annual installments of \$165,000 to \$300,000 through November 15, 2033 interest at 4.5%	<b><u>\$ 3,335,000</u></b>
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**Utility Intergovernmental Loans Payable**

The City has entered into loan agreements with the State of New Jersey for the financing relating to the improvement of the City’s water and sewer infrastructure. The City pledges revenue from operations to pay debt service on utility intergovernmental loans issued. Utility intergovernmental loans outstanding of the sewer utility at December 31 are as follows:

<b>Water Utility</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
\$1,832,129, 2017 Environmental Infrastructure Fund Loan, due in semi- annual installments of \$31,053 to \$62,106, through August 1, 2036, interest free.	\$ 1,676,864	\$ 1,700,023
\$605,000, 2017 Environmental Infrastructure Trust Loan, due in annual installments of \$20,000 to \$45,000, through August 1, 2036, interest at 3.0% to 5.0%.	585,000	605,000
\$9,578,797, 2018 Environmental Infrastructure Fund Loan, due in semi- annual installments of \$134,912 to \$269,825, through August 1, 2041, interest free.	9,308,972	
\$3,210,000, 2018 Environmental Infrastructure Trust Loan, due in annual installments of \$85,000 to \$200,000, through August 1, 2041, interest at 3.0% to 5.0%.	<u>3,210,000</u>	<u>-</u>
	<b><u>\$ 14,780,836</u></b>	<b><u>\$ 2,305,023</u></b>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Utility Intergovernmental Loans Payable (Continued)**

<b>Sewer Utility</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
\$996,505, 2002 Environmental Infrastructure Fund Loan, due in semi-annual installments of \$1,216 to \$52,409 through August 1, 2022, interest free	\$ 212,418	\$ 265,403
\$21,010,000, 2002 Environmental Infrastructure Trust Loan, due in annual installments of \$70000 to \$80,000 through August 1, 2022, interest at 4.75% to 5.00%	280,828	342,663
\$257,017, 2010 Environmental Infrastructure Fund Loan, due in semi-annual installments of \$4,590 to \$9,179 through August 1, 2029, interest free	123,516	137,285
\$91,953, 2010 Environmental Infrastructure Trust Loan, due in annual installments of \$3,291 to \$5,937 through August 1, 2029, interest at 4.25%	<u>49,764</u>	<u>54,152</u>
	<u>\$ 666,526</u>	<u>\$ 799,503</u>

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

Calendar Year	General Capital		Water Utility		Sewer Utility		Parking Utility		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	\$ 3,625,761	\$ 1,415,333	\$ 967,897	\$ 353,125	\$ 268,663	\$ 39,122	\$ 180,000	\$ 135,068	\$ 6,984,969
2020	3,741,777	1,292,478	1,002,897	334,940	271,064	32,613	165,000	141,976	6,982,745
2021	3,867,901	1,162,898	1,012,897	314,261	276,351	25,749	175,000	134,550	6,969,607
2022	3,955,502	1,024,995	1,017,897	291,681	280,036	18,276	185,000	126,676	6,900,063
2023	3,987,515	878,185	1,052,897	267,457	148,914	7,598	185,000	118,350	6,645,916
2024-2028	14,161,374	2,616,953	4,424,485	1,084,966	161,035	7,744	1,090,000	455,854	24,002,411
2029-2033	7,682,000	503,030	4,784,485	735,274			1,355,000	188,776	15,248,565
2034-2038			4,662,167	372,321					5,034,488
2039-2041	-	-	1,789,214	69,434	-	-	-	-	1,858,648
	<u>\$ 41,021,830</u>	<u>\$ 8,893,872</u>	<u>\$ 20,714,836</u>	<u>\$ 3,823,459</u>	<u>\$ 1,406,063</u>	<u>\$ 131,102</u>	<u>\$ 3,335,000</u>	<u>\$ 1,301,250</u>	<u>\$ 80,627,412</u>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Debt Guarantees**

Rahway Redevelopment Agency-Public Library Project

The Rahway Redevelopment Agency (the “Agency”) is a public body corporate and politic created by the City pursuant to the Redevelopment Law by adoption of an ordinance on January 5, 2001. The City has designated the Agency as redeveloper of a public/private project to construct and operate a new free public library for the City’s use. In connection with said project, the Agency on October 29, 2001 issued \$12,000,000 City-secured Public Library project notes. Such project notes were subsequently refunded on October 17, 2002 by the issuance of \$4,665,000 City-secured Public Library Revenue Bonds, Series 2002 and \$5,780,000 City-secured Public Library Project Notes, Series 2002. The Series 2002 notes were then refunded on October 29, 2003 by the issuance of \$3,500,000 City-secured Public Library Project Notes, Series 2003. The Series 2003 notes were refunded on October 29, 2004 by the issuance of \$2,000,000 City-secured Public Library Revenue Bonds, Series 2004, and \$2,500,000 City-secured Public Library Project Notes, Series 2004. The Series 2004 Project Notes were subsequently retired on October 29, 2005 from grant proceeds received as part of the Library project. The Series 2002 bonds were refunded in 2012 through the issuance of \$4,505,000 City-Secured Public Library Revenue Refunding Bonds. The Series 2004 bonds were refunded in 2014 through the issuance of \$1,260,000 City-Secured Public Library Revenue Refunding Bonds. Said bonds and notes are secured through a “Use, Occupancy and Capital Grant Agreement” (the “Agreement”), between the Rahway Redevelopment Agency and the City of Rahway.

The obligation of the City to pay grants and to pay all other amounts provided for under the agreement and to perform its obligations under the Agreement shall be absolute and unconditional.

The cost and expense of the performance by the City of its obligations under this Capital Grant Agreement and the incurrence of any liabilities of the City under this Capital Grant Agreement, including, without limitation, the obligation for the payment of all Basic Grants and additional Grants and all other amounts required to be paid by the City under this Capital Grant Agreement, is a direct, general and irrevocable obligation, full faith and credit pledge of the City for which the City is obligated to make any required payments under this Capital Grant Agreement out of the first funds becoming legally available for such purpose, and to provide funds for such payments, if not otherwise available, from the levy of ad valorem taxes upon all the taxable property in the City without limitation as to rate or amount, which obligation is not subject to appropriation. As of December 31, 2018 and 2017, the Agency had outstanding \$2,880,000 and \$3,485,000, respectively, subject to the City guarantee.

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Debt Guarantees (Continued)**

Rahway Redevelopment Agency – Arts District Extension

On September 15, 2008, the Rahway Redevelopment Agency issued \$5,950,000 in tax exempt project notes and \$1,550,000 in taxable project notes. The notes, which are guaranteed by the City, were used to (i) refund the \$4,000,000 principal balloon payment due on the UCIA loan; (ii) provide \$3,500,000 for the design and construction of an outdoor amphitheater in the Rahway Arts District; and (iii) pay costs associated with the issuance of such notes. These notes were renewed for an additional year on September 15, 2009 and again on September 15, 2010. On September 8, 2011, the Agency issued \$5,075,000 in City-secured Arts District Extension Revenue Bonds. As of December 31, 2018 and 2017, the Agency had outstanding \$3,475,000 and \$3,765,000, respectively, subject to City guarantee.

Rahway Parking Authority

The Parking Authority of the City of Rahway (the “Authority”) was a public body corporate and politic created pursuant to the Parking Authority Law. The Authority determined to finance the construction of a new multi-level parking garage in the City of Rahway (the “Project”) through the issuance of revenue bonds, notes or other debt obligations, in an aggregate principal amount not to exceed \$6,000,000 (the “Obligations”). The Obligations shall be general obligations of the Authority payable solely from the revenues of the Authority, including revenues generated by the Project. The Obligations shall also be secured by an Ordinance of the City of Rahway adopted September 8, 2003 unconditionally and irrevocably guaranteeing the payment of principal of and interest on the Obligations and the City shall, if necessary, be obligated to levy ad valorem taxes upon all the taxable property within the City for the payment thereof, without limitation as to rate or amount.

On December 3, 2003, the Authority issued \$5,800,000 City-guaranteed Parking Revenue Bonds, Series 2003, subject to this agreement. On May 14, 2013, the Authority issued \$4,745,000 to refund the 2003 Bonds. As of December 31, 2017, the Authority had outstanding \$3,895,000 subject to the City guarantee.

On December 21, 2018, the Rahway Parking Authority was dissolved and the City of Rahway issued bonds in the amount of \$3,335,000 to refund the above outstanding Authority bonds.

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Changes in Long-Term Municipal Debt**

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

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
General Capital Fund:					
Bonds Payable	\$ 44,281,368		\$ 3,478,905	\$ 40,802,463	\$ 3,600,328
Intergovernmental Loans Payable:					
NJ Redevelopment Authority	187,500		187,500		
Green Acres Loans	<u>278,082</u>	<u>-</u>	<u>58,715</u>	<u>219,367</u>	<u>25,433</u>
General Capital Fund Long-Term Liabilities	<u>\$ 44,746,950</u>	<u>\$ -</u>	<u>\$ 3,725,120</u>	<u>\$ 41,021,830</u>	<u>\$ 3,625,761</u>
Water Utility Capital Fund:					
Bonds Payable	\$ 2,125,000	\$ 4,714,000	\$ 905,000	\$ 5,934,000	\$ 365,000
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>2,375,023</u>	<u>12,788,797</u>	<u>382,984</u>	<u>14,780,836</u>	<u>602,897</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 4,500,023</u>	<u>\$ 17,502,797</u>	<u>\$ 1,287,984</u>	<u>\$ 20,714,836</u>	<u>\$ 967,897</u>
Sewer Utility Capital Fund:					
Bonds Payable	\$ 870,632		\$ 131,095	\$ 739,537	\$ 129,672
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>799,503</u>	<u>-</u>	<u>132,977</u>	<u>666,526</u>	<u>138,991</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 1,670,135</u>	<u>\$ -</u>	<u>\$ 264,072</u>	<u>\$ 1,406,063</u>	<u>\$ 268,663</u>
Parking Utility Capital Fund:					
Bonds Payable	<u>-</u>	<u>\$ 3,335,000</u>	<u>-</u>	<u>\$ 3,335,000</u>	<u>\$ 180,000</u>
Parking Utility Capital Fund Long-Term Liabilities	<u>\$ -</u>	<u>\$ 3,335,000</u>	<u>\$ -</u>	<u>\$ 3,335,000</u>	<u>\$ 180,000</u>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

**Changes in Long-Term Municipal Debt (Continued)**

	Balance, December 31 <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
General Capital Fund:					
Bonds Payable	\$ 47,611,970		\$ 3,330,602	\$ 44,281,368	\$ 3,478,905
Intergovernmental Loans Payable:					
Community Affairs Loan	20,000		20,000		
NJ Redevelopment Authority	187,500			187,500	
Green Acres Loans	<u>336,620</u>	<u>-</u>	<u>58,538</u>	<u>278,082</u>	<u>58,715</u>
General Capital Fund Long-Term Liabilities	<u>\$ 48,156,090</u>	<u>\$ -</u>	<u>\$ 3,409,140</u>	<u>\$ 44,746,950</u>	<u>\$ 3,537,620</u>
Water Utility Capital Fund:					
Bonds Payable	\$ 3,005,000		\$ 880,000	\$ 2,125,000	\$ 905,000
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>-</u>	<u>\$ 2,437,129</u>	<u>62,106</u>	<u>2,375,023</u>	<u>113,159</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 3,005,000</u>	<u>\$ 2,437,129</u>	<u>\$ 942,106</u>	<u>\$ 4,500,023</u>	<u>\$ 1,018,159</u>
Sewer Utility Capital Fund:					
Bonds Payable	\$ 995,030		\$ 124,398	\$ 870,632	\$ 131,095
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>745,467</u>	<u>\$ 209,483</u>	<u>155,447</u>	<u>799,503</u>	<u>132,977</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 1,740,497</u>	<u>\$ 209,483</u>	<u>\$ 279,845</u>	<u>\$ 1,670,135</u>	<u>\$ 264,072</u>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

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

**Bond Anticipation Notes**

	Rate (%)	Maturity Date	Balance, December 31, <u>2017</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Acquisition and Installation of						
Police Body Cameras	4.00%	8/1/2019	\$ 94,430	\$ 94,430	94,430	\$ 94,430
2015 Road Improvements	4.00%	8/1/2019	551,595	551,595	551,595	551,595
Various 2015 Improvements	4.00%	8/1/2019	904,760	904,760	904,760	904,760
Improvements to Crosswalk - East						
Milton and Lenox	4.00%	8/1/2019	47,500	47,500	47,500	47,500
Environmental Remediation - Various	4.00%	8/1/2019	214,285	214,285	214,285	214,285
Basketball and Tennis Court Renovations	4.00%	8/1/2019	104,000	104,000	104,000	104,000
2016 Road Reconstruction and Resurfacing	4.00%	8/1/2019	940,000	694,175	940,000	694,175
Various 2016 Capital Improvements	4.00%	8/1/2019	952,232	952,232	952,232	952,232
2017 Road Program	4.00%	8/1/2019	1,190,476	1,125,476	1,190,476	1,125,476
			<u>4,999,278</u>	<u>4,688,453</u>	<u>4,999,278</u>	<u>4,688,453</u>
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
Various Water Improvements			3,503,893		3,503,893	
Various Water Improvements	4.00%	8/1/2019	2,806,890	2,715,074	2,806,890	2,715,074
Monroe St. Bridge Water Improvements	4.00%	8/1/2019	142,404	140,505	142,404	140,505
Replace Water Main - Hamilton St.	4.00%	8/1/2019	1,241,871	1,208,307	1,241,871	1,208,307
Water Treatment Plan Improvements			1,210,107		1,210,107	-
Water Treatment Plan Improvements			12,259,302	-	12,259,302	-
			<u>21,164,467</u>	<u>4,063,886</u>	<u>21,164,467</u>	<u>4,063,886</u>



**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

Bond Anticipation Notes (Continued)

**2018**

Sewer Utility Capital Fund

<u>Purpose</u>	<u>Rate</u> (%)	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>December 31,</u> <u>2017</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance,</u> <u>December 31,</u> <u>2018</u>
Sewer System Improvements	4.00%	8/1/2019	\$ 558,479	\$ 341,489	\$ 558,479	\$ 341,489
Impvts. To Donald Avenue Storm Sewer	4.00%	8/1/2019	126,464	123,046	126,464	123,046
Emergency Sinkhole Repair	4.00%	8/1/2019	492,307	479,486	492,307	479,486
Flood Control Mitigation	4.00%	8/1/2019	292,307	284,614	292,307	284,614
Storm Sewer - Kline Place	4.00%	8/1/2019	350,000	341,026	350,000	341,026
Inflow & Infiltration (Phase III)	4.00%	8/1/2019	425,000	425,000	425,000	425,000
Witherspoon St. Outfall & Monroe St. Sewer Lines	4.00%	8/1/2019	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>
			<u>2,569,557</u>	<u>2,319,661</u>	<u>2,569,557</u>	<u>2,319,661</u>
Total Bond Anticipation Notes			<u>\$ 28,733,302</u>	<u>\$ 11,072,000</u>	<u>\$ 28,733,302</u>	<u>\$ 11,072,000</u>

<u>Purpose</u>	<u>Rate</u> (%)	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>December 31,</u> <u>2016</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance,</u> <u>December 31,</u> <u>2017</u>
Acquisition and Installation of Police Body Cameras	2.25%	8/2/2018	\$ 94,430	\$ 94,430	94,430	\$ 94,430
2015 Road Improvements	2.25%	8/2/2018	551,595	551,595	551,595	551,595
Various 2015 Improvements	2.25%	8/2/2018	904,760	904,760	904,760	904,760
Improvements to Crosswalk - East Milton and Lenox	2.25%	8/2/2018	47,500	47,500	47,500	47,500
Environmental Remediation - Various	2.25%	8/2/2018	214,285	214,285	214,285	214,285
Basketball and Tennis Court Renovations	2.25%	8/2/2018		104,000		104,000
2016 Road Reconstruction and Resurfaci	2.25%	8/2/2018		940,000		940,000
Various 2016 Capital Improvements	2.25%	8/2/2018		952,232		952,232
2017 Road Program	2.25%	8/2/2018	<u>-</u>	<u>1,190,476</u>	<u>-</u>	<u>1,190,476</u>
			<u>1,812,570</u>	<u>4,999,278</u>	<u>1,812,570</u>	<u>4,999,278</u>

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt (Continued)**

	Rate (%)	Maturity Date	Balance, December 31, <u>2016</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2017</u>
<u>Bond Anticipation Notes (Continued)</u>						
<u>2017</u>						
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
Various Water Improvements	1.18%	6/28/2018	\$ 3,160,863	\$ 3,503,893	\$ 3,160,863	\$ 3,503,893
Various Water Improvements	2.25%	8/2/2018	2,076,754	2,806,890	2,076,754	2,806,890
Monroe St. Bridge Water Improvements	2.25%	8/2/2018	144,303	142,404	144,303	142,404
Replace Water Main - Hamilton St.	2.25%	8/2/2018	1,275,436	1,241,871	1,275,436	1,241,871
Water Treatment Plan Improvements	1.18%	6/28/2018	1,280,242	1,210,107	1,280,242	1,210,107
Water Treatment Plan Improvements	0.00%	6/15/2018	<u>14,726,900</u>	<u>12,259,302</u>	<u>14,726,900</u>	<u>12,259,302</u>
			<u>22,664,498</u>	<u>21,164,467</u>	<u>22,664,498</u>	<u>21,164,467</u>
Sewer System Improvements	2.25%	8/2/2018	565,986	558,479	565,986	558,479
Impvts. To Donald Avenue Storm Sewer	2.25%	8/2/2018	129,882	126,464	129,882	126,464
Emergency Sinkhole Repair	2.25%	8/2/2018	500,000	492,307	500,000	492,307
Flood Control Mitigation	2.25%	8/2/2018	300,000	292,307	300,000	292,307
Storm Sewer - Kline Place	2.25%	8/2/2018	350,000	350,000	350,000	350,000
Inflow & Infiltration (Phase III)	2.25%	8/2/2018		425,000		425,000
Witherspoon St. Outfall & Monroe St. Sewer Lines	2.25%	8/2/2018	<u>-</u>	<u>325,000</u>	<u>-</u>	<u>325,000</u>
			<u>1,845,868</u>	<u>2,569,557</u>	<u>1,845,868</u>	<u>2,569,557</u>
Total Bond Anticipation Notes			<u>\$ 26,322,936</u>	<u>\$ 28,733,302</u>	<u>\$ 26,322,936</u>	<u>\$ 28,733,302</u>

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

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

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<b><u>2018</u></b>		
Water Treatment Plant Filtration Improvements	\$709,960	2019
2018 Road Resurfacing Project	629,601	2019
Acquisition of Sewer Jet Truck	351,652	2019
<b><u>2017</u></b>		
Water Treatment Plant Filtration Improvements	\$574,647	2019
Four Door Custom Fire Apparatus	507,000	2018
2018 Road Resurfacing Project	124,400	2018
Sidewalk Improvement Program	155,132	2018

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

Under the existing policies and labor agreements of the City, employees are allowed to accumulate (with certain restrictions) unused vacation benefits and sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon death, retirement or by extended absence immediately preceding retirement. In addition, the City has entered into agreements with certain employees allowing for the deferral of a portion of such employees' salary increases. These salary deferrals will be paid in full upon termination of employment.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$7,261,949 and \$7,318,667 at December 31, 2018 and 2017, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of both December 31, 2018 and 2017, the City has reserved in the Other Trust Fund \$631,318 to fund compensated absences in accordance with NJSA 40A:4-39.

**B. Deferred Pension Obligation**

During the year ended December 31, 2009 the City elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$1,554,082 and will be paid back with interest over 15 years beginning in the 2012 year. The City is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.00% effective July 1, 2017 and 7.65% effective July 1, 2016 through June 30, 2017) at December 31, 2018 and 2017 is \$399,784 and \$607,417, respectively.

**CITY OF RAHWAY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)**

**B. Deferred Pension Obligation (Continued)**

During the years ended December 31, 2018, 2017 and 2016 the City was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

Years Ended <u>December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2018	\$ 34,139	\$ 204,066
2017	33,711	202,019
2016	33,343	200,072

**Changes in Other Long-Term Liabilities**

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

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

	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
Compensated Absences	\$ 7,318,667		\$ 56,718	\$ 7,261,949	
Deferred Pension Obligation	607,417	\$ 30,572	238,205	399,784	\$ 239,313
Net Pension Liability - PERS	21,435,610		3,043,661	18,391,949	
Net Pension Liability - PFRS	58,794,904	-	8,911,809	49,883,095	
Net OPEB Liability	-	47,534,020	1,546,229	45,987,791	-
Total Other Long-Term Liabilities	<u>\$ 88,156,598</u>	<u>\$47,564,592</u>	<u>\$13,796,622</u>	<u>\$ 121,924,568</u>	<u>\$ 239,313</u>
	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<b><u>2017</u></b>					
Compensated Absences	\$ 7,518,476		\$ 199,809	\$ 7,318,667	
Deferred Pension Obligation	794,984	\$ 48,163	235,730	607,417	\$ 238,205
Net Pension Liability - PERS	28,099,989		6,664,379	21,435,610	
Net Pension Liability - PFRS	73,160,092	-	14,365,188	58,794,904	-
Total Other Long-Term Liabilities	<u>\$ 109,573,541</u>	<u>\$ 48,163</u>	<u>\$21,465,106</u>	<u>\$ 88,156,598</u>	<u>\$ 238,205</u>

Note: Information on the Net OPEB Liability for 2017 was not available.

**CITY OF RAHWAY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

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

**Consolidated Police and Firemen’s Pension Fund (CPFPPF)** – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members. Additionally, based on recent actuarial valuation there was no normal cost or accrued liability contributions required for the fiscal year ended June 30, 2017. CPFPPF is a single-employer defined benefit plan. For additional information about CPFPPF, please refer to the State Division of Pension and Benefits (Division’s) Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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

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

The following represents the membership tiers for PFRS:

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

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

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

**CITY OF RAHWAY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

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

The following represents the membership tiers for PERS:

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

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

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

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

**Other Pension Funds**

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

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF.

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Other Pension Funds (Continued)**

Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

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

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Collective Net Pension Liability**

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

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

**Actuarial Methods and Assumptions**

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

**Employer and Employee Pension Contributions**

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

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

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

	<u>CPFPF</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2018	\$ 17,955	\$ 3,370,537	\$ 853,057	\$ 14,267
2017	18,044	3,122,639	842,878	9,721
2016	18,045	3,183,252	766,162	5,917

In addition, for the years ended December 31, 2018 and 2017 the City contributed \$8,396 and \$4,320, respectively for long-term disability insurance premiums (LTDI) for PERS.



**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

**Public Employees Retirement System (PERS)**

At December 31, 2018 and 2017, the City reported a liability of \$18,391,949 and \$21,435,610, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the City's proportionate share was .09340 percent, which was an increase of .00132 percent from its proportionate share measured as of June 30, 2017 of .09208 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the City's pension expense to be \$1,145,776 and \$1,606,932, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the City's financial statements of \$853,057 and \$842,878, respectively. At December 31, 2018 and 2017, the City's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the City's financial statements are from the following sources:

	<u>2018</u>		<u>2017</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 350,737	\$ 94,835	\$ 504,735	
Changes of Assumptions	3,030,689	5,880,767	4,318,537	\$ 4,302,704
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		172,517	145,962	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>878,662</u>	<u>569,410</u>	<u>910,804</u>	<u>786,730</u>
Total	<u>\$ 4,260,088</u>	<u>\$ 6,717,529</u>	<u>\$ 5,880,038</u>	<u>\$ 5,089,434</u>

**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

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

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ 239,994
2020	(68,998)
2021	(1,204,504)
2022	(1,106,189)
2023	(317,744)
Thereafter	<u>-</u>
	<u>\$ (2,457,441)</u>

***Actuarial Assumptions***

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

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

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

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

**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

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

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

***Discount Rate***

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

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

**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

**Discount Rate (Continued)**

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

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

\* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Sensitivity of Net Pension Liability**

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

	<b>1% Decrease (4.66%)</b>	<b>Current Discount Rate (5.66%)</b>	<b>1% Increase (6.66%)</b>
<b><u>2018</u></b>			
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 23,125,757</u>	<u>\$ 18,391,949</u>	<u>\$ 14,420,587</u>
	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
<b><u>2017</u></b>			
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 26,592,329</u>	<u>\$ 21,435,610</u>	<u>\$ 17,139,424</u>

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

**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*Pension Plan Fiduciary Net Position*

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

**Police and Firemen’s Retirement System (PFRS)**

At December 31, 2018 and 2017, the City reported a liability of \$49,883,095 and \$58,794,904, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The City’s proportionate share of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2018, the City’s proportionate share was .36864 percent, which was a decrease of .0122 percent from its proportionate share measured as of June 30, 2017 of .38084 percent.

For the years ended December 31, 2018 and 2017, the pension system has determined the City pension expense to be \$3,301,131 and \$5,098,019, respectively, for PFRS based on the actuarial valuation which is less than and more than the actual contributions reported in the City’s financial statements of \$3,370,537 and \$3,122,639, respectively. At December 31, 2018 and 2017, the City’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the City’s financial statements are from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 507,495	\$ 206,428	\$ 381,427	\$ 345,077
Changes of Assumptions	4,281,793	12,784,176	7,250,067	9,628,886
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		272,906	1,121,945	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	653,041	2,807,942	1,079,864	1,881,560
Total	\$ 5,442,329	\$ 16,071,452	\$ 9,833,303	\$ 11,855,523

**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Police and Firemen’s Retirement System (PFRS) (Continued)**

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

Year Ending <u>December 31,</u>	<u>Total</u>
2019	\$ (53,267)
2020	(1,876,743)
2021	(4,667,671)
2022	(2,990,459)
2023	(1,040,983)
Thereafter	<u>-</u>
	<u>\$ (10,629,123)</u>

***Actuarial Assumptions***

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

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

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

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

**CITY OF RAHWAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Police and Firemen’s Retirement System (PFRS) (Continued)**

***Long-Term Expected Rate of Return***

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

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

***Discount Rate***

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

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

**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Police and Firemen’s Retirement System (PFRS) (Continued)**

**Discount Rate (Continued)**

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

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

\* The municipal bond return rate used is 3.87% and 3.58% as of the measurement dates of June 30, 2018 and 2017, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Sensitivity of Net Pension Liability**

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

	<b>1% Decrease (5.51%)</b>	<b>Current Discount Rate (6.51%)</b>	<b>1% Increase (7.51%)</b>
<b><u>2018</u></b>			
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 66,762,332</u>	<u>\$ 49,883,095</u>	<u>\$ 35,960,799</u>
	<b>1% Decrease (5.14%)</b>	<b>Current Discount Rate (6.14%)</b>	<b>1% Increase (7.14%)</b>
<b><u>2017</u></b>			
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 77,467,128</u>	<u>\$ 58,794,904</u>	<u>\$ 43,453,549</u>

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



**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Special Funding Situation – PFRS***

Under N.J.S.A. 43:16A-15, the City is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the City by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the City's proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the City for the PFRS special funding situation is \$6,775,794 and \$6,585,524, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the City for the PFRS special funding situation is \$802,582 and \$805,558, respectively, which are more than the actual contributions the State made on behalf of the City of \$401,291 and \$327,304, respectively. At December 31, 2018 (measurement date June 30, 2018) the State's share of the PFRS net pension liability attributable to the City was .36864 percent, which was a decrease of .0122 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .38084 percent. The State's proportionate share attributable to the City was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the City's financial statements.

***Pension Plan Fiduciary Net Position***

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

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

**Plan Description and Benefits Provided**

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

**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Plan Description and Benefits Provided (Continued)**

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

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

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

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

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

**CITY OF RAHWAY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

**Collective Net OPEB Liability**

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

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

**Actuarial Methods and Assumptions**

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

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

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

**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Actuarial Methods and Assumptions (Continued)**

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution, an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The City's contributions to the State Health Benefits Program Fund-Local Government Retired Plan for post-retirement benefits for the years ended December 31, 2018, 2017 and 2016 were \$3,566,730, \$3,369,881 and 3,333,962, respectively, which equaled the required contributions for each year (or were not available). In addition, the City's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2018, 2017 and 2016 were \$149,170, \$133,622 and \$129,981, respectively.

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

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

At December 31, 2018 and 2017, the City reported a liability of \$45,987,791 and \$67,710,493, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 and 2016, respectively. The City's proportionate share of the net OPEB liability was based on the ratio of the City's proportionate share of the OPEB liability attributable to the City at June 30, 2018 and 2017 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2018 and 2017, respectively. As of the measurement date of June 30, 2018 the City's proportionate share was .29354 percent, which was an increase of .29354 percent from its proportionate share measured as of June 30, 2017 of -0-percent.

**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

For the years ended December 31, 2018 and 2017, the Plan has determined the City's OPEB expense to be \$1,546,229 and a credit of \$(8,421,703), respectively, based on the actuarial valuations which are less than the actual contributions reported in the City's financial statements of \$3,566,730 and \$3,369,881, respectively. At December 31, 2018 and 2017, the City's deferred outflows of resources and deferred inflows of resources related to the OPEB plan which are not reported on the City's financial statements are from the following sources:

	2018		2017	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 9,337,162		
Changes of Assumptions		11,665,405		
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ 24,303			
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	58,391,684	50,867,087		\$ 59,288,790
Contributions made Subsequent to the Measurement Date	-	-	-	-
Total	<u>\$ 58,415,987</u>	<u>\$ 71,869,654</u>	<u>\$ -</u>	<u>\$ 59,288,790</u>

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

<u>Year Ending December 31,</u>	<u>Total</u>
2019	\$ (3,179,056)
2020	(3,179,056)
2021	(3,179,056)
2022	(3,179,057)
2023	(3,185,132)
Thereafter	<u>2,447,690</u>
	<u>\$ (13,453,667)</u>

**CITY OF RAHWAY  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

*Actuarial Assumptions*

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

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

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

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

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

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

**CITY OF RAHWAY  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

***Long-Term Expected Rate of Return***

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

**Discount Rate**

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

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

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

***Sensitivity of Net OPEB Liability to Changes in the Discounts Rate***

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

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
<b>2018</b>			
City's Proportionate Share of the Net OPEB Liability	<u>\$ 53,955,837</u>	<u>\$ 45,987,791</u>	<u>\$ 39,623,125</u>
	<b>1% Decrease (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1% Increase (4.58%)</b>
<b>2017</b>			
City's Proportionate Share of the Net OPEB Liability	<u>\$ 79,866,545</u>	<u>\$ 67,710,493</u>	<u>\$ 58,064,871</u>

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

**CITY OF RAHWAY  
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**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

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

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

<b><u>2018</u></b>	<b><u>1% Decrease</u></b>	<b><u>Healthcare Cost Trend Rates</u></b>	<b><u>1% Increase</u></b>
City's Proportionate Share of the Net OPEB Liability	<u>\$ 38,361,191</u>	<u>\$ 45,987,791</u>	<u>\$ 55,857,744</u>
<b><u>2017</u></b>	<b><u>1% Decrease</u></b>	<b><u>Healthcare Cost Trend Rates</u></b>	<b><u>1% Increase</u></b>
City's Proportionate Share of the Net OPEB Liability	<u>\$ 56,269,397</u>	<u>\$ 67,710,493</u>	<u>\$ 82,608,125</u>

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

*Special Funding Situation*

Under N.J.S.A. 43:3C-24 the City is responsible for their own OPEB contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 330, P.L. 1997 and Chapter 271, P.L., 1989. Under Chapter 330, P.L. 1997, the State pays the premiums or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989. The amounts contributed on behalf of the City by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Accordingly, the City’s proportionate share percentage of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 75 is zero percent and the State’s proportionate share is 100% of OPEB under this legislation.



**CITY OF RAHWAY  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

*Special Funding Situation (Continued)*

At December 31, 2018 and 2017, the State's proportionate share of the net OPEB liability attributable to the City for the OPEB special funding situation is \$27,115,602 and \$37,799,396, respectively. For the years ended December 31, 2018 and 2017 the plan has determined the State's proportionate share of the OPEB expense attributable to the City for the OPEB special funding situation is \$820,821 and \$2,705,155, respectively. At December 31, 2018, (measurement date June 30, 2018), the State's share of the OPEB liability attributable to the City was .43637 percent, which was an increase of .00167 percent from its proportionate share measured as of December 31, 2017 (measurement date June 30, 2017) of .43470 percent. The State's proportionate share attributable to the City was developed based on eligible plan members subject to the special funding situation. This data takes into account active members from both participating and non-participating employer locations and retired members currently receiving OPEB benefits.

*OPEB Plan Fiduciary Net Position*

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

**NOTE 14 RISK MANAGEMENT**

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

The City of Rahway is a member of the Garden State Municipal Joint Insurance Fund (GSJIF). The joint insurance fund is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and worker's compensation. The Fund is a risk-sharing public entity pool.

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

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

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 14 RISK MANAGEMENT (Continued)**

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

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

<u>Year Ended</u> <u>December 31,</u>	<u>City</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018		\$ 14,954	\$ 44,727	\$ 71,249
2017		27,836	32,279	101,039
2016		26,538	11,799	105,482

**NOTE 15 CONTINGENT LIABILITIES**

The City is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the City’s Attorney, the potential claims against the City not covered by insurance policies would not materially affect the financial condition of the City.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2018 and 2017. Amounts claimed have not yet been determined. The City is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the City does not recognize a liability, if any, until these cases have been adjudicated. The City expects such amounts, if any, could be material. As of December 31, 2018 and 2017, the City reserved \$249,659 and \$1,400,000, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

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

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2018 and 2017, the City had no estimated arbitrage earnings due to the IRS.

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 17 PUBLIC/PRIVATE PARTNERSHIPS**

The City presently owns a water supply, treatment, transmission, storage and distribution system, and a billing and collections department (the “Water System”). The City has entered into a management services agreement with United Water Operations, Inc. for the operation, management, maintenance and repair of the Water System in accordance with the provisions of the “New Jersey Water Supply Public-Private Contracting Act” set forth at N.J.S.A. 58:26-19 et seq.

Pursuant to the terms of the original agreement, the City retained ownership of the Water System and Suez Water Environmental Services, Inc. (formerly United Water Operations, Inc.) will operate, manage, maintain and repair the Water System for a period of twenty (20) years, beginning September 29, 1999. In exchange for these services, the City paid Suez an annual Fixed Management Fee. The agreement did not provide for the payment of any concession fees by Suez to the City.

During 2017, the aforementioned original agreement was terminated by mutual agreement of the City and Suez, Inc. and a new agreement was entered into for a period of twenty (20) years, beginning on May 15, 2017.

**NOTE 18 TAX ABATEMENTS**

For the years ended December 31, 2018 and 2017, the City provided property tax abatements through certain programs authorized under State statutes.

- The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being “in need of redevelopment”. These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area “in need of redevelopment”. Upon adopting the planning board’s recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. For the years ended December 31, 2018 and 2017 the City abated property taxes totaling \$4,145,731 and \$4,868,270, respectively under the LTTE program. The City received \$1,575,530 and \$1,392,245 in PILOT payments under this program for the years ended December 31, 2018 and 2017, respectively.

**NOTE 19 ASSUMPTION OF RAHWAY PARKING AUTHORITY OPERATIONS**

On September 10, 2018 the City of Rahway adopted an ordinance to dissolve the Rahway Parking Authority and to assume the operations as part of a parking utility fund of the City. On October 10, 2018, application was made to and approval was granted by the Local Finance Board of the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The effective date of the dissolution was December 21, 2018, at which time a transfer of the Authority’s remaining cash on hand of \$3,550,133 was made to the City of Rahway, which created a Parking Utility Fund and thereby formally assumed the operations of the Rahway Parking Authority.

**CITY OF RAHWAY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 20 SUBSEQUENT EVENTS**

**Serial Bonds**

On July 16, 2019, the City adopted a resolution for the issuance of \$10,050,000 general obligation bonds for the purpose of funding various capital improvements of the City. On July 17, 2019 the City awarded the sale of said bonds to Hutchinson, Shockey, Erley and Co. at interest rates of 2 to 3%. These bonds dated July 31, 2019, will mature over 20 years with the first maturity due July 15, 2020.

**Bond Anticipation Notes**

On July 17, 2019 the City issued bond anticipation notes in the amount of \$11,004,000 to temporarily finance expenditures related to various capital projects. The City has awarded the sale of said notes to JP Morgan at an interest rate of 3%. These notes dated July 31, 2019 will mature on July 30, 2020.

**Debt Authorized**

During 2019, the City adopted various bond ordinances authorizing the issuance \$5,359,250 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the City has not issued nor awarded the sale of said bonds or notes.

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION FOR THE BONDS**

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

July \_\_, 2020

Mayor and City Council  
of the City of Rahway  
Rahway, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance, execution and delivery of the \$5,215,000 aggregate principal amount of General Improvement Bonds, Series 2020 (the “Bonds”) of the City of Rahway, in the County of Union (the “City”), a municipal corporation organized and existing under the laws of the State of New Jersey.

The Bonds are authorized by and are issued pursuant to: (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”); (ii) various bond ordinances duly adopted by the City Council of the City, approved by the Mayor, and published as required by law; and (iii) a resolution duly adopted by the City Council of the City on June 15, 2020.

The Bonds are being issued to refund, on a current basis, a \$5,215,000 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$10,254,000 on July 31, 2019 and maturing on July 30, 2020.

The Bonds are issued in fully registered, book-entry-only form, without coupons, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year. Individual purchases of the Bonds will be made in principal denominations of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City, as paying agent (or a paying agent duly appointed by the City), directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of

DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth (15<sup>th</sup>) day of January and July in each year (each an “Interest Payment Date”), commencing January 15, 2021, until maturity or prior redemption. The Bonds shall mature on July 15 in each of the years, in the principal amounts, and at the interest rates as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rates</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
2021	\$ 330,000	%	2026	\$ 545,000	%
2022	405,000		2027	575,000	
2023	430,000		2028	625,000	
2024	485,000		2029	645,000	
2025	515,000		2030	660,000	

The Bonds of this issue maturing prior to July 15, 2028 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after July 15, 2028 are subject to redemption at the option of the City, in whole or in part, on any date on or after July 15, 2027, upon notice as required therein at one hundred percent (100%) of the principal amount being redeemed (the “Redemption Price”), plus accrued interest to the date fixed for redemption.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the authorization, issuance, sale, execution and delivery of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) such proceedings and proofs show lawful authority for the authorization, issuance, sale, execution and delivery of the Bonds pursuant to the Local Bond Law; (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding general obligations of the City enforceable in accordance with their terms; and (iii) the City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds and, unless paid from other sources,



all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

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

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

[The Bonds maturing on July 15 in the years \_\_\_\_ through \_\_\_\_, inclusive (collectively, the “Premium Bonds”), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser’s basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner’s adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.]

[We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on July 15 in the years \_\_\_\_\_ through \_\_\_\_\_, inclusive (collectively, the “Discount Bonds”), and their respective initial public offering prices to the public (excluding bond houses, brokers or similar person or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for Federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in

determining, for Federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

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

Except as stated in the preceding paragraphs, we express no opinion as to any Federal, state, local or foreign tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state, local or foreign tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

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

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

We have examined the Bonds, as executed by the City, and, in our opinion, the form of each Bond and their execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

**APPENDIX D**

**FORM OF APPROVING LEGAL OPINION FOR THE NOTES**

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

July \_\_, 2020

Mayor and City Council  
of the City of Rahway  
Rahway, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance, execution and delivery of the \$11,023,000 aggregate principal amount of General Obligation Notes, Series 2020 consisting of \$7,775,000 aggregate principal amount of General Improvement Bond Anticipation Notes, Series 2020 (the "General Improvement Notes"), \$1,000,000 aggregate principal amount of Water Utility Bond Anticipation Notes, Series 2020 (the "Water Utility Notes"), \$1,498,000 aggregate principal amount of Sewer Utility Bond Anticipation Notes, Series 2020 (the "Sewer Utility Notes"), and \$750,000 aggregate principal amount of Parking Utility Bond Anticipation Notes, Series 2020 (the "Parking Utility Notes" and together with the General Improvement Notes, the Water Utility Notes and the Sewer Utility Notes, the "Notes"), dated July 29, 2020, maturing on July 28, 2021 and bearing interest at the rate of \_\_\_\_ and \_\_\_\_ hundredths per centum (\_\_\_\_%) per annum of the City of Rahway, in the County of Union (the "City"), a municipal corporation organized and existing under the laws of the State of New Jersey.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) various bond ordinances duly adopted by the City Council of the City, approved by the Mayor, and published as required by law; and (iii) a resolution duly adopted by the City Council of the City on June 15, 2020.

The General Improvement Notes are being issued to (i) refund, on a current basis, an \$4,626,500 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$10,254,000 on July 31, 2019 and maturing on July 30, 2020 (the remaining balance of prior bond anticipation notes in the amount of \$412,500 is being paid by a 2020 budget appropriation and/or excess note proceeds), (ii) temporarily finance the cost of various capital improvements in and for the City in the amount of \$3,148,500, and (ii) pay the costs associated with the issuance of the General Improvement Notes. The Water Utility Notes are being issued to (i) temporarily finance the cost of various water utility improvements in and for the City in the amount of \$1,000,000, and (ii) pay the costs associated with the issuance of the Water Utility Notes. The Sewer Utility Notes are being issued to (i) temporarily finance the cost of various

sewer utility improvements in and for the City in the amount of \$1,498,000, and (ii) pay the costs associated with the issuance of the Sewer Utility Notes. The Parking Utility Notes are being issued to refund, on a current basis, a \$750,000 parking utility bond anticipation note of the City, dated July 31, 2019 and maturing on July 30, 2020. The Notes are not subject to redemption prior to maturity.

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

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

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

In our opinion, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code and the aforementioned covenants and representations stated in its tax certificate, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. The Notes are not "specified private activity bonds"

within the meaning of Section 57 of the Code and, therefore, the interest on the Notes will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

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

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

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

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

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

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

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**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS**

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## CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated July \_\_\_\_, 2020 (the "Disclosure Certificate") is executed and delivered by the City of Rahway, in the County of Union (the "City" or the "Issuer"), a municipal corporation organized and existing under the laws of the State of New Jersey, in connection with the issuance of its \$5,215,000 aggregate principal amount of General Improvement Bonds, Series 2020 (the "Bonds"), all such Bonds being dated their date of delivery. The Bonds are being issued pursuant to (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented; (ii) various bond ordinances duly adopted by the City Council of the City, approved by the Mayor, and published as required by law; and (iii) a resolution entitled, "RESOLUTION (A) PROVIDING FOR THE COMBINATION OF CERTAIN BOND ORDINANCES AND DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF \$5,215,000 GENERAL IMPROVEMENT BONDS, SERIES 2020 OF THE CITY OF RAHWAY, IN THE COUNTY OF UNION, STATE OF NEW JERSEY (THE "CITY") AND PROVIDING FOR THEIR SALE AND (B) AUTHORIZING THE SALE AND ISSUANCE OF \$11,023,000 GENERAL OBLIGATION NOTES, SERIES 2020 CONSISTING OF \$7,775,000 GENERAL IMPROVEMENT BOND ANTICIPATION NOTES, SERIES 2020, \$1,000,000 WATER UTILITY BOND ANTICIPATION NOTES, SERIES 2020, \$1,498,000 SEWER UTILITY BOND ANTICIPATION NOTES, SERIES 2020, AND \$750,000 PARKING UTILITY BOND ANTICIPATION NOTES, SERIES 2020" (the "Resolution"), being duly adopted by the City Council of the City on June 15, 2020. The City covenants and agrees as follows:

**SECTION 1.** Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders of the Bonds and Beneficial Owners of the Bonds and in order to assist the participating Underwriter(s) in complying with the Rule (as defined below). The City acknowledges it is an "Obligated Person" under the Rule (as defined below).

**SECTION 2.** Definitions. In addition to the definitions set forth in the Resolution which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

*"Annual Report"* shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

*"Beneficial Owner"* shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership, of any Bonds, as applicable (including persons holding Bonds, as applicable, through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

*"Business Day"* shall mean any day other than a Saturday, Sunday or a day on which the City or the Dissemination Agent (as defined below) is authorized by law or contract to remain closed.

*"Continuing Disclosure Information"* shall mean, collectively, (i) each Annual Report; (ii) any notice required to be filed by the City or the Dissemination Agent (as defined below)

with EMMA (as defined below) pursuant to Section 3 of this Disclosure Certificate; and (iii) any notice of a Listed Event required to be filed by the City or the Dissemination Agent (as defined below) with EMMA (as defined below) pursuant to Section 5 of this Disclosure Certificate.

*“Disclosure Representative”* shall mean the Chief Financial Officer of the City or his designee, or such other person as the City shall designate in writing from time to time for the purposes of this Disclosure Certificate.

*“Dissemination Agent”* shall mean, initially, Phoenix Advisors, LLC, Bordentown, New Jersey, or any Dissemination Agent subsequently designated in writing by the City which has filed with the City a written acceptance of such designation.

*“EMMA”* shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined below) and approved by the SEC (as defined below) to provide a central location where investors can obtain municipal bond information including disclosure documents. The City or the Dissemination Agent shall submit disclosure documents to EMMA as a Portable Document File (PDF file) to [www.emma.msrb.org](http://www.emma.msrb.org).

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

*“Listed Events”* shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

*“MSRB”* shall mean the Municipal Securities Rulemaking Board.

*“National Repository”* shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC (as defined below) as a repository for purposes of the Rule (as defined below).

*“Rule”* shall mean Rule 15c2-12(b)(5) adopted by the SEC (as defined below) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

*“SEC”* shall mean the United States Securities and Exchange Commission.

*“State”* shall mean the State of New Jersey.

*“Underwriters”* shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

**SECTION 3. Provision of Annual Reports.** (a) The City shall, not later than two hundred seventy (270) days after the end of its fiscal year (currently December 31) for each fiscal year until termination of the City’s reporting obligations under this Disclosure Certificate pursuant to the provisions of Section 6 of this Disclosure Certificate, provide to

the Dissemination Agent the Annual Report prepared for the preceding fiscal year of the City (commencing for the fiscal year ending December 31, 2019). Each Annual Report provided to the Dissemination Agent by the City shall comply with the requirements of Section 4 of this Disclosure Certificate but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

(b) The Dissemination Agent, promptly (within ten (10) Business Days) after receiving the Annual Report from the City, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate to the National Repository and stating the date it was provided to the National Repository.

(c) If the City fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the City advising of such failure. Whether or not such notice is given or received, if the City thereafter fails to submit the Annual Report to the Dissemination Agent within ten (10) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with a copy of said notice to the City) to the National Repository in substantially the form attached as Exhibit A hereto.

**SECTION 4. Content of Annual Reports.** (a) The City's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the City as of December 31 of each year (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available);

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles ("GAAP"), and the budget laws of the State;

(2) The most current annual debt statement of the City (as of December 31); and

(3) The general financial information and operating data of the City consistent with the information set forth in Appendix A to the Official Statement dated July 15, 2020 prepared in connection with the sale of the Bonds (the "Official Statement").

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the SEC. If the document incorporated by reference is a final official statement, it must be available

from the MSRB, through the EMMA system. The City shall clearly identify each such other document so incorporated by reference.

**SECTION 5.** Reporting of Significant Events. (a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

The City shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of this Section 5. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the City may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the City has or obtains knowledge of the occurrence of any of the Listed Events, the City shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the City determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the City shall promptly notify the Dissemination Agent in writing (if the City is not the Dissemination Agent) and the City shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the City determines that the occurrence of a Listed Event would not be material to the Beneficial Owners of the Bonds, the City shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the City) and the Dissemination Agent (if the Dissemination Agent is not the City) shall be instructed by the City not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the City (if the Dissemination Agent is not the City). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Resolution.

**SECTION 6. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate shall terminate upon the defeasance or payment in full of all of the Bonds or when the City is no longer an "Obligated Person" (as defined in the Rule). The City shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) of this Disclosure Certificate.

**SECTION 7.** Dissemination Agent; Compensation. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Phoenix Advisors, LLC. The City shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

**SECTION 8.** Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the City to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the City or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Resolution at the time of the amendment. The City shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 of this Disclosure Certificate. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 of this Disclosure Certificate, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9.** Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this



Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the City agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the City) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities 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 gross negligence or willful misconduct. To the extent permitted by law, the City further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the City under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

**SECTION 13. Notices.** All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile or electronic transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the City:

City of Rahway  
1 City Hall Plaza  
Rahway, New Jersey 07065  
Attention: Chief Financial Officer

(b) Copies of all notices to the Dissemination Agent from time to time with respect to the Bonds, initially:

Phoenix Advisors, LLC  
625 Farnsworth Avenue  
Bordentown, New Jersey 08505

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

**SECTION 14. Counterparts.** This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the City and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

**SECTION 15. Severability.** If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the City and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

**SECTION 16. Governing Law.** This Disclosure Certificate shall be construed in accordance with, and governed by, the Laws of the United States of America and the State of New Jersey as applicable.

**CITY OF RAHWAY,  
IN THE COUNTY OF UNION,  
STATE OF NEW JERSEY**

By: \_\_\_\_\_  
**FRANK C. RUGGIERO**  
Chief Financial Officer

**Acknowledged and Accepted by:**

**PHOENIX ADVISORS, LLC,  
as Dissemination Agent**

\_\_\_\_\_  
**Authorized Signatory**

**EXHIBIT A**

**NOTICE TO EMMA OF FAILURE  
TO FILE ANNUAL REPORT**

Name of Issuer: City of Rahway,  
in the County of Union, State of New Jersey

Name of Issue: \$5,215,000 General Improvement Bonds, Series 2020  
Dated: July 29, 2020  
(CUSIP Number: 750667\_\_\_\_\_)

Date of Issuance: July 29, 2020

NOTICE IS HEREBY GIVEN that the above designated City has not provided an Annual Report with respect to the above-named Bonds as required by the Resolution and a Continuing Disclosure Certificate for the Bonds dated July 29, 2020, which was executed by the City and acknowledged and accepted by the Dissemination Agent (the "Certificate"). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Certificate.

DATED: \_\_\_\_\_

\_\_\_\_\_  
**DISSEMINATION AGENT**  
(on behalf of the City)

cc: The City

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**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES**

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## CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES

I, FRANK C. RUGGIERO, Chief Financial Officer of the City of Rahway, in the County of Union (the "City"), a municipal corporation organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY in connection with the authorization, issuance, sale, execution and delivery of the City's \$11,023,000 aggregate principal amount of General Obligation Notes, Series 2020, consisting of \$7,775,000 aggregate principal amount of General Improvement Bond Anticipation Notes, Series 2020 (the "General Improvement Notes"), \$1,000,000 aggregate principal amount of Water Utility Bond Anticipation Notes, Series 2020 (the "Water Utility Notes"), \$1,498,000 aggregate principal amount of Sewer Utility Bond Anticipation Notes, Series 2020 (the "Sewer Utility Notes"), and \$750,000 aggregate principal amount of Parking Utility Bond Anticipation Notes, Series 2020 (the "Parking Utility Notes" and together with the General Improvement Notes, the Water Utility Notes and the Sewer Utility Notes, the "Notes"), dated July 29, 2020 and maturing on July 28, 2021, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the City (or its duly appointed Dissemination Agent) will provide notice of certain material events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a Portable Document File (PDF File) to [www.emma.msrb.org](http://www.emma.msrb.org), of any of the following events with respect to the Notes herein described, as applicable, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or other material events effecting the tax-exempt status of the security; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and lender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event; (13) consummation of a merger, consolidation, or acquisition, or sale of all or substantially all of the assets of the City other than in the ordinary course of business, entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or change of name of a trustee, if material; (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Noteholders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

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

Whenever the City (or its duly appointed Dissemination Agent) obtains actual knowledge of the occurrence of any of the aforementioned events and when the occurrence of such events constitute material information to the holders of the Notes, the City (or its duly appointed Dissemination Agent) shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis but no later than ten (10) business days after the receipt of actual knowledge of such material events.

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

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

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

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the City this \_\_\_\_ day of July, 2020.

**CITY OF RAHWAY,  
IN THE COUNTY OF UNION,  
STATE OF NEW JERSEY**

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**FRANK C. RUGGIERO,  
Chief Financial Officer**