

PRELIMINARY OFFICIAL STATEMENT DATED JULY 7, 2026

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: See "RATINGS" herein

In the opinion of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as defined herein) and the Notes (as defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax; however, interest on the Bonds and the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and on the Notes and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

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

\$11,690,000*
WATER UTILITY BONDS, SERIES 2026
DATED: DATE OF DELIVERY
DUE: JULY 15, AS SHOWN ON THE
INSIDE FRONT COVER

\$37,500,000
BOND ANTICIPATION NOTES
DATED: JULY 21, 2026
DUE: JULY 20, 2027

CALLABLE

NON-CALLABLE

The \$11,690,000* Water Utility Bonds, Series 2026 (the "Bonds") and the \$37,500,000 Bond Anticipation Notes (the "Notes" and together with the Bonds, the "Obligations") are general obligations of the City of Rahway, in the County of Union, State of New Jersey (the "City") and are secured by the full faith and credit of the City for the payment of principal thereof and interest thereon. The Obligations, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the City for the payment of the principal thereof and the interest thereon without limitation as to rate or amount.

The Obligations will be issued in the form of one certificate for the aggregate principal amount thereof maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Obligations. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Obligations on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 each or any integral multiple thereof. See "BOOK-ENTRY ONLY SYSTEM" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Obligations, payments of principal of and interest on the Obligations will be made to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will in turn remit such payments to the owners of beneficial interest in the Obligations.

Principal of the Bonds is payable on July 15 in each of the years set forth on the inside front cover page hereof. Interest on the Bonds is payable on January 15 and July 15, commencing January 15, 2027 in each year until maturity or prior redemption, as applicable. The Notes shall be dated and shall bear interest from July 21, 2026, payable at maturity on July 20, 2027 as set forth on the inside front cover. Interest on the Obligations is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Bonds are subject to redemption prior to their stated maturities as set forth herein. The Notes are not subject to redemption prior to their stated maturity.

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

The Bonds are being issued to: (i) refund, on a current basis, a portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$35,698,000 on July 23, 2025 and maturing on July 22, 2026 (the "Prior Notes"), which Prior Notes were issued to temporarily finance the cost of various water utility improvements and purposes in and by the City; (ii) permanently finance various water utility improvements; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

The Notes are being issued to: (i) refund, on a current basis, a portion of the Prior Notes; (ii) temporarily finance various general capital and utility improvements; and (iii) pay for the costs associated with the issuance and sale of the Notes.

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

The Obligations are offered when, as and if issued and subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality by the law firm of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City, and certain other conditions described herein. Certain legal matters will be passed on for the City by its Director of Law, Louis N. Rainone, Esq., of Rainone Coughlin Minchello, Iselin, New Jersey. NW Financial Group, LLC, Bloomfield, New Jersey, has served as Municipal Advisor to the City in connection with the issuance of the Obligations. It is expected that the Obligations will be available for delivery through the facilities of DTC, New York, New York, on or about July 21, 2026.

All bids for the Bonds must be submitted prior to 11:00 a.m., prevailing New Jersey time, on Tuesday, July 14, 2026, in accordance with the Full Notice of Sale for the Bonds which can be viewed in electronic format, along with this Preliminary Official Statement, on www.munihub.com.

All bids for the Notes must be submitted prior to 11:15 a.m., prevailing New Jersey time, on Tuesday, July 14, 2026, in accordance with the Full Notice of Sale for the Notes which can be viewed in electronic format, along with this Preliminary Official Statement, on www.munihub.com.

Prospective bidders may bid either on the Bonds, or on the Notes or on both issues, provided each bid is in conformance with the applicable notice of sale for such Bonds or Notes.

*Preliminary, subject to change

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

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

MATURITY SCHEDULE*, INTEREST RATES, YIELDS OR PRICES AND CUSIP**

\$11,690,000* WATER UTILITY BONDS, SERIES 2026

<u>Year</u>	<u>Principal*</u>	<u>Interest</u>		<u>CUSIP**</u>
		<u>Rates</u>	<u>Yields</u>	
		%	%	
2027	\$405,000			
2028	415,000			
2029	430,000			
2030	445,000			
2031	465,000			
2032	480,000			
2033	500,000			
2034	520,000			
2035	545,000			
2036	565,000			
2037	585,000			
2038	605,000			
2039	630,000			
2040	650,000			
2041	675,000			
2042	700,000			
2043	725,000			
2044	755,000			
2045	785,000			
2046	810,000			

\$37,500,000 BOND ANTICIPATION NOTES

The Notes shall bear interest at the rate of ____% per annum (at a reoffering yield of ____%), which interest is payable on July 20, 2027. CUSIP**: _____

*Preliminary, subject to change.

**Registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders and/or Noteholders only at the time of issuance of the Bonds and the Notes and 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 and the Notes as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds and the Notes.

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

MAYOR

Raymond A. Giacobbe

CITY COUNCIL

Jeffrey Brooks
David Brown
Darlene Eastman
Karla Timmons
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Joanna Miles
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CITY CLERK

Heather Capone

DIRECTOR OF LAW

Louis N. Rainone, Esquire
Rainone Coughlin Minchello
Iselin, New Jersey

INDEPENDENT AUDITORS

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Fair Lawn, New Jersey

BOND COUNSEL

Archer & Greiner P.C.
Red Bank, New Jersey

MUNICIPAL ADVISOR

NW Financial Group, LLC
Bloomfield, New Jersey

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No broker, dealer, salesperson or other person has been authorized by the City, the Bond Underwriter or the Note Underwriter to give any information or to make any representations, with respect to the Obligations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Bond Underwriter or the Note Underwriter. The information contained herein has been obtained from the City, DTC and other sources which are believed to be reliable; however, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation or warranty of the City, the Bond Underwriter or the Note Underwriter. 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 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.

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

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

In order to facilitate the distribution of the Obligations, the Bond Underwriter or the Note Underwriter may engage in transactions intended to stabilize the price of the Obligations 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 Obligations are offered to the public by the Bond Underwriter or the Note Underwriter and the yields resulting therefrom may vary from the initial public offering prices or yields shown on the inside front cover page hereof. In addition, the Bond Underwriter or the Note Underwriter may allow concessions or discounts from such initial public offering prices or yields to dealers and others.

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

The Bond Underwriter or the Note Underwriter have reviewed the information in this Official Statement in accordance with and as part of their respective responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Bond Underwriter or the Note Underwriter do not guaranty the accuracy or completeness of such information.

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

\$11,690,000* WATER UTILITY BONDS, SERIES 2026

AND

\$37,500,000* BOND ANTICIPATION NOTES

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 its \$11,690,000* Water Utility Bonds, Series 2026 (the "Bonds") and \$37,500,000* Bond Anticipation Notes (the "Notes," and together with the Bonds, the "Obligations"). This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been authorized by the City Council to be distributed in connection with the sale of the Obligations and has been executed by and on behalf of the City by the Chief Financial Officer.

This Official Statement contains specific information relating to the Obligations including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Obligations. 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.

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

THE BONDS

General Description of the Bonds

The Bonds shall be dated the date of delivery and will mature on July 15 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from the date of delivery and shall be payable on each January 15 and July 15 (each, an "Interest Payment Date") in each year until maturity or earlier redemption, if applicable, commencing January 15, 2027, at the rates shown on the inside front cover page hereof. The Bonds are issuable as fully registered book-entry only bonds in the form of one certificate for each year of maturity of the Bonds in the aggregate principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of \$5,000, through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co., or any successor or assign, is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City directly to Cede & Co. or any successor or assign, as nominee for DTC. 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 credited to the participants of DTC as listed on the records of DTC as of the close of business on January 1 and July 1 (the "Record Dates" for the payment of interest on the Bonds). See "BOOK-ENTRY ONLY SYSTEM" herein.

* Preliminary, subject to change

Optional Redemption

The Bonds of this issue maturing prior to July 15, 2032 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after July 15, 2032 are subject to redemption at the option of the City, in whole or in part, on any date on or after July 15, 2031 upon notice as required herein at 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") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice 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 selected by the City; 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 the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the City Council on the dates set forth in the chart below and on the following page and published and approved as required by law, and by a resolution duly adopted by the City Council on July 6, 2024 (the "Resolution").

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 be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the City. Such estoppel period has concluded as of the date of this Official Statement.

Purpose of the Bonds

The Bonds are being issued to: (i) refund, on a current basis, a portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$35,698,000 on July 23, 2025 and maturing on July 22, 2026 (the "Prior Notes"), which Prior Notes were issued to temporarily finance the cost of various water utility improvements and purposes in and by the City; (ii) permanently finance various water utility improvements; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount to be issued for such purposes. The bond ordinances are:

<u>Ordinance Number</u>	<u>Description and Date of Final Adoption</u>	<u>Amount Funded With Bond Proceeds</u>
2-15/4-16	Water Treatment Plant Improvements/Pipeline Construction, Finally Adopted March 3, 2015 (2-15) and March 14, 2016 (4-16)	\$2,250,003
O-6-19	Various Capital Acquisitions and Improvements for Water Utility, Finally Adopted March 11, 2019	344,253
O-11-20	Various Capital Acquisitions and Improvements for Water Utility, Finally Adopted April 13, 2020	278,059
O-16-20	Upgrade of the Granular Activated Carbon Filter System at Water Treatment Plant, Finally Adopted June 22, 2020	2,350,534
O-27-20	Various 2020 Water Utility Acquisitions and Improvements, Finally Adopted September 8, 2020	712,947
O-34-21	Various Public Improvements In, By and For the Water Utility, Finally Adopted on September 13, 2021	1,617,340
O-25-22	Lead Water Service Pipe Replacement Project, Finally Adopted July 11, 2022	761,864
O-34-23	Lead Water Service Pipe Replacement Project, Finally Adopted August 7, 2023	950,000
O-35-23	Replacement of Water Mains, Finally Adopted August 7, 2023	950,000
O-46-23	Undertaking of Water Filtration System Upgrades, Finally Adopted November 21, 2023	975,000
O-47-23	Replacement of Water Meters at Various Locations, Finally Adopted November 21, 2023	500,000
	TOTAL	<u>\$11,690,000</u>

Payment of Bonds

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

THE NOTES

General Description of the Notes

The Notes comprise an issue of general obligation bond anticipation notes of the City in the aggregate principal amount of \$37,500,000, which Notes are being issued in anticipation of the issuance of bonds.

The Notes shall be dated and shall bear interest from July 21, 2026 and shall mature on July 20, 2027. The Notes shall bear interest at the rate shown on the inside front cover hereof, which interest is payable at maturity on July 20, 2027. 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 for DTC. DTC will act as securities depository for the Notes (the "Securities Depository"). 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. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

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 directly by the City as paying agent, or some other paying agent as may be designated by the City, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Notes is the responsibility of the DTC Participants (as hereinafter defined). 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 and are to be issued pursuant to the Local Bond Law. The Notes also are authorized by various bond ordinances of the City, set forth below, and the Resolution.

The bond ordinances included in the sale of the Notes were published in full or in summary form after adoption along with the statement required by the Local Bond Law that the twenty-day period of limitation within which a suit, action or proceeding questioning the validity of the authorizing bond ordinances can be commenced, began to run from the date of the first publication of such estoppel 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 any person shall be estopped from questioning the sale or the execution or the delivery of the Notes by the City.

Purpose of the Notes

The Notes are being issued to: (i) refund, on a current basis, a portion of the Prior Notes; (ii) temporarily finance various general capital and utility improvements; and (iii) pay for the costs associated with the issuance and sale of the Notes.

The purposes for which the Notes are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount to be issued for such purposes. The bond ordinances are:

Ordinance Number	Description and Date of Final Adoption	Amount Being Financed
<u>General</u>		
O-15-22	Reconstruction of Tennis Court Surfaces at Berzinec Park, Finally Adopted April 11, 2022	\$366,896
O-23-22	Various Public Improvements and the Acquisition of Equipment/Machinery/Automotive Vehicles, Finally Adopted July 11, 2022	\$1,913,791
O-24-22	Acquisition of New Ladder Fire Truck, Finally Adopted July 11, 2022	\$1,578,315
O-48-22	Streetscape Improvements in Downtown Business District, Finally Adopted December 12, 2022	\$225,473
O-28-23	Acquisition of Real Property for the Esterbrook Senior Citizen Affordable Housing Redevelopment Project, Finally Adopted June 12, 2023	\$2,635,838
O-33-23	2023 Road and Sidewalk Improvement Program, Finally Adopted August 7, 2023	\$601,795
O-44-23	Various Improvements and Acquisitions, Finally Adopted November 21, 2023	\$1,354,000
O-14-24	Various Capital Improvements and Acquisition of Various Equipment, Finally Adopted May 13, 2024	\$499,998
18-24	Various Capital Improvements And Acquisition of Various Equipment, Finally Adopted June 10, 2024	\$4,883,095
22-24	Various Capital Improvements And The Acquisition Of Various Equipment, Finally Adopted July 8, 2024	\$1,142,857
33-24	Acquisition of Fire Vehicles and Equipment, Finally Adopted October 15, 2024	\$571,428
34-24	Acquisition of an Ambulance and Related Equipment, Finally Adopted October 15, 2024	\$380,952
39-24	Various 2024 Capital Improvements, Finally Adopted November 11, 2024	\$1,404,760
26-25	2025 Road Improvements, Finally Adopted, Finally Adopted June 9, 2025	\$1,743,653
27-25	Various Park Improvements, Finally Adopted June 9, 2025	\$1,428,857
28-25	2025 Capital Improvements, Finally Adopted June 9, 2025	\$1,428,568
36-25	Various 2025 Capital Improvements and Acquisitions, Finally Adopted August 11, 2025	\$2,142,856
49-25	Acquisition of Ambulance and Other Vehicle Improvements, Finally Adopted November 10, 2025	\$709,726
50-25	Acquisition of Property, Finally Adopted November 10, 2025	\$476,190

Ordinance Number	Description and Date of Final Adoption	Amount Being Financed
11-26	Streetscape Improvements, Finally Adopted April 6, 2026	\$380,952
O-17-24	Various Water Utility Improvements, Finally Adopted June 10, 2024	\$3,600,000
O-25-25	Various Water Improvements, Finally Adopted June 9, 2025	\$1,300,000
<u>Sewer</u>		
O-19-16, As Amended By, O-29-20	Improvements to Witherspoon Street Outfall and Monroe Street Sewer Lines, Finally Adopted July 11, 2016	\$325,000
O-20-19, As Amended By O-30-20	Repair of Sinkholes, Finally Adopted September 9, 2012	\$175,000
O-26-22	Undertaking of Various Improvements by and for the Sewer Utility, Finally Adopted July 11, 2022	\$850,000
O-45-23	Undertaking of Various Improvements by and for the Sewer Utility, Finally Adopted November 21, 2023	\$2,685,000
O-16-24	Various Sewer Utility Improvements, Finally Adopted June 10, 2024	\$1,700,000
<u>Parking</u>		
O-09-19	Various Parking Utility Capital Acquisitions and Improvements, Finally Adopted May 13, 2019	\$484,500
O-26-20	Purchase and Acquisition of Electric Vehicles for the Parking Utility, Finally Adopted September 8, 2020	\$51,500
O-27-22	Undertaking of Structural Concrete Repairs at the Parking Deck (Phase I), Finally Adopted July 11, 2022	<u>\$459,000</u>
Total		<u>\$37,500,000</u>

Payment of Notes

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

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Obligations, payment of principal and interest and other payments on the Obligations to Direct and Indirect Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Obligations and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. Accordingly, the City does not make any representations as to the completeness or accuracy of such information.

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

deposited with DTC. One fully-registered Note certificate will be issued for the Notes in the aggregate principal amount of the issue of Notes, and will be deposited with DTC.

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

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("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 Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

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

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

Redemption proceeds and principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is

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

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

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 or 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.

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

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

Discontinuation of Book-Entry Only System

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

SECURITY AND SOURCE OF PAYMENT

The Obligations are valid and legally binding general obligations of the City, and the City has pledged its full faith and credit for the payment of the principal of and interest on the Obligations. The Obligations are direct obligations of the City and, unless paid from other sources, the City is required by law to levy *ad valorem* taxes upon all the taxable property within the City for the payment of the principal of and interest on the Obligations without limitation as to rate or amount.

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

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

NO DEFAULT

The City has never defaulted in the payment of principal of, redemption premium, if any, and interest on any bonds or notes or other obligations of the City, nor are any payments of principal of or interest on the City's indebtedness past due.

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 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 the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the 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, the present value of unfunded accrued liabilities for State administered early retirement incentive benefits, 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 or the local unit may issue such refunding bonds in accordance with the regulations promulgated by the Local Finance Board.

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 (3½%) 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.

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.

DEBT INFORMATION OF THE CITY

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.

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 (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.

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

The Division of Local Government Services has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the 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 Obligations.

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

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.

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.

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), and 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 accounting principals generally accepted in the United States of America.

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.

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. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

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.

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

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

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

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

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the Director of Law (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 1st day of April of the current tax year for its review. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

TAX MATTERS

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

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

the provisions of the Code applicable to the Obligations and has covenanted not to take any action or fail to take any action that would cause interest on the Obligations to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the tax certificate and will assume continuing compliance by the City with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Obligations from gross income for federal income tax purposes and with respect to the treatment of interest on the Obligations for the purposes of alternative minimum tax.

Assuming the City observes its covenants with respect to compliance with the Code, Archer & Greiner P.C., Bond Counsel to the City, is of the opinion that, under existing law, interest on the Obligations is not includable for Federal income tax purposes in the gross income of the owners of the Obligations pursuant to Section 103 of the Code. Interest on the Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Obligations is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

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

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

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

Additional Federal Income Tax Consequences of Holding the Bonds and the Notes

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

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

Changes in Federal Tax Law Regarding the Bonds or the Notes

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

State Taxation for the Bonds and the Notes

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

ADDITIONALLY, EACH PURCHASER OF THE BONDS OR THE NOTES SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES, COURT DECISIONS OR LITIGATION.

ALL POTENTIAL PURCHASERS OF THE BONDS OR THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

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 or the Notes. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds or 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 or the Notes paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See [Appendix C](#) for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Bonds.

See [Appendix D](#) for the complete text of the proposed form of Bond Counsel's legal opinion with respect to the Notes.

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

LITIGATION

To the knowledge of the Director of Law, Louis N. Rainone, Esquire, of Rainone Coughlin Minchello, Iselin, New Jersey (the "Director of Law"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Obligations, or the levy or the collection of taxes to pay the principal of or the interest on the Obligations, or in any manner questioning the authority or the proceedings for the issuance of the Obligations or for the levy or the collection of taxes to pay the principal of or the interest on the Obligations, or contesting the corporate existence or the boundaries of the City or the

title of any of the present officers. Moreover, to the knowledge of the Director of Law, no litigation is presently pending or threatened that, in the opinion of the Director of Law, would have a material adverse impact on the financial condition of the City if adversely decided. A Certificate to such effect will be executed by the Director of Law and delivered to the Underwriters (as hereinafter defined) at closing.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Obligations are subject to the approval of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City, whose approving legal opinions will be delivered with the Bonds and the Notes substantially in the forms set forth as Appendix C and Appendix D hereto. Certain legal matters will be passed on for the City by its Director of Law.

MUNICIPAL BANKRUPTCY

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 provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit, including the 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.

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 their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Obligations, or that the Bankruptcy Code could not be amended after the date hereof.

SECONDARY MARKET DISCLOSURE FOR THE BONDS

The City has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the City annually 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 “Bond 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 Bond 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”). This covenant is being made by the City to assist the purchaser of the Bonds in complying with the Rule.

The City has previously entered into various continuing disclosure undertakings pursuant to the Rule with respect to its own obligations and obligations of other entities for which it guarantees debt. The City engaged NW Financial Group, LLC in 2026 to serve as continuing disclosure agent for purposes of on-going secondary market disclosure compliance. 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’s bonds by February 28 of each year. As a result, with respect to certain outstanding obligations of the Agency, the City failed to timely file with EMMA: (i) audited financial information for the fiscal years ended December 31, 2020, 2021, 2022, 2023, 2024 and 2025; (ii) annual debt statements for fiscal years ended December 31, 2020 and 2021; and (iii) certain operating and financial data for fiscal years ended December 31, 2020 and 2021. Additionally, the City previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) annual debt statements, for fiscal years ended December 31, 2020 and 2022, as described above.

SECONDARY MARKET DISCLOSURE 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 with the Municipal Securities Rulemaking Board and with a state information depository, if any. The specific nature of the Notices will be detailed in a certificate (the “Note Certificate”) to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix E hereto, such Note Certificate to be delivered concurrently with the delivery of the Notes. This covenant is being made by the City to assist the purchaser of the Notes in complying with the Rule.

The City has previously entered into various continuing disclosure undertakings pursuant to the Rule with respect to its own obligations and obligations of other entities for which it guarantees debt. The City engaged NW Financial Group, LLC in 2026 to serve as continuing disclosure agent for purposes of on-going secondary market disclosure compliance. 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’s bonds by February 28 of each year. As a result, with respect to certain outstanding obligations of the Agency, the City failed to timely file with EMMA: (i) audited financial information for the fiscal years ended December 31, 2020, 2021, 2022, 2023, 2024 and 2025; (ii) annual debt statements for fiscal years ended December 31, 2020 and 2021; and (iii) certain operating and financial data for fiscal years ended December 31, 2020 and 2021. Additionally, the City previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) annual debt statements, for fiscal years ended December 31, 2020 and 2022, as described above.

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 institutions, 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 bonds of the City, including the Obligations, and such Obligations are authorized security for any and all public deposits.

MUNICIPAL ADVISOR

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

UNDERWRITING

The Bonds have been purchased from the City at a public sale for resale by _____ (the "Bond Underwriter"), at a purchase price of \$ _____. The purchase price of the Bonds reflects the par amount of the Bonds equal to \$ _____; minus a Bond Underwriter's discount of \$ _____, plus an original issue premium in the amount of \$ _____.

The Notes have been purchased from the City at a public sale for resale by _____ (the "Note Underwriter"), at a purchase price of \$ _____. The purchase price of the Notes reflects the par amount of the Notes equal to \$37,500,000.00; minus a Note Underwriter's discount of \$ _____, plus an original issue premium in the amount of \$ _____.

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P" or the "Rating Agency") has assigned the Bonds the rating of "AA" and assigned the Notes a rating of "SP-1+" based upon the creditworthiness of the City.

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

FINANCIAL STATEMENTS

The unaudited financial statements of the City as of December 31, 2025, and audited financial statement of the City as of December 31, 2024 and 2023, have been prepared by Lerch, Vinci & Bliss, LLP, Fair Lawn, New Jersey (the "Auditor"). Accordingly, the Auditor takes responsibility for their Accountant's Compilation Report and Independent Auditor's Report appearing and set forth in Appendix B attached hereto.

COVID-19 DISCLOSURE

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, the President of the United States declared a national public health emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which spread throughout the State and to all counties within the State.

To date, the overall finances and operations of the City have not been materially adversely affected by the COVID-19 pandemic.

CYBER DISCLOSURE

The City relies on a complex technology environment to conduct its various operations. As a result, the City faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems.

CLIMATE DISCLOSURE

The State is naturally susceptible to the effects of extreme weather events and natural disasters including floods and hurricanes, which could result in negative economic impacts on communities. Such effects can be exacerbated by a longer term shift in the climate over several decades (commonly referred to as "climate change"), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage local infrastructure that provides essential services to the City as well as resulting in economic impacts such as loss of ad valorem tax revenue, interruption of municipal services, and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the City.

PREPARATION OF OFFICIAL STATEMENT

All 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.

The Auditor takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report.

NW Financial Group, LLC has not participated in the preparation of the financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

Archer & Greiner P.C. has not participated in the preparation of the financial or statistical information in this Official Statement, nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to the City of Rahway, 1 City Hall Plaza, Rahway, New Jersey 07065, Frank C. Ruggiero, Chief Financial Officer, (732) 827-2020.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Obligations. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion 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 in the City since the date thereof.

The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

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

Frank C. Ruggiero
Chief Financial Officer

Dated: July __, 2026

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APPENDIX A

**CERTAIN GENERAL INFORMATION CONCERNING
THE CITY OF RAHWAY,
IN THE COUNTY OF UNION, STATE OF NEW JERSEY**

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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 74 officers including 12 detectives who operate 20 marked vehicles, 13 unmarked vehicles, 2 motorcycles and 6 bicycles. The fire department consists of 54 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 20% for the year ending December 31, 2025.

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., now Veolia North America ("Veolia") 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 Veolia operates, manages, maintains and repairs the Water System for a period of 20 years. In exchange for these services, the City pays Veolia an annual Fixed Management Fee. The agreement does not provide for the payment of any concession fees by Veolia 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:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>City of Rahway</u>				
2025	15,536	14,591	945	6.1%
2024	15,587	14,690	897	5.8%
2023	15,513	14,691	822	5.3%
2022	15,066	14,355	711	4.7%
2021	14,980	13,783	1,197	8.0%
<u>County of Union</u>				
2025	306,254	289,285	16,969	5.5%
2024	306,204	291,246	14,958	4.9%
2023	303,429	289,684	13,745	4.5%
2022	295,067	283,314	11,753	4.0%
2021	290,360	270,381	19,979	6.9%
<u>State of New Jersey</u>				
2025	4,905,633	4,648,499	257,134	5.2%
2024	4,899,384	4,672,089	227,295	4.6%
2023	4,879,285	4,668,296	210,989	4.3%
2022	4,771,781	4,586,675	185,106	3.9%
2021	4,674,518	4,361,147	313,371	6.7%

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 are shown below:

<u>Area</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2025</u>
City of Rahway	25,325	26,500	27,346	29,556	31,010
County of Union	493,819	522,541	536,499	575,345	601,863
State of New Jersey	7,730,188	8,414,350	8,791,894	9,288,994	9,548,215

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

Income as of 2023

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
City of Rahway	\$ 91,461	\$ 110,407	\$ 43,170
County of Union	103,202	125,330	52,874
State of New Jersey	103,556	127,025	54,253

Source: U.S. Census Bureau, 2019-2023 American Community Survey

BUDGET INFORMATION

	<u>2026 (1)</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Anticipated Revenues					
Fund Balance	\$ 4,300,000	\$ 3,300,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
Miscellaneous Revenues	27,441,164	21,525,093	22,812,540	19,150,444	18,000,521
Receipts from Delinquent Taxes	1,400,000	1,800,000	1,500,000	1,500,000	1,500,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>46,502,707</u>	<u>45,457,739</u>	<u>43,709,661</u>	<u>41,311,721</u>	<u>39,359,910</u>
	<u>\$ 79,643,871</u>	<u>\$ 72,082,832</u>	<u>\$ 71,022,201</u>	<u>\$ 64,962,165</u>	<u>\$ 61,860,431</u>
Appropriations					
Salaries and Wages	\$ 29,479,500	\$ 28,262,000	\$ 26,783,400	\$ 25,161,300	\$ 25,035,635
Other Expenses	31,338,804	26,275,226	24,127,136	22,714,902	19,899,415
Deferred Charges and Statutory Expenditures	8,015,567	7,370,741	10,152,246	7,344,612	7,262,338
Capital Improvement Fund	500,000	500,000	500,000	250,000	250,000
Municipal Debt Service	7,810,000	7,174,865	7,209,419	7,241,351	7,163,043
Reserve for Uncollected Taxes	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,250,000</u>
	<u>\$ 79,643,871</u>	<u>\$ 72,082,832</u>	<u>\$ 71,022,201</u>	<u>\$ 64,962,165</u>	<u>\$ 61,860,431</u>

(1) Budget as introduced

Source: Adopted Municipal Budgets

DEBT INFORMATION

**Debt Incurring Capacity
as of December 31, 2025 (Unaudited)**

Municipal	
Equalized Valuation Basis (2025, 2024, and 2023)	\$ 4,544,551,324
3 1/2% Borrowing Margin	159,059,296
Net Debt Issued, Outstanding and Authorized	70,392,196
Excess School Borrowing	-
Total Charge to Borrowing Margin	70,392,196
Remaining Municipal Borrowing Capacity	88,667,100
Local School	
4% Borrowing Margin	181,782,053
Debt, Issued, Outstanding and Authorized	41,680,049
Remaining School Borrowing Capacity	140,102,004

Source: City of Rahway’s 2025 Annual Debt Statement.

Gross and Statutory Net Debt

<u>December 31,</u>	<u>Gross Debt</u> <u>Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2025 (Unaudited)	\$ 167,016,151	\$ 70,392,196	1.55%
2024	160,130,467	64,452,765	1.63%
2023	158,415,997	60,485,780	1.70%
2022	155,636,365	58,605,106	1.83%
2021	152,109,275	56,610,644	1.87%

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

Source: City of Rahway’s Annual Audit Reports, 2025 Unaudited Annual Financial Statement and 2025 Annual Debt Statement.

Statement of Indebtedness
As of December 31, 2025 (Unaudited)

GENERAL PURPOSES

Bonds	\$ 38,688,731	
Notes	15,184,930	
Loans	72,013	
Bonds and Notes Authorized But Not Issued	<u>21,871,850</u>	
		\$ 75,817,524

CITY GUARANTEED DEBT

Rahway Redevelopment Agency		980,000
-----------------------------	--	---------

WATER UTILITY

Bonds	6,439,000	
Loans	10,415,556	
Notes	13,545,070	
Bonds and Notes Authorized But Not Issued	<u>4,040,605</u>	
		34,440,231

SEWER UTILITY

Bonds	3,218,269	
Loans	42,078	
Notes	5,735,000	
Bonds and Notes Authorized But Not Issued	<u>1,470,000</u>	
		10,465,347

PARKING UTILITY

Bonds	2,035,000	
Notes	1,233,000	
Bonds and Notes Authorized But Not Issued	<u>365,000</u>	
		3,633,000

LOCAL SCHOOL

Bonds Issued and Authorized But Not Issued		<u>41,680,049</u>
--	--	-------------------

		<u>\$ 167,016,151</u>
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STATUTORY DEDUCTIONS

General Purposes	\$ 5,448,597	
City Guaranteed	980,000	
Utility Debt	48,515,309	
Local School	<u>41,680,049</u>	
		<u>\$ 96,623,955</u>

		<u>\$ 70,392,196</u>
--	--	----------------------

Statement of Indebtedness
As of December 31, 2025 (Unaudited)
(Continued)

OVERLAPPING DEBT

County of Union (1)	\$ 27,408,455
Rahway Valley Sewerage Authority (2)	<u>17,527,224</u>

TOTAL OVERLAPPING DEBT \$ 44,935,679

GROSS DEBT

Per Capita (2025 Estimate - 31,010)	\$5,386
Percent of Net Valuation Taxable (2025 - \$1,478,826,788)	11.29%
Percent of Estimated True Value of Assessed Property (2025 - \$4,412,144,942)	3.79%

NET MUNICIPAL DEBT

Per Capita (2025 Estimate - 31,010)	\$2,270
Percent of Net Valuation Taxable (2025 - \$1,478,826,788)	4.76%
Percent of Estimated True Value of Assessed Property (2025 - \$4,412,144,942)	1.60%

OVERALL DEBT (Gross and Overlapping Debt)

Per Capita (2025 Estimate - 31,010)	\$6,835
Percent of Net Valuation Taxable (2025 - \$1,478,826,788)	14.33%
Percent of Estimated True Value of Assessed Property (2025 - \$4,412,144,942)	4.80%

Note (1) Union County Treasurer's Office. The County Debt was apportioned to Rahway 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 2025 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>
2025 (Unaudited)	\$ 16,153,115	\$ 5,000,000 (1)
2024	12,088,003	3,300,000
2023	12,116,707	3,000,000
2022	9,760,660	3,000,000
2021	9,461,348	3,000,000

Note (1): Budget as introduced

Source: City of Rahway's Annual Audit Reports, 2025 Unaudited Annual Financial Statement and 2026 Introduced Budget

FINANCIAL INFORMATION

Current Tax Collections

<u>December 31,</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2025 (Unaudited)	\$ 112,946,785	\$ 111,624,116	98.82%
2024	111,023,338	108,679,274	97.89%
2023	105,625,192	103,947,518	98.41%
2022	102,350,517	100,616,676	98.31%
2021	100,832,376	99,461,626	98.64%

Source: City of Rahway’s Annual Audit Reports and 2025 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>
2025 (Unaudited)	\$ 760,285	\$ 1,352,233	\$ 2,112,518	1.87%
2024	700,986	2,069,820	2,770,806	2.50%
2023	643,253	1,624,449	2,267,702	2.15%
2022	630,679	1,566,801	2,197,480	2.15%
2021	707,235	1,277,495	1,984,730	1.97%

Source: City of Rahway’s Annual Audit Reports and 2025 Unaudited Annual Financial Statement

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

<u>Year</u>	<u>Amount</u>
2025 (Unaudited)	\$ 2,664,500
2024	2,664,500
2023	2,664,500
2022	2,664,500
2021	2,664,500

Source: City of Rahway’s Annual Audit Reports and 2025 Unaudited Annual Financial Statement.

Ten Largest Taxpayers

The 10 largest taxpayers in the City and their 2026 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
Merck Sharp & Dohme Corp.	\$ 201,144,300
PSQ TIC II Holdings LLC	14,505,400
Waters Edge at Rahway	8,068,800
Park Terrace at Rahway, LLC	6,684,500
Alard Realty Associates, LLC	5,477,900
Family Hospitality, LLC	5,207,000
3101-15 Ave I, LLC	5,000,000
Woodbridge Avenel, LLC	4,025,300
HRM 970 New Brunswick LLC	3,665,300
313 Regina Ave A LLC	<u>3,659,600</u>
Total	<u>\$ 257,438,100</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>Industrial</u>	<u>Apartment</u>	<u>Total</u>
2026	\$ 18,703,100	\$ 1,012,198,405	\$ 126,565,650	\$ 255,255,900	\$ 76,571,000	\$ 1,489,294,055
2025	16,965,600	1,008,580,905	127,499,350	256,833,700	68,947,200	1,478,826,755
2024	19,040,966	1,004,071,850	126,955,750	252,445,600	69,039,300	1,471,553,466
2023	18,888,100	995,708,116	126,615,750	252,445,600	68,749,200	1,462,406,766
2022	12,815,700	988,130,150	129,002,050	250,115,600	70,560,100	1,450,623,600

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>
2026	\$ 1,489,294,055	\$ 27	\$ 1,489,294,082	27.88%	\$ 5,374,336,117
2025	1,478,826,755	33	1,478,826,788	33.75%	4,412,144,942
2024	1,471,553,466	37	1,471,553,503	36.95%	4,010,763,943
2023	1,462,406,766	41	1,462,406,807	41.16%	3,579,148,878
2022	1,450,623,600	51	1,450,623,651	45.32%	3,225,232,057

Source: Union County Abstract of Ratables and 2026 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>
2025 (Unaudited)	\$ 112,946,785	\$ 46,207,462	\$ 50,788,302	\$ 15,951,021
2024	111,023,338	45,533,547	49,928,319	15,561,471
2023	105,625,192	42,010,587	48,913,541	14,701,064
2022	102,350,517	39,826,889	47,859,654	14,663,974
2021	100,832,376	39,727,436	46,603,673	14,501,267

* Includes Special Improvement District.

Source: City of Rahway’s Annual Audit Reports and 2025 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>
2025	\$ 7.584	\$ 3.074	\$ 3.435	\$ 1.075
2024	7.405	2.971	3.393	1.041
2023	7.172	2.825	3.345	1.002
2022	7.022	2.713	3.300	1.009
2021	6.951	2.716	3.234	1.001

* Does not include Special Improvement District.

Source: City of Rahway Tax Collector

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APPENDIX B

**UNAUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025 AND
AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024 AND 2023**

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**UNAUDITED FINANCIAL INFORMATION OF THE CITY OF RAHWAY
FOR THE YEAR ENDED DECEMBER 31, 2025**

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LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA

ROBERT LERCH, CPA, RMA, PSA
CHRISTOPHER VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, RMA, PSA
JOHN CUIFFO, CPA, RMA, PSA
DEBRA GOLLE, CPA

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 of the City of Rahway, as of December 31, 2025 and the related statement of operations and changes in fund balance – regulatory basis, the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year then ended in accordance with the regulatory basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements – regulatory basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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

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

By/s/ LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
June 29, 2026

CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
ASSETS	
Cash	\$ 23,234,448
Cash - Change Funds	1,595
Grants Receivable	1,554,776
Due from State of New Jersey - Senior Citizen and Veterans Deductions	<u>77,863</u>
	<u>24,868,682</u>
Receivables with Full Reserves	
Taxes Receivable	1,352,233
Tax Title Liens Receivable	760,285
Property Acquired for Taxes (Assessed Value)	2,664,500
Other Liens Receivable	135,680
Due from Animal Control Fund	4,147
Due from Unemployment Insurance Trust Fund	824
Due from Water Utility Capital Fund	1,212,437
Due from Parking Utility Operating Fund	<u>211,046</u>
	<u>6,341,152</u>
Deferred Charges	
Special Emergency Authorizations (40A:4-55)	1,016,000
Emergency Appropriations	1,070,000
Overexpenditure of Appropriations	<u>524,712</u>
	<u>2,610,712</u>
Total Assets	<u>\$ 33,820,546</u>

CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)

2025

LIABILITIES, RESERVES AND FUND BALANCE

Appropriation Reserves	\$	835,981
Encumbrances Payable		1,402,027
Accounts Payable and Other Liabilities		359,104
Tax Overpayments		5,161
Prepaid Taxes		755,402
County Taxes Payable		44,742
Due to Rahway Redevelopment Agency		6,000
Due to Other Trust Fund		1,365,912
Due to General Capital Fund		591,682
Reserve for Special Improvement District Taxes		28,000
Reserve for Federal and State Grants - Unappropriated		637,453
Reserve for Federal and State Grants - Appropriated		4,324,397
Reserve for Tax Appeals		<u>970,418</u>
		11,326,279
Reserve for Receivables		6,341,152
Fund Balance		<u>16,153,115</u>
Total Liabilities, Reserves and Fund Balance	\$	<u><u>33,820,546</u></u>

CITY OF RAHWAY
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS- CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
REVENUE AND OTHER INCOME REALIZED	
Fund Balance Anticipated	\$ 3,300,000
Miscellaneous Revenue Anticipated	24,150,321
Receipts from Delinquent Taxes	2,073,853
Receipts from Current Taxes	111,624,116
Non-Budget Revenues	469,301
Other Credits to Income	
Unexpended Balance of Appropriation Reserves	1,323,430
Cancelled Appropriated Grant Reserves	2,500,000
Interfunds Liquidated	<u>4,059,208</u>
 Total Income	 <u>149,500,229</u>
EXPENDITURES	
Budget Appropriations	
Salaries and Wages	29,120,475
Other Expenses	27,769,463
Deferred Charges and Statutory Expenditures	7,512,741
Capital Improvements	600,000
Municipal Debt Service	7,161,967
County Taxes	15,906,279
Amount Due County for Added and Omitted Taxes	44,742
Local District School Tax	50,788,302
Special Improvement District Tax	475,000
Interfunds Advanced	1,428,454
Cancelled Grants Receivable	2,500,000
Refund of Prior Year Revenue and Taxes	<u>422,406</u>
 Total Expenditures	 <u>143,729,829</u>
Adjustments	
Less: Expenditures Included Above Which by Statute are Required to be Raised in Subsequent Year's Budget	 <u>1,594,712</u>
 Adjusted Expenditures	 142,135,117
Excess in Revenue	7,365,112
Fund Balance, Beginning of Year	<u>12,088,003</u>
	19,453,115
Decreased by:	
Utilized as Anticipated Revenue	<u>3,300,000</u>
 Fund Balance, End of Year	 <u><u>\$ 16,153,115</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF RAHWAY
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Adopted</u> <u>Budget</u>	<u>Added by</u> <u>NJSA 40A:4-87</u>	<u>Actual</u>	<u>Excess or</u> <u>(Deficit)</u>
Surplus Anticipated	\$ 3,300,000	-	\$ 3,300,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	60,000		77,800	\$ 17,800
Other	15,000		21,465	6,465
Fees and Permits	150,000		274,655	124,655
Fines and Costs	-			-
Municipal Court	400,000		765,039	365,039
Interest and Costs on Taxes	350,000		394,919	44,919
Interest on Investments and Deposits	1,400,000		1,458,242	58,242
Anticipated Utility Operating Surplus- Water	1,055,308		1,055,308	-
Anticipated Utility Operating Surplus - Parking	442,000		442,000	-
Police Department Fees	120,000		119,824	(176)
Utility Operating Surplus of Prior Year				-
Water Utility	1,000,000		1,000,000	-
Sewer Utility	500,000		500,000	-
Parking Utility	750,000		750,000	-
Payments in Lieu of Taxes (PILOT)				-
Lower Essex St. - Denholtz Management	530,000		523,871	(6,129)
Rosegate	25,000		12,500	(12,500)
Senior Citizen Housing	340,000		382,718	42,718
Meyers Sr. Residence	20,000		36,364	16,364
Metro	93,000		339,849	246,849
Waters Edge	427,000		340,953	(86,047)
Lafayette	272,000		296,058	24,058
Reva	269,000		880,654	611,654
Housing Authority	60,000		53,569	(6,431)
Artist Housing	18,000		5,818	(12,182)
Dornoch/Mint	500,000		427,307	(72,693)
RWJ Hospital	540,000		282,626	(257,374)
Meridia Brownstones	296,000		299,583	3,583
Grammercy	92,000			(92,000)
Cellular Phone Tower Fees	300,000		270,644	(29,356)
Vacant/Foreclosure House Registration	175,000		177,615	2,615
Police Security - Administrative Fees	9,000		9,037	37
Planning Board Application Fees	6,000		75,335	69,335
Street Open Permits	59,000		50,371	(8,629)
UCC Penalties	75,000		120,808	45,808
Comcast Cable Franchise Fee	77,747		77,747	-
Uniform Construction Code Fees	650,000		942,300	292,300
State Aid Without Offsetting Appropriations				-
Energy Receipts Taxes	4,056,777		4,056,777	-
Reserve for Municipal Relief Fund Aid				-
Shared Service Agreements Offset With Appropriations				-
UCC - Fanwood	66,000		99,000	33,000
Tax Assessor - Highland Park	42,000		35,167	(6,833)
Special Improvement District	125,000		125,000	-

CITY OF RAHWAY
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Modified Budget</u>	<u>Added by NJS A 40A:4-87</u>	<u>Actual</u>	<u>Excess or (Deficit)</u>
Public and Private Revenues Offset with Appropriations				
Clean Communities	\$ 68,877		\$ 68,877	
Multiple Housing Inspections	5,857		5,857	
Grahill Charitable Trust	10,000		10,000	
Municipal Alliance on Alcoholism and Drug Abuse	8,321		8,321	
Recycling Tonnage	19,199		19,199	
CLEP Grant	32,559		32,559	
Pedestrian Safety	3,500		3,500	
NJ ACCHO Local Public Health Infrastructure	194,145		194,145	
Strengthening Local Health Capacity	234,936		234,936	
Recreation - Dog Park	375,000		375,000	
Kids Recreation Grant	71,071		71,071	
National Opioid Settlement	64,496		64,496	-
State Forestry Grant	45,200		45,200	
Distracted Driving	2,100		2,100	
Green the Streets	1,500		1,500	
Hispanic Access Foundation Tree Grant		1,000,000	1,000,000	
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	450,000		514,208	64,208
Solid Waste Fees				
Rahway Housing Authority	10,000		29,170	19,170
Outside Health Services				
Winfield	8,500		8,531	31
Hotel Fees	300,000		352,843	52,843
Uniform Fire Safety Act Fees	92,000		89,079	(2,921)
Local Cannabis Tax Revenue	58,000		134,806	76,806
General Capital Fund Balance	<u>1,754,000</u>	<u>-</u>	<u>1,754,000</u>	<u>-</u>
 Total Miscellaneous Revenues	 <u>21,525,093</u>	 <u>1,000,000</u>	 <u>24,150,321</u>	 <u>1,625,228</u>
 Receipts from Delinquent Taxes	 <u>1,800,000</u>	 <u>-</u>	 <u>2,073,853</u>	 <u>273,853</u>
 Amount to be Raised by Taxes for Municipal Budget				
Local Tax for Municipal Purposes	44,004,354		45,456,408	1,452,054
Minimum Library Tax	<u>1,453,385</u>	<u>-</u>	<u>1,453,385</u>	<u>-</u>
 Total Amount to be Raised by Taxes	 <u>45,457,739</u>	 <u>-</u>	 <u>46,909,793</u>	 <u>1,452,054</u>
 Budget Totals	 <u>\$ 72,082,832</u>	 <u>\$ 1,000,000</u>	 <u>\$ 76,433,967</u>	 <u>\$ 3,351,135</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (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"					
General Government					
Department of Administration					
Salaries and Wages	\$ 433,000	\$ 562,000	\$ 561,732	\$ 268	
Other Expenses	475,000	715,500	1,240,212		\$ 524,712
Insurance					
Salaries and Wages	278,000	156,300	156,276	24	
Public Relations					
Salaries and Wages	100,000	100,400	100,326	74	
Other Expenses	185,000	122,900	122,812	88	
Arts & Culture					
Salaries and Wages	125,000	125,000	125,000	-	
Other Expenses	160,000	75,000	75,000	-	
Municipal Council					
Mayor's Office					
Salaries and Wages	72,000	72,000	71,988	12	
Municipal Council					
Salaries and Wages	75,000	75,000	73,505	1,495	
Other Expenses	1,000	1,000	940	60	
City Clerk					
Salaries and Wages	290,000	283,200	283,120	80	
Other Expenses	86,000	77,825	77,772	53	
Financial Administration (Treasury)					
Salaries and Wages	626,000	599,600	599,526	74	
Other Expenses	1,340,000	1,488,500	1,447,336	41,164	
Audit Services	70,000	70,000	70,000	-	
Revenue Administration (Tax Collection)					
Salaries and Wages	240,000	235,000	234,714	286	
Other Expenses	30,000	30,000	28,573	1,427	
Tax Assessment Administration					
Salaries and Wages	237,000	215,275	215,219	56	
Other Expenses	63,000	38,000	37,508	492	
Legal Services					
Salaries and Wages	186,000	121,000	119,887	1,113	
Other Expenses	650,000	630,000	616,049	13,951	
Engineering					
Salaries and Wages	354,000	373,000	371,250	1,750	
Other Expenses	660,000	630,000	622,196	7,804	
Building, Planning and Economic Development					
Salaries and Wages	262,000	255,400	255,370	30	
Other Expenses	182,000	95,500	95,444	56	
Land Use Administration					
Planning Board					
Salaries and Wages	6,000	4,100	4,065	35	
Other Expenses	20,000	10,600	10,597	3	
Zoning Board of Adjustment					
Salaries and Wages	5,000	5,000	4,065	935	
Other Expenses	20,000	13,000	11,926	1,074	
Property Maintenance					
Salaries and Wages	330,000	197,000	196,614	386	
Other Expenses	36,000	14,650	14,606	44	
Insurance					
Other Insurance	1,808,017	1,660,400	1,649,160	11,240	
Employee Group Insurance	9,783,280	10,667,000	10,536,506	130,494	
Health Benefit Waiver	150,000	150,000	-	150,000	
Public Safety					
Police Department					
Salaries and Wages	9,557,000	9,657,000	9,653,024	3,976	
Other Expenses	495,000	494,500	494,267	233	

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Appropriation</u>		<u>Expended</u>		<u>Overexpended</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)						
Public Safety (Continued)						
Office of Emergency Management						
Salaries and Wages	\$ 102,000	\$ 95,800	\$ 95,720	\$ 80		
Other Expenses	30,000	30,000	29,997	3		
Fire Department						
Salaries and Wages	6,772,000	6,768,200	6,768,169	31		
Other Expenses	358,000	366,700	366,655	45		
Public Works						
Streets and Roads						
Salaries and Wages	2,615,000	2,734,400	2,734,303	97		
Other Expenses	1,448,000	1,641,500	1,603,892	37,608		
Solid Waste and Recycling						
Salaries and Wages	1,512,000	1,497,400	1,497,328	72		
Other Expenses	1,632,000	1,602,000	1,478,458	123,542		
Health and Human Services						
Department of Health and Welfare						
Salaries and Wages	804,000	706,100	706,058	42		
Other Expenses	301,000	293,000	260,891	32,109		
Environmental Commission						
Salaries and Wages	4,000	4,000	3,919	81		
Other Expenses	2,000	2,000	1,430	570		
Parks and Recreation						
Recreation Department						
Salaries and Wages	1,093,000	1,199,700	1,199,679	21		
Other Expenses	735,000	517,950	488,049	29,901		
Senior Services						
Salaries and Wages	309,000	255,100	255,059	41		
Other Expenses	75,000	75,000	66,728	8,272		
Social Justice Commission						
Salaries and Wages	5,000	5,200	5,184	16		
Other Expenses	30,000	30,000	16,912	13,088		
Municipal Court						
Salaries and Wages	896,000	809,000	808,952	48		
Other Expenses	59,000	104,000	103,359	641		
Uniform Construction Code Enforcement (NJSA 52:27D-120 etc.)						
Construction Official						
Salaries and Wages	644,000	709,300	709,260	40		
Other Expenses	75,000	15,000	3,994	11,006		
Municipal A.B.C. Board						
Salaries and Wages	6,000	6,000	5,866	134		
Other Expenses	2,000	2,000	1,998	2		
Unclassified						
Utility Expense and Bulk Purchases						
Electricity	390,000	490,000	451,118	38,882		
Heating Fuels	720,000	595,000	516,858	78,142		
Telephone	150,000	210,000	183,178	26,822		
Street Lighting	120,000	120,000	115,830	4,170		
Contribution to Rahway Redevelopment Agency	250,000	250,000	250,000	-	-	-
Total Operations Within "CAPS"	50,529,297	52,125,000	51,875,429	774,283	524,712	-
Detail:						
Salaries & Wages	27,938,000	28,796,475	28,785,178	11,297	-	-
Other Expenses (Including Contingent)	22,591,297	23,328,525	23,090,251	762,986	524,712	-

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Appropriation</u>		<u>Expended</u>		<u>Overexpended</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	1,466,697	1,466,697	1,466,697	-		
Police and Firemen's Retirement System	4,555,044	4,555,044	4,555,044	-		
Social Security	1,070,000	1,212,000	1,193,745	18,255		
DCRP Contribution	25,000	25,000	15,054	9,946	-	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	7,116,741	7,258,741	7,230,540	28,201	-	-
Total General Appropriations for Municipal Purposes Within "CAPS"	57,646,038	59,383,741	59,105,969	802,484	524,712	-
OPERATIONS - EXCLUDED FROM "CAPS"						
Education Functions						
Maintenance of Free Public Library	1,453,385	1,558,385	1,558,285	100		
Public Safety						
Police Dispatch 9-1-1 System						
Salaries and Wages	324,000	324,000	304,875	19,125		
Other Expenses	219,000	219,000	204,728	14,272		
Insurance						
Employee Group Insurance	793,720			-		
Other Insurance	78,983			-		
Public and Private Programs Offset with Revenues						
Municipal Alliance on Alcohol and Drug Abuse						
State Share	8,321	8,321	8,321			
Local Match	2,080	2,080	2,080			
Recreation Grant - Dog Park	375,000	375,000	375,000			
Clean Communities Program	68,877	68,877	68,877			
Multiple Housing Inspections	5,857	5,857	5,857			
Pedestrian Safety	3,500	3,500	3,500			
Recycling Tonnage Grant	19,199	19,199	19,199			
Grahill Charitable Trust	10,000	10,000	10,000			
CLEP Grant	32,559	32,559	32,559			
Union County Kids Recreation Grant	71,071	71,071	71,071			
Local Public Health Infrastructure	194,145	194,145	194,145			
Strengthening Local Health Capacity	234,936	234,936	234,936			
National Opioid Settlement	64,496	64,496	64,496			
Distracted Driving	2,100	2,100	2,100	-		
State Forestry Grant	45,200	45,200	45,200			
Green the Streets	1,500	1,500	1,500			
Hispanic Access Foundation Tree Grant	-	1,000,000	1,000,000	-	-	-
Total Operations - Excluded from "CAPS"	4,007,929	4,240,226	4,206,729	33,497	-	-
Detail:						
Salaries and Wages	324,000	324,000	304,875	19,125	-	-
Other Expenses	3,683,929	3,916,226	3,901,854	14,372	-	-

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Appropriation</u>		<u>Expended</u>			Unexpended Balances Cancelled
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpended</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"						
Capital Improvement Fund	\$ 500,000	\$ 600,000	\$ 600,000	-	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>500,000</u>	<u>600,000</u>	<u>600,000</u>	-	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"						
Payment of Bond Principal	4,700,000	4,700,000	4,690,697			9,303
Interest on Bonds	1,514,000	1,514,000	1,513,024			976
Interest in Notes	390,427	390,427	390,413			14
Green Acres Loan						
Repayment of Principal and Interest	50,000	50,000	47,395			2,605
Capital Grant Agreement - Rahway Redevelopment Agency				-		
Library Project/Arts Center Project	520,438	520,438	520,438	-	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>7,174,865</u>	<u>7,174,865</u>	<u>7,161,967</u>	-	-	<u>12,898</u>
DEFERRED CHARGES						
Special Emergency Authorization- 5 Years	254,000	254,000	254,000	-	-	-
Total Deferred Charges - Municipal-Excluded from "CAPS"	<u>254,000</u>	<u>254,000</u>	<u>254,000</u>	-	-	-
Total General Appropriations - Excluded from "CAPS"	<u>11,936,794</u>	<u>12,269,091</u>	<u>12,222,696</u>	\$ 33,497	\$ -	<u>12,898</u>
Subtotal General Appropriations	69,582,832	71,652,832	71,328,665	835,981	524,712	12,898
Reserve for Uncollected Taxes	2,500,000	2,500,000	2,500,000	-	-	-
Total General Appropriations	<u>\$ 72,082,832</u>	<u>\$ 74,152,832</u>	<u>\$ 73,828,665</u>	<u>\$ 835,981</u>	<u>\$ 524,712</u>	<u>\$ 12,898</u>
Budget as Adopted		\$ 72,082,832				
Special Emergency Authorization		1,070,000				
Added by NJS A 40A:4-87		<u>1,000,000</u>				
		<u>\$ 74,152,832</u>				

CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
ASSETS	
Animal Control Fund	
Cash	\$ <u>23,218</u>
	<u>23,218</u>
Community Development Trust Fund	
Cash	726,939
Community Development Grants Receivable	176,793
Loans Receivable	<u>3,151,566</u>
	<u>4,055,298</u>
Other Trust Fund	
Cash	6,456,337
Due from Current Fund	<u>1,365,912</u>
	<u>7,822,249</u>
Unemployment Insurance Fund	
Cash	6,587
Due from Other Trust Fund	<u>43,247</u>
	<u>49,834</u>
 Total Assets	 <u>\$ 11,950,599</u>

**CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
LIABILITIES, RESERVES AND FUND BALANCES	
Animal Control Fund	
Due to State of New Jersey	\$ 42
Reserve for Animal Control Expenditures	19,029
Due to Current Fund	<u>4,147</u>
	<u>23,218</u>
Community Development Trust Fund	
Due to General Capital Fund	
Reserve for Loans Receivable	3,151,566
Encumbrances Payable	145,995
Program Income	184,643
Reserve for Community Development Expenditures	<u>573,094</u>
	<u>4,055,298</u>
Other Trust Fund	
Due to Unemployment Insurance Trust Fund	43,247
Miscellaneous Reserves and Deposits	7,052,437
Other Liabilities	283,658
Payroll Deductions Payable	<u>442,907</u>
	<u>7,822,249</u>
Unemployment Insurance Fund	
Due to Current Fund	824
Reserve for Expenditures	<u>49,010</u>
	<u>49,834</u>
 Total Liabilities and Fund Balance	 <u>\$ 11,950,599</u>

CITY OF RAHWAY
COMPARATIVE BALANCE SHEET - REGULATORY BASIS - GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
ASSETS	
Cash	\$ 4,848,102
Deferred Charges to Future Taxation	
Funded	38,760,744
Unfunded	34,075,937
Grants Receivable	958,222
Due from Current Fund	<u>591,682</u>
 Total Assets	 <u><u>\$ 79,234,687</u></u>
 LIABILITIES, RESERVES AND FUND BALANCE	
Serial Bonds Payable	\$ 38,688,731
Bond Anticipation Notes Payable	15,184,930
Green Acres Loans Payable	72,013
Contracts Payable	1,839,841
Improvement Authorizations:	
Funded	932,878
Unfunded	15,247,169
Capital Improvement Fund	34,498
Reserve for Grants Receivable	700,553
Reserve for Payment of Debt	1,932,538
Fund Balance	<u>4,601,536</u>
 Total Liabilities, Reserves and Fund Balance	 <u><u>\$ 79,234,687</u></u>

There were bonds and notes authorized but not issued on December 31, 2025 of \$21,880,628.

CITY OF RAHWAY
STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
Balance, Beginning of Year	\$ 5,019,832
Increased by:	
Premium on Bonds/Bond Anticipation Notes	166,886
Cancellation of Funded Improvement Authorizations	<u>1,418,818</u>
	6,605,536
Decreased by:	
Premium on Bonds Utilized to Fund Improvement Authorizations	250,000
Anticipated as Current Fund Budgeted Revenue	<u>1,754,000</u>
	<u>2,004,000</u>
Balance, End of Year	<u>\$ 4,601,536</u>

**CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS -
WATER UTILITY FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
ASSETS	
Operating Fund	
Cash	\$ 13,152,249
Cash - Change Fund	200
Due from Water Utility Capital Fund	<u>48,552</u>
	13,201,001
Receivables and Other Assets With Full Reserves	
Consumer Accounts Receivable	1,624,659
Deferred Charges	
Overexpenditure of Appropriations	<u>244,100</u>
Total Operating Fund	<u>15,069,760</u>
Capital Fund	
Cash	3,293,516
Loans Receivable	397,438
Fixed Capital	56,378,910
Fixed Capital Authorized and Uncompleted	<u>14,900,000</u>
Total Capital Fund	<u>74,969,864</u>
Total Assets	<u>\$ 90,039,624</u>

**CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS -
WATER UTILITY FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

2025

LIABILITIES, RESERVES AND FUND BALANCE	
Operating Fund	
Appropriation Reserves	\$ 38,735
Encumbrances Payable	464,543
Accounts Payable and Other Liabilities	606,204
Water Rent Overpayments	148,018
Accrued Interest on Bonds and Notes	286,753
Unappropriated Grant Reserves	2,250,000
Due to Sewer Utility Operating Fund	<u>1,813,860</u>
	5,608,113
Reserve for Receivables	1,624,659
Fund Balance	<u>7,836,988</u>
Total Operating Fund	<u>15,069,760</u>
Capital Fund	
Serial Bonds Payable	6,439,000
NJ EIT Loan Payable	10,415,556
Bond Anticipation Notes Payable	13,545,070
Contracts Payable	1,315,362
Capital Improvement Fund	106,472
Improvement Authorizations	
Funded	19,933
Unfunded	3,458,943
Due to Current Fund	1,212,437
Due to Water Utility Operating Fund	48,552
Reserve for Amortization	36,534,471
Reserve for Deferred Amortization	304,208
Fund Balance	<u>1,569,860</u>
Total Capital Fund	<u>74,969,864</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 90,039,624</u>

There were bonds and notes authorized but not issued on December 31, 2025 of \$4,040,605.

CITY OF RAHWAY
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
Revenue and Other Income Realized	
Rents	\$ 10,617,000
Additional Water Rents	1,698,296
Non-Budget Revenues	783,472
Other Credits to Income	
Cancellation of Prior Year Accounts Payable	92,516
Unexpended Balance of Appropriation Reserves	<u>677</u>
 Total Revenues	 <u>13,191,961</u>
 Expenditures	
Budget Appropriations	
Operating	7,888,048
Debt Service	<u>2,255,558</u>
 Total Expenditures	 10,143,606
 Less:	
Expenditures Included Above Which by Statute are Deferred to Subsequent Year Budgets	 <u>588,048</u>
 Total Adjusted Expenditures	 <u>9,555,558</u>
 Excess in Revenues	 3,636,403
 Adjustments to Income Before Fund Balance	
Surplus to General Budget	<u>(1,055,308)</u>
 Statutory Excess to Fund Balance	 2,581,095
 Fund Balance, Beginning of Year	 <u>6,255,893</u>
 Decreased by:	 8,836,988
Utilized as Anticipated Revenue - Current Fund	<u>1,000,000</u>
 Fund Balance, End of Year	 <u>\$ 7,836,988</u>

CITY OF RAHWAY
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
Balance, Beginning of Year	\$ 1,421,000
Increased by:	
Premium on Issuance of Bonds and Notes	<u>148,860</u>
Balance, End of Year	<u>\$ 1,569,860</u>

**CITY OF RAHWAY
STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)**

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Rents	\$ 10,617,000	\$ 10,617,000	
Additional Rents	<u>-</u>	<u>1,698,296</u>	<u>\$ 1,698,296</u>
	<u>\$ 10,617,000</u>	<u>\$ 12,315,296</u>	<u>\$ 1,698,296</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Appropriation</u>		<u>Expended</u>			
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	<u>Overexpenditure</u>	<u>Cancelled</u>
Operating						
Management Fee	\$ 5,300,000	\$ 5,205,000	\$ 5,421,160		\$ 216,160	
Other Expenses	800,000	895,000	894,267	733		
Other Expenses-Carbon Filter Replacements	1,200,000	1,200,000	1,161,998	38,002		
Debt Service						
Payment of Bond Principal	425,000	425,000	425,000			
Payment of Bond Anticipation Notes	299,930	299,930	299,930			
Interest on Bonds	210,000	210,000	208,209			\$ 1,791
Interest on Notes	576,762	576,762	576,762			
Principal and Interest on Loans	750,000	750,000	745,657			4,343
Surplus (General Budget)	<u>1,055,308</u>	<u>1,055,308</u>	<u>1,055,308</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,617,000</u>	<u>\$ 10,617,000</u>	<u>\$ 10,788,291</u>	<u>\$ 38,735</u>	<u>\$ 216,160</u>	<u>\$ 6,134</u>

**CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS -
SEWER UTILITY FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
ASSETS	
Operating Fund	
Cash	\$ 248,644
Due from Water Utility Operating Fund	1,813,860
Due from Sewer Utility Capital Fund	<u>225,648</u>
	2,288,152
Receivables and Other Assets With Full Reserves	
Consumer Accounts Receivable	<u>533,013</u>
Total Operating Fund	<u>2,821,165</u>
Capital Fund	
Cash	6,394,805
Fixed Capital	5,306,426
Fixed Capital Authorized and Uncompleted	<u>9,603,000</u>
Total Capital Fund	<u>21,304,231</u>
Total Assets	<u>\$ 24,125,396</u>

**CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS -
SEWER UTILITY FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

2025

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund	
Appropriation Reserves	\$ 174,492
Encumbrances Payable	11,836
Accrued Interest on Bonds, Notes and Loans	<u>126,888</u>
	313,216
Reserve for Receivables	533,013
Fund Balance	<u>1,974,936</u>
Total Operating Fund	<u>2,821,165</u>
Capital Fund	
Serial Bonds Payable	3,218,269
NJ Environmental Infrastructure Loan Payable	42,078
Bond Anticipation Notes Payable	5,735,000
Due to Sewer Utility Operating Fund	225,648
Improvement Authorizations	
Funded	969,421
Unfunded	4,878,304
Contracts Payable	534,754
Capital Improvement Fund	374,500
Reserve for Amortization	4,437,379
Deferred Reserve for Amortization	6,700
Fund Balance	<u>882,179</u>
Total Capital Fund	<u>21,304,232</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 24,125,397</u>

There were bonds and notes authorized but not issued of \$1,470,000 on December 31, 2025

CITY OF RAHWAY
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
Revenue and Other Income Realized	
Surplus Anticipated	\$ 341,000
Rents	7,463,290
Industrial Sewer Flow Charges	102,405
Sewer Connection Fees	225,068
Non-Budget Revenues	243,020
Other Credits to Income	
Unexpended Balance of Appropriation Reserves	<u>111,122</u>
 Total Income	 <u>8,485,905</u>
 Expenditures	
Budget Appropriations	
Operating	7,174,000
Debt Service	617,442
Deferred Charges and Statutory Expenditures	<u>17,000</u>
 Total Expenditures	 <u>7,808,442</u>
 Excess in Revenues	 677,463
 Fund Balance, Beginning of Year	 <u>2,138,473</u>
	2,815,936
Decreased by:	
Utilized as Anticipated Revenue	341,000
Utilized as Anticipated Revenue - Current Fund	<u>500,000</u>
 Fund Balance, End of Year	 <u>\$ 1,974,936</u>

CITY OF RAHWAY
STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS
SEWER UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
Balance, Beginning of Year	\$ 819,152
Increased by:	
Premium on Bonds/Bond Anticipation Notes	<u>63,027</u>
Balance, End of Year	<u>\$ 882,179</u>

CITY OF RAHWAY
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Anticipated</u>	<u>Realized</u>	Excess <u>(Deficit)</u>
Surplus Anticipated	\$ 341,000	\$ 341,000	
Rents	6,900,000	6,900,000	
Additional Sewer Rents	365,000	563,290	\$ 198,290
Industrial Sewer Flow Charges	180,000	102,405	(77,595)
Sewer Connection Fees	<u>25,000</u>	<u>225,068</u>	<u>200,068</u>
	<u>\$ 7,811,000</u>	<u>\$ 8,131,763</u>	<u>\$ 320,763</u>

**CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)**

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After Modification	Paid or Charged	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 270,000	\$ 270,000	\$ 256,040	\$ 13,960	
Other Expenses	171,000	171,000	42,730	128,270	
Sewer Treatment Expense					
Rahway Valley Sewer Authority	6,650,000	6,650,000	6,635,311	14,689	
Sewer Permit Fees	83,000	83,000	82,427	573	
Debt Service					
Payment of Bond Principal	255,000	255,000	254,303		697
Interest on Bonds	120,000	120,000	118,147		1,853
Interest on Notes	225,000	225,000	225,000		-
Principal and Interest on Loans	20,000	20,000	19,992		8
Statutory Expenditures					
Social Security System (O.A.S.I.)	17,000	17,000	-	17,000	-
	<u>\$ 7,811,000</u>	<u>\$ 7,811,000</u>	<u>\$ 7,633,950</u>	<u>\$ 174,492</u>	<u>\$ 2,558</u>

**CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS -
PARKING UTILITY FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

2025

ASSETS

Operating Fund

Cash \$ 3,718,557

Total Operating Fund 3,718,557

Capital Fund

Cash 791,691

Fixed Capital 11,190,396

Fixed Capital Authorized and Uncompleted 1,720,000

Due from Parking Utility Operating Fund 14,213

Total Capital Fund 13,716,300

Total Assets \$ 17,434,857

**CITY OF RAHWAY
BALANCE SHEET - REGULATORY BASIS -
PARKING UTILITY FUND
AS OF DECEMBER 31, 2025 (UNAUDITED)**

2025

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund	
Appropriation Reserves	\$ 57,764
Encumbrances Payable	29,792
Accounts Payable	43,964
Due to Current Fund	211,046
Due to Parking Utility Capital Fund	14,213
Reserve for Rate Stabilization	600,000
Accrued Interest on Bonds and Notes	<u>31,997</u>
	988,776
 Fund Balance	 <u>2,729,781</u>
 Total Operating Fund	 <u>3,718,557</u>
 Capital Fund	
Serial Bonds Payable	2,035,000
Bond Anticipation Notes Payable	1,233,000
Reserve for Amortization	9,277,396
Reserve for Future Capital Improvements	186,524
Contracts Payable	123,300
Improvement Authorizations	
Unfunded	774,158
Fund Balance	<u>86,922</u>
 Total Capital Fund	 <u>13,716,300</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 17,434,857</u>

There were bonds and notes authorized but not issued in the amount of \$365,000 at December 31, 2025.

**CITY OF RAHWAY
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE
REGULATORY BASIS - PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)**

	<u>2025</u>
Revenue and Other Income Realized	
Surplus Anticipated	
Parking Fees	\$ 1,782,252
Ground Lease	565,018
Reserve for Rate Stabilization	300,000
Non-Budget Revenues	289,608
Other Credits to Income	
Unexpended Balance of Appropriation Reserves	<u>45,602</u>
 Total Revenues	 <u>2,982,480</u>
 Expenditures	
Budget Appropriations	
Operating	1,190,000
Debt Service	405,748
Deferred Charges and Statutory Expenditures	<u>37,000</u>
 Total Expenditures	 <u>1,632,748</u>
 Excess in Revenue	 1,349,732
 Adjustments to Income Before Fund Balance	
Surplus to General Budget	<u>(442,000)</u>
 Statutory Excess to Fund Balance	 907,732
 Fund Balance, Beginning of Year	 <u>2,572,049</u>
	3,479,781
Decreased by:	
Utilized as Anticipated Revenue - Current Fund	<u>750,000</u>
 Fund Balance, End of Year	 <u>\$ 2,729,781</u>

CITY OF RAHWAY
STATEMENT OF CHANGE IN FUND BALANCE - REGULATORY BASIS
PARKING UTILITY CAPITAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>2025</u>
Balance, Beginning of Year	\$ 73,372
Increased by:	
Premium on Bond Anticipation Notes	<u>13,550</u>
Balance, End of Year	<u>\$ 86,922</u>

CITY OF RAHWAY
STATEMENT OF REVENUES - REGULATORY BASIS
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Anticipated</u>	<u>Realized</u>	Excess <u>(Deficit)</u>
Parking Fees	\$ 1,206,000	\$ 1,782,252	\$ 576,252
Ground Lease	574,000	565,018	(8,982)
Reserve for Rate Stabilization	<u>300,000</u>	<u>300,000</u>	<u>-</u>
	<u>\$ 2,080,000</u>	<u>\$ 2,647,270</u>	<u>\$ 567,270</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2025 (UNAUDITED)

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 695,000	\$ 745,000	\$ 742,006	\$ 2,994	
Other Expenses	425,000	375,000	321,184	53,816	
Employee Group Insurance	70,000	70,000	70,000	-	
				-	
Debt Service				-	
Payment of Bond Principal	210,000	210,000	210,000	-	
Payment on Bond Anticipation Notes	35,000	35,000	35,000	-	
Interest on Bonds	100,000	100,000	100,000	-	
Interest on Notes	66,000	66,000	60,748		5,252
	-			-	
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	24,046	954	
				-	
Surplus (General Budget)	442,000	442,000	442,000	-	-
	<u>\$ 2,080,000</u>	<u>\$ 2,080,000</u>	<u>\$ 2,016,984</u>	<u>\$ 57,764</u>	<u>\$ 5,252</u>

**INDEPENDENT AUDITORS REPORT AND
FINANCIAL STATEMENTS OF THE CITY OF RAHWAY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

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JOHN CUIFFO, CPA, PSA, RMA
DEBRA GOLLE, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the City of Rahway which comprise the balance sheets - regulatory basis of the various funds and account group as of December 31, 2024 and 2023, and the related statements of operations and changes in fund balance - regulatory basis, the related statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the years then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying 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, 2024 and 2023, and the results of operations and changes in fund balance – regulatory basis of such funds, the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the years then ended 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Rahway as of December 31, 2024 and 2023, or changes in financial position, or, where applicable, cash flows for the years then ended.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Rahway and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rahway's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Rahway’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Rahway’s ability to continue as a going concern for a reasonable period of time.

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

By/s/ LERCH, VINCI & BLISS, LLP
Certified Public Accountants
Registered Municipal Accountants

Fair Lawn, New Jersey
August 29, 2025

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 23,702,578	\$ 26,240,656
Cash - Change Funds	1,595	1,595
Grants Receivable	3,054,776	3,063,427
Due from State of New Jersey - Senior Citizen and Veterans Deductions	<u>74,665</u>	<u>74,665</u>
	<u>26,833,614</u>	<u>29,380,343</u>
Receivables with Full Reserves		
Taxes Receivable	2,069,820	1,624,449
Tax Title Liens Receivable	700,986	643,253
Property Acquired for Taxes (Assessed Value)	2,664,500	2,664,500
Revenue Accounts Receivable	36,745	25,505
Other Liens Receivable	134,730	130,950
Due from Special Improvement District	67,067	57,067
Due from Animal Control Fund	3,326	18,227
Due from Unemployment Insurance Trust Fund	368	775
Due from General Capital Fund	1,911,628	
Due from Sewer Utility Operating Fund	293,819	86,438
Due from Parking Utility Operating Fund	<u>1,783,000</u>	<u>757,000</u>
	<u>9,665,989</u>	<u>6,008,164</u>
Deferred Charges		
Special Emergency Authorizations (40A:4-55)	<u>1,270,000</u>	<u>3,060,000</u>
	<u>1,270,000</u>	<u>3,060,000</u>
Total Assets	<u>\$ 37,769,603</u>	<u>\$ 38,448,507</u>

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Appropriation Reserves	\$ 3,298,906	\$ 1,898,586
Encumbrances Payable	1,801,160	1,317,061
Accounts Payable and Other Liabilities	256,722	138,376
Tax Overpayments	16,867	9,940
Prepaid Taxes	493,510	385,827
County Taxes Payable	232,507	47,696
Special Emergency Note Payable		1,200,000
Due to Rahway Redevelopment Agency	54,006	
Due to Other Trust Fund	1,047,613	2,001,879
Due to General Capital Fund		1,000
Due to Water Utility Operating Fund	1,587,843	6,565,690
Reserve for Special Improvement District Taxes	70,067	103,570
Reserve for Federal and State Grants - Unappropriated	1,136,761	414,704
Reserve for Federal and State Grants - Appropriated	5,049,231	4,850,731
Reserve for Tax Appeals	970,418	970,418
Reserve for Municipal Relief Fund Aid	-	418,158
	16,015,611	20,323,636
Reserve for Receivables	9,665,989	6,008,164
Fund Balance	12,088,003	12,116,707
 Total Liabilities, Reserves and Fund Balance	 \$ 37,769,603	 \$ 38,448,507

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS- CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
REVENUE AND OTHER INCOME REALIZED		
Fund Balance Anticipated	\$ 3,000,000	\$ 3,000,000
Miscellaneous Revenue Anticipated	25,184,973	24,872,942
Receipts from Delinquent Taxes	1,457,648	1,623,793
Receipts from Current Taxes	108,679,274	103,947,518
Non-Budget Revenues	1,091,636	1,327,356
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	1,509,020	432,091
Cancelled Appropriated Grant Reserves	239,802	185,646
Interfunds Liquidated	919,507	325,802
Statutory Excess - Animal Control Trust Fund	3,106	6,094
	<u>142,084,966</u>	<u>135,721,242</u>
Total Income		
EXPENDITURES		
Budget Appropriations		
Salaries and Wages	28,530,700	24,889,300
Other Expenses	23,868,923	26,315,594
Deferred Charges and Statutory Expenditures	10,182,246	7,344,612
Capital Improvements	500,000	250,000
Municipal Debt Service	7,204,417	7,237,550
County Taxes	15,328,964	14,653,368
Amount Due County for Added and Omitted Taxes	232,507	47,696
Local District School Tax	49,928,320	48,913,541
Special Improvement District Tax	400,000	400,000
Interfunds Advanced	4,059,208	919,507
Refund of Prior Year Revenue and Taxes	148,385	144,027
	<u>140,383,670</u>	<u>131,115,195</u>
Total Expenditures		
Adjustments		
Less: Expenditures Included Above Which by Statute are Required to be Raised in Subsequent Year's Budget	<u>1,270,000</u>	<u>750,000</u>
Adjusted Expenditures	139,113,670	130,365,195
Excess in Revenue	2,971,296	5,356,047
Fund Balance, Beginning of Year	<u>12,116,707</u>	<u>9,760,660</u>
	15,088,003	15,116,707
Decreased by:		
Utilized as Anticipated Revenue	<u>3,000,000</u>	<u>3,000,000</u>
Fund Balance, End of Year	<u>\$ 12,088,003</u>	<u>\$ 12,116,707</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, 2024 AND 2023

	<u>2024</u>		<u>2023</u>	
	<u>Budget After</u>		<u>Budget After</u>	
	<u>Modification</u>	<u>Actual</u>	<u>Modification</u>	<u>Actual</u>
Surplus Anticipated	\$ 3,000,000	\$ 3,000,000	\$ -	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	55,000	63,550		
Other	13,000	26,525		
Fees and Permits	122,000	235,316		
Fines and Costs				
Municipal Court	390,000	420,994		
Interest and Costs on Taxes	345,000	359,261		
Interest on Investments and Deposits	818,000	1,502,715		
Anticipated Utility Operating Surplus- Water	913,933	913,933		
Anticipated Utility Operating Surplus - Parking	1,176,000	1,176,000		
Police Department Fees	120,000	128,856		
Utility Operating Surplus of Prior Year				
Water Utility	1,295,000	1,295,000		
Parking Utility	500,000	500,000		
Payments in Lieu of Taxes (PILOT)				
Lower Essex St. - Denholtz Management	500,000	533,069		
Rosegate	15,000	26,796		
Senior Citizen Housing	340,000	352,104		
Meyers Sr. Residence	30,000	20,498		
Metro	155,000	93,275		
Waters Edge	585,000	432,186		
Lafayette	265,000	272,890		
Reva	550,000	269,756		
Artist Housing	18,000	28,431		
Dornoch/Mint	360,000	504,485		
RWJ Hospital	291,668	1,250,789		
Meridia Brownstones	624,000	296,757		
Cellular Phone Tower Fees	300,000	301,402		
Vacant/Foreclosure House Registration	170,000	192,620		
Police Security - Administrative Fees	18,000	9,432		
Planning Board Application Fees	25,000	6,853		
Street Open Permits	80,000	59,038		
UCC Penalties	60,000	123,950		
Comcast Cable Franchise Fee	85,000	79,897		
Uniform Construction Code Fees	559,000	1,297,418		
State Aid Without Offsetting Appropriations				
Energy Receipts Taxes	4,056,777	4,056,777		
Reserve for Municipal Relief Fund Aid	418,158	418,158		

CITY OF RAHWAY
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>		<u>2023</u>	
	<u>Budget After</u>		<u>Budget After</u>	
	<u>Modification</u>	<u>Actual</u>	<u>Modification</u>	<u>Actual</u>
Public and Private Revenues Offset with Appropriations				
Clean Communities	\$ 60,640	\$ 60,640		
Multiple Housing Inspections	11,794	11,794		
Municipal Alliance on Alcoholism and Drug Abuse	7,424	7,424		
Alcohol Education and Rehabilitation	13,253	13,253		
Body Armor Grant	5,683	5,683		
Local Recreation Improvement Grant	70,000	70,000		
Selective Enforcement Management	42,000	42,000		
Recycling Tonnage	29,605	29,605		
CLEP Grant	15,500	15,500		
NJ Health Strengthening	74,664	74,664		
Public Health Inf	168,049	168,049		
Kids Recreation Grant	133,000	133,000		
National Opioid Settlement	7,179	7,179		
Emergency Management	10,000	10,000		
Stormwater Assistance	15,000	15,000		
Other Special Items of Revenue				
U.C.U.A. - Host Community Fees	2,350,000	2,367,596		
U.C.U.A. - Host Community Fees - Excess Tonnage	450,000	482,661		
Solid Waste Fees				
Rahway Housing Authority	30,000	10,401		
Rahway Board of Education	6,000			
Outside Health Services				
Winfield	8,300	8,531		
Hotel Fees	240,000	343,262		
General Capital Fund Balance	<u>4,060,000</u>	<u>4,060,000</u>		
 Total Miscellaneous Revenues	 <u>23,061,627</u>	 <u>25,184,973</u>	 <u>-</u>	 <u>-</u>
 Receipts from Delinquent Taxes	 <u>1,500,000</u>	 <u>1,457,648</u>	 <u>-</u>	 <u>-</u>
 Amount to be Raised by Taxes for Municipal Budget				
Local Tax for Municipal Purposes	42,390,396	43,720,218	-	-
Minimum Library Tax	<u>1,319,265</u>	<u>1,319,265</u>	<u>-</u>	<u>-</u>
 Total Amount to be Raised by Taxes	 <u>43,709,661</u>	 <u>45,039,483</u>	 <u>-</u>	 <u>-</u>
 Budget Totals	 <u>\$ 71,271,288</u>	 <u>\$ 74,682,104</u>	 <u>\$ -</u>	 <u>\$ -</u>

2024 STATEMENT OF EXPENDITURES
CURRENT FUND

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<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	\$ 973,000	\$ 938,000	\$ 920,092	\$ 17,908	
Other Expenses	1,025,000	1,125,000	1,119,052	5,948	
Mayor's Office					
Salaries and Wages	72,000	72,000	71,996	4	
Municipal Council					
Salaries and Wages	75,000	75,000	74,021	979	
Other Expenses	1,000	1,000	245	755	
City Clerk					
Salaries and Wages	284,000	264,000	254,928	9,072	
Other Expenses	86,000	86,000	59,547	26,453	
Financial Administration (Treasury)					
Salaries and Wages	574,000	574,000	546,333	27,667	
Other Expenses	1,343,000	1,403,000	1,398,769	4,231	
Audit Services					
	70,000	70,000	70,000		
Revenue Administration (Tax Collection)					
Salaries and Wages	223,000	223,000	222,785	215	
Other Expenses	50,000	25,000	8,508	16,492	
Tax Assessment Administration					
Salaries and Wages	234,000	209,000	207,207	1,793	
Other Expenses	50,000	50,000	45,624	4,376	
Legal Services					
Salaries and Wages	141,000	96,000	94,296	1,704	
Other Expenses	850,000	650,000	607,346	42,654	
Engineering					
Salaries and Wages	380,000	421,000	420,298	702	
Other Expenses	660,000	660,000	658,965	1,035	
Building, Planning and Economic Development					
Salaries and Wages	132,000	132,000	82,071	49,929	
Other Expenses	155,000	155,000	56,365	98,635	
Land Use Administration					
Planning Board					
Salaries and Wages	4,200	4,200	4,039	161	
Other Expenses	20,000	20,000	6,905	13,095	
Zoning Board of Adjustment					
Salaries and Wages	4,200	4,200	4,039	161	
Other Expenses	20,000	20,000	11,996	8,004	
Property Maintenance					
Salaries and Wages	226,000	208,000	200,945	7,055	
Other Expenses	30,000	30,000	29,600	400	
Insurance					
Other Insurance	1,345,500	916,200	810,424	105,776	
Employee Group Insurance	9,433,840	9,310,840	8,391,350	919,490	
Health Benefit Waiver	150,000	150,000	150,000		
Public Safety					
Police Department					
Salaries and Wages	8,940,000	9,502,000	8,982,724	519,276	
Salaries and Wages - Special Emergency - Retirement Pay		850,000	809,698	40,302	
Other Expenses	544,000	634,000	627,068	6,932	

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<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)					
Public Safety (Continued)					
Office of Emergency Management					
Salaries and Wages	\$ 106,000	\$ 108,000	\$ 107,770	\$ 230	
Other Expenses	30,000	30,000	29,834	166	
Fire Department					
Salaries and Wages	6,209,000	6,269,000	6,093,595	175,405	
Salaries and Wages - Special Emergency - Retirement Pay		270,000	270,000		
Other Expenses	286,000	286,000	285,779	221	
Public Works					
Streets and Roads					
Salaries and Wages	2,721,000	2,851,000	2,636,560	214,440	
Salaries and Wages - Special Emergency - Retirement Pay		150,000	117,309	32,691	
Other Expenses	1,552,000	1,552,000	1,290,025	261,975	
Solid Waste and Recycling					
Salaries and Wages	1,512,000	1,482,000	1,414,938	67,062	
Other Expenses	1,694,000	1,694,000	1,513,507	180,493	
Health and Human Services					
Department of Health and Welfare					
Salaries and Wages	855,000	705,000	701,453	3,547	
Other Expenses	306,000	306,000	292,754	13,246	
Environmental Commission					
Salaries and Wages	4,000	4,000	3,975	25	
Other Expenses	1,500	1,500	1,497	3	
Parks and Recreation					
Recreation Department					
Salaries and Wages	1,041,000	1,141,000	1,048,252	92,748	
Other Expenses	428,000	468,000	448,858	19,142	
Senior Services					
Salaries and Wages	297,000	274,000	271,615	2,385	
Other Expenses	69,000	71,000	69,502	1,498	
Social Justice Commission					
Salaries and Wages	5,000	5,100	5,090	10	
Other Expenses	50,000	50,000	49,149	851	
Municipal Court					
Salaries and Wages	806,000	706,000	681,874	24,126	
Other Expenses	87,000	87,000	70,806	16,194	
Uniform Construction Code Enforcement (NJSA 52:27D-120 etc.)					
Construction Official					
Salaries and Wages	646,000	675,000	674,875	125	
Other Expenses	75,000	77,000	75,375	1,625	
Municipal A.B.C. Board					
Salaries and Wages	6,000	6,200	6,131	69	
Other Expenses	1,500	1,500	1,473	27	
Unclassified					
Utility Expense and Bulk Purchases					
Electricity	370,000	370,000	336,780	33,220	
Heating Fuels	575,000	575,000	428,982	146,018	
Telephone	178,000	153,000	132,961	20,039	
Street Lighting	120,000	120,000	101,779	18,221	
Contribution to Rahway Redevelopment Agency	100,000	100,000	100,000	-	-
Total Operations Within "CAPS"	48,226,740	49,466,740	46,209,734	3,257,006	-
Contingent	-	-	-	-	-
Total Operations Including Contingent - Within "CAPS"	48,226,740	49,466,740	46,209,734	3,257,006	-
Detail:					
Salaries & Wages	26,470,400	28,218,700	26,928,909	1,289,791	-
Other Expenses (Including Contingent)	21,756,340	21,248,040	19,280,825	1,967,215	-

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, 2024

	<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"					
DEFERRED CHARGES					
Prior Year Bills	\$ 11,940	\$ 11,940	\$ 2,900	\$ 9,040	
STATUTORY EXPENDITURES					
Contribution to:					
Public Employees' Retirement System	1,496,406	1,496,406	1,484,406	12,000	
Police and Firemen's Retirement System	4,528,900	4,528,900	4,528,900		
Social Security	1,030,000	1,060,000	1,057,294	2,706	
DCRP Contribution	25,000	25,000	15,425	9,575	-
	<u>7,092,246</u>	<u>7,122,246</u>	<u>7,088,925</u>	<u>33,321</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
	<u>7,092,246</u>	<u>7,122,246</u>	<u>7,088,925</u>	<u>33,321</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>55,318,986</u>	<u>56,588,986</u>	<u>53,298,659</u>	<u>3,290,327</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Education Functions					
Maintenance of Free Public Library	1,319,265	1,319,265	1,319,265		
Public Safety					
Police Dispatch 9-1-1 System					
Salaries and Wages	313,000	312,000	304,276	7,724	
Other Expenses	155,000	156,000	155,145	855	
Insurance					
Employee Group Insurance	96,160	96,160	96,160		
Other Insurance	383,811	383,811	383,811		
Public and Private Programs Offset with Revenues					
Body Armor Replacement Program	5,683	5,683	5,683		
Municipal Alliance on Alcohol and Drug Abuse					
State Share	7,424	7,424	7,424		
Local Match	1,856	1,856	1,856		
Clean Communities Program	60,640	60,640	60,640		
Multiple Housing Inspections	11,794	11,794	11,794		
Recycling Tonnage Grant	29,605	29,605	29,605		
Alcohol Education & Rehabilitation	6,879	13,253	13,253		
CLEP Grant	15,500	15,500	15,500		
Union County Kids Recreation Grant	133,000	133,000	133,000		
Strengthening Local Health Capacity		74,664	74,664		
Strengthening LPH		168,049	168,049		
National Opioid Settlement	7,179	7,179	7,179		
Emergency Management	10,000	10,000	10,000		
Stormwater Assistance	15,000	15,000	15,000		
Local Recreation	70,000	70,000	70,000		
Selective Enforcement Management	42,000	42,000	42,000	-	-
	<u>2,683,796</u>	<u>2,932,883</u>	<u>2,924,304</u>	<u>8,579</u>	<u>-</u>
Total Operations - Excluded from "CAPS"					
	<u>2,683,796</u>	<u>2,932,883</u>	<u>2,924,304</u>	<u>8,579</u>	<u>-</u>
Detail:					
Salaries and Wages	313,000	312,000	304,276	7,724	-
Other Expenses	2,370,796	2,620,883	2,620,028	855	-

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<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	\$ 500,000	\$ 500,000	\$ 500,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	4,416,960	4,416,960	4,416,960		
Interest on Bonds	1,223,585	1,223,585	1,223,585		
Interest in Notes	925,000	925,000	922,603		\$ 2,397
Green Acres Loan					
Repayment of Principal and Interest	50,000	50,000	47,395		2,605
Capital Grant Agreement - Rahway Redevelopment Agency					
Library Project/Arts Center Project	593,874	593,874	593,874	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>7,209,419</u>	<u>7,209,419</u>	<u>7,204,417</u>	-	<u>5,002</u>
DEFERRED CHARGES					
Special Emergency Authorization- 5 Years	3,060,000	3,060,000	3,060,000	-	-
Total Deferred Charges - Municipal-Excluded from "CAPS"	<u>3,060,000</u>	<u>3,060,000</u>	<u>3,060,000</u>	-	-
Total General Appropriations - Excluded from "CAPS"	<u>13,453,215</u>	<u>13,702,302</u>	<u>13,688,721</u>	\$ 8,579	<u>5,002</u>
Subtotal General Appropriations	68,772,201	70,291,288	66,987,380	3,298,906	5,002
Reserve for Uncollected Taxes	2,250,000	2,250,000	2,250,000	-	-
Total General Appropriations	<u>\$ 71,022,201</u>	<u>\$ 72,541,288</u>	<u>\$ 69,237,380</u>	<u>\$ 3,298,906</u>	<u>\$ 5,002</u>
Budget as Adopted		\$ 71,022,201			
Special Emergency Authorization		1,270,000			
Added by NJSA 40A:4-87		<u>249,087</u>			
		<u>\$ 72,541,288</u>			

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2023 STATEMENT OF EXPENDITURES
CURRENT FUND

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<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	\$ 637,000	\$ 737,000	\$ 731,986	\$ 5,014	
Other Expenses	874,000	874,000	868,782	5,218	
Mayor's Office					
Salaries and Wages	72,000	72,000	71,996	4	
Municipal Council					
Salaries and Wages	75,000	75,000	73,819	1,181	
Other Expenses	1,000	1,000	330	670	
City Clerk					
Salaries and Wages	212,000	223,000	219,518	3,482	
Other Expenses	77,000	78,500	60,304	18,196	
Financial Administration (Treasury)					
Salaries and Wages	570,000	563,000	562,404	596	
Other Expenses	1,288,000	1,323,000	1,312,094	10,906	
Audit Services	70,000	70,000	70,000	-	
Revenue Administration (Tax Collection)					
Salaries and Wages	192,000	216,000	210,231	5,769	
Other Expenses	60,000	60,000	45,659	14,341	
Tax Assessment Administration					
Salaries and Wages	221,000	217,000	216,658	342	
Other Expenses	50,000	50,000	37,882	12,118	
Legal Services					
Salaries and Wages	139,000	134,000	133,181	819	
Other Expenses	550,000	710,000	696,912	13,088	
Engineering					
Salaries and Wages	349,000	460,000	457,672	2,328	
Other Expenses	505,000	585,000	564,981	20,019	
Building, Planning and Economic Development					
Salaries and Wages	161,000	62,000	61,141	859	
Other Expenses	85,000	85,000	84,185	815	
Land Use Administration					
Planning Board					
Salaries and Wages	4,100	4,200	4,158	42	
Other Expenses	20,000	11,500	8,013	3,487	
Zoning Board of Adjustment					
Salaries and Wages	4,100	4,100	4,083	17	
Other Expenses	20,000	15,000	12,768	2,232	
Property Maintenance					
Salaries and Wages	262,000	283,000	281,972	1,028	
Other Expenses	26,000	26,000	20,088	5,912	
Insurance					
Other Insurance	1,424,571	1,124,571	837,076	287,495	
Employee Group Insurance	7,984,080	8,609,080	7,857,253	751,827	
Health Benefit Waiver	150,000	150,000	135,652	14,348	
Public Safety					
Police Department					
Salaries and Wages	9,154,000	8,345,000	8,272,892	72,108	
Salaries and Wages - Retirement Pay		750,000	750,000		
Other Expenses	478,000	463,000	429,476	33,524	

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<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)					
Public Safety (Continued)					
Office of Emergency Management					
Salaries and Wages	\$ 78,000	\$ 83,000	\$ 82,426	\$ 574	
Other Expenses	30,000	30,000	20,857	9,143	
Fire Department					
Salaries and Wages	5,733,000	6,215,000	6,192,750	22,250	
Other Expenses	286,000	286,000	281,512	4,488	
Public Works					
Streets and Roads					
Salaries and Wages	2,495,000	2,185,000	2,184,907	93	
Other Expenses	1,467,000	1,392,000	1,304,031	87,969	
Solid Waste and Recycling					
Salaries and Wages	1,535,000	1,623,000	1,622,937	63	
Other Expenses	1,600,000	1,590,000	1,521,716	68,284	
Health and Human Services					
Department of Health and Welfare					
Salaries and Wages	561,000	604,000	603,235	765	
Other Expenses	264,000	189,000	147,295	41,705	
Environmental Commission					
Salaries and Wages	4,100	4,100	3,778	322	
Other Expenses	1,000	1,000	969	31	
Parks and Recreation					
Recreation Department					
Salaries and Wages	1,006,000	976,000	974,543	1,457	
Other Expenses	423,000	423,000	405,059	17,941	
Senior Services					
Salaries and Wages	204,000	231,000	228,627	2,373	
Other Expenses	69,000	69,000	68,555	445	
Social Justice Commission					
Salaries and Wages	5,000	5,100	5,074	26	
Other Expenses	23,000	31,000	22,945	8,055	
Municipal Court					
Salaries and Wages	652,000	616,600	606,286	10,314	
Other Expenses	56,000	56,000	48,593	7,407	
Uniform Construction Code Enforcement (NJSA 52:27D-120 etc.)					
Construction Official					
Salaries and Wages	593,000	604,800	597,656	7,144	
Other Expenses	35,000	21,000	10,487	10,513	
Municipal A.B.C. Board					
Salaries and Wages	6,000	6,400	6,300	100	
Other Expenses	1,000	1,000	468	532	
Unclassified					
Utility Expense and Bulk Purchases					
Electricity	414,000	384,000	298,433	85,567	
Heating Fuels	120,000	105,000	94,458	10,542	
Telephone	175,000	115,000	104,398	10,602	
Street Lighting	616,000	586,000	494,392	91,608	-
Contribution to Rahway Redevelopment Agency	100,000	100,000	100,000	-	-
Total Operations Within "CAPS"	44,266,951	44,913,951	43,125,853	1,788,098	-
Contingent	-	-	-	-	-
Total Operations Including Contingent - Within "CAPS"	44,266,951	44,913,951	43,125,853	1,788,098	-
Detail:					
Salaries & Wages	24,924,300	24,549,300	24,410,230	139,070	-
Other Expenses (Including Contingent)	19,342,651	20,364,651	18,715,623	1,649,028	-

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<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	\$ 1,274,108	\$ 1,274,108	\$ 1,262,108	\$ 12,000	
Police and Firemen's Retirement System	4,350,340	4,350,340	4,350,340		
Pension Adjustment Fund	20,000	20,000		20,000	
Social Security	1,002,000	1,002,000	945,291	56,709	
DCRP Contribution	25,000	25,000	15,870	9,130	-
	<u>6,671,448</u>	<u>6,671,448</u>	<u>6,573,609</u>	<u>97,839</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
	<u>6,671,448</u>	<u>6,671,448</u>	<u>6,573,609</u>	<u>97,839</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>50,938,399</u>	<u>51,585,399</u>	<u>49,699,462</u>	<u>1,885,937</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Education Functions					
Maintenance of Free Public Library	1,314,783	1,314,783	1,314,783		
Public Safety					
Police Dispatch 9-1-1 System					
Salaries and Wages	237,000	340,000	327,947	12,053	
Other Expenses	139,000	139,000	138,404	596	
Insurance					
Employee Group Insurance	771,920	771,920	771,920		
Other Insurance	175,429	175,429	175,429		
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	98,514	98,514	98,514		
Police and Firemen's Retirement System	279,105	279,105	279,105		
Public and Private Programs Offset with Revenues					
Body Armor Replacement Program	8,114	8,114	8,114		
Municipal Alliance on Alcohol and Drug Abuse					
State Share	10,338	10,338	10,338		
Local Match	2,585	2,585	2,585		
Recreation Grant - Dog Park	50,000	50,000	50,000		
Clean Communities Program	54,064	54,064	54,064		
Multiple Housing Inspections	25,762	25,762	25,762		
Organized Crime Task Force	2,846	2,846	2,846		
Recycling Tonnage Grant	20,911	20,911	20,911		
Recreation Heart Grant	1,250	1,250	1,250		
Alcohol Education & Rehabilitation	2,843	2,843	2,843		
Grahill Charitable Trust	7,500	7,500	7,500		
CLEP Grant	3,825	3,825	3,825		
Union County Kids Recreation Grant	70,000	70,000	70,000		
NJACCHO	207,388	207,388	207,388		
Strengthening Local Health Capacity	126,074	126,074	126,074		
Congressional Infrastructure		2,500,000	2,500,000		
National Opioid Settlement		56,692	56,692		
Community Based Art Grant Program	-	22,000	22,000	-	-
	<u>3,609,251</u>	<u>6,290,943</u>	<u>6,278,294</u>	<u>12,649</u>	<u>-</u>
Total Operations - Excluded from "CAPS"					
	<u>3,609,251</u>	<u>6,290,943</u>	<u>6,278,294</u>	<u>12,649</u>	<u>-</u>
Detail:					
Salaries and Wages	237,000	340,000	327,947	12,053	-
Other Expenses	3,372,251	5,950,943	5,950,347	596	-

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, 2023**

	<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	4,909,976	4,909,976	4,909,976		
Interest on Bonds	1,390,082	1,390,082	1,390,082		
Interest in Notes	294,500	294,500	293,333		\$ 1,167
Green Acres Loan					
Repayment of Principal and Interest	50,000	50,000	47,366		2,634
Capital Grant Agreement - Rahway Redevelopment Agency					
Library Project/Arts Center Project	596,793	596,793	596,793	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>7,241,351</u>	<u>7,241,351</u>	<u>7,237,550</u>	-	<u>3,801</u>
DEFERRED CHARGES					
Special Emergency Authorization- 5 Years					
Terminal Pay	300,000	300,000	300,000		
COVID	370,000	370,000	370,000		
Deferred Charges Unfunded - General Capital Fund					
Ordinance 26-17	1,345	1,345	1,345		
Ordinance 31-19/31-20	1,819	1,819	1,819	-	-
Total Deferred Charges - Municipal-Excluded from "CAPS"	<u>673,164</u>	<u>673,164</u>	<u>673,164</u>	-	-
Total General Appropriations - Excluded from "CAPS"	<u>11,773,766</u>	<u>14,455,458</u>	<u>14,439,008</u>	\$ 12,649	<u>3,801</u>
Subtotal General Appropriations	62,712,165	66,040,857	64,138,470	1,898,586	3,801
Reserve for Uncollected Taxes	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,250,000</u>	-	-
Total General Appropriations	<u>\$ 64,962,165</u>	<u>\$ 68,290,857</u>	<u>\$ 66,388,470</u>	<u>\$ 1,898,586</u>	<u>\$ 3,801</u>
Budget as Adopted		\$ 64,962,165			
Special Emergency Authorization		750,000			
Added by NJSA 40A:4-87		<u>2,578,692</u>			
		<u>\$ 68,290,857</u>			

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Animal Control Fund		
Cash	\$ 14,160	\$ 28,237
	<u>14,160</u>	<u>28,237</u>
Community Development Trust Fund		
Cash	254,185	518,572
Community Development Grants Receivable	1,112,316	856,445
Loans Receivable	180,405	180,405
Deferred Loans Receivable	<u>2,971,161</u>	<u>2,911,557</u>
	<u>4,518,067</u>	<u>4,466,979</u>
Other Trust Fund		
Cash	5,109,049	5,040,064
Due from Current Fund	1,047,613	2,001,879
Due from Sewer Utility Operating Fund	<u>-</u>	<u>9,744</u>
	<u>6,156,662</u>	<u>7,051,687</u>
Unemployment Insurance Fund		
Cash	66,170	35,321
Due from Other Trust Fund	<u>43,247</u>	<u>53,323</u>
	<u>109,417</u>	<u>88,644</u>
Total Assets	<u>\$ 10,798,306</u>	<u>\$ 11,635,547</u>

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCES		
Animal Control Fund		
Due to State of New Jersey	\$ 202	\$ 44
Reserve for Animal Control Expenditures	10,632	9,966
Due to Current Fund	<u>3,326</u>	<u>18,227</u>
	<u>14,160</u>	<u>28,237</u>
Community Development Trust Fund		
Due to General Capital Fund	183,562	382,017
Reserve for Loans Receivable	3,151,566	3,091,962
Encumbrances Payable	153,643	228,368
Reserve for Community Development Expenditures	<u>1,029,296</u>	<u>764,632</u>
	<u>4,518,067</u>	<u>4,466,979</u>
Other Trust Fund		
Due to Unemployment Insurance Trust Fund	43,247	53,323
Due to Water Utility Operating Fund		911,024
Miscellaneous Reserves and Deposits	5,682,999	5,590,065
Other Liabilities	48,059	256,621
Payroll Deductions Payable	223,928	41,492
Accrued Salaries and Wages	154,293	193,549
Reserve for Flex Spending	<u>4,136</u>	<u>5,613</u>
	<u>6,156,662</u>	<u>7,051,687</u>
Unemployment Insurance Fund		
Due to Current Fund	368	775
Reserve for Workers' Compensation	28,848	14,892
Reserve for Unemployment Compensation	43,230	72,977
Due to State of New Jersey	<u>36,971</u>	<u>-</u>
	<u>109,417</u>	<u>88,644</u>
Total Liabilities and Fund Balance	<u>\$ 10,798,306</u>	<u>\$ 11,635,547</u>

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 10,313,553	\$ 15,736,151
Deferred Charges to Future Taxation		
Funded	43,497,821	35,960,596
Unfunded	21,339,910	24,445,382
Grants Receivable	2,264,304	2,264,304
Due from Current Fund		1,000
Due from Community Development Trust Fund	183,562	382,017
Due from Water Utility Operating Fund	382,285	
Due from Parking Utility Operating Fund	64,969	-
	<u>\$ 78,046,404</u>	<u>\$ 78,789,450</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Serial Bonds Payable	\$ 43,379,428	\$ 35,796,388
Bond Anticipation Notes Payable	8,700,000	17,500,000
Green Acres Loans Payable	118,393	164,208
Contracts Payable	2,190,022	3,506,000
Improvement Authorizations:		
Funded	2,340,529	5,219,471
Unfunded	12,248,368	9,735,801
Due to Current Fund	1,911,628	
Capital Improvement Fund	41,362	3,272
Reserve for Grants Receivable	1,664,304	1,664,304
Reserve for Payment of Debt	432,538	810
Fund Balance	5,019,832	5,199,196
	<u>\$ 78,046,404</u>	<u>\$ 78,789,450</u>

There were bonds and notes authorized but not issued on December 31, 2024 and 2023 of \$13,477,618 and \$7,223,382, respectively.

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Balance, Beginning of Year	\$ 5,199,196	\$ 5,747,896
Increased by:		
Premium on Bonds/Bond Anticipation Notes	671,582	259,699
Cancellation of Funded Improvement Authorizations	<u>3,369,054</u>	<u>191,601</u>
	9,239,832	6,199,196
Decreased by:		
Premium on Bonds Utilized to Fund Improvement Authorizations	160,000	
Anticipated as Current Fund Budgeted Revenue	<u>4,060,000</u>	<u>1,000,000</u>
	<u>4,220,000</u>	<u>1,000,000</u>
Balance, End of Year	<u>\$ 5,019,832</u>	<u>\$ 5,199,196</u>

**CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
WATER UTILITY FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Operating Fund		
Cash	\$ 6,815,916	\$ 510,886
Cash - Change Fund	200	200
Grant Receivable	750,000	3,000,000
Due from Current Fund	1,587,843	6,565,690
Due from Other Trust Fund		911,024
Due from Water Utility Capital Fund	66,635	
Due from Sewer Utility Capital Fund	<u>534,044</u>	<u>-</u>
	9,754,638	10,987,800
Receivables and Other Assets With Full Reserves		
Consumer Accounts Receivable	1,911,586	1,576,305
Deferred Charges		
Overexpenditure of Appropriations	27,940	
Overexpenditure of Appropriation Reserves	<u>-</u>	<u>26,669</u>
Total Operating Fund	<u>11,694,164</u>	<u>12,590,774</u>
Capital Fund		
Cash	2,092,603	574,913
Loans Receivable	397,438	397,438
Fixed Capital	56,378,910	56,104,090
Fixed Capital Authorized and Uncompleted	13,600,000	14,304,369
Due from Water Utility Operating Fund	<u>-</u>	<u>658,246</u>
Total Capital Fund	<u>72,468,951</u>	<u>72,039,056</u>
Total Assets	<u>\$ 84,163,115</u>	<u>\$ 84,629,830</u>

**CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
WATER UTILITY FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Operating Fund		
Appropriation Reserves	\$ 677	\$ 242,091
Encumbrances Payable	751,315	3,290,647
Accounts Payable and Other Liabilities	882,704	209,854
Water Rent Overpayments	123,051	189,908
Accrued Interest on Bonds and Notes	177,158	182,234
Due to General Capital Fund	382,285	
Due to Water Utility Capital Fund		658,246
Due to Sewer Utility Operating Fund	<u>1,209,495</u>	<u>406,863</u>
	3,526,685	5,179,843
Reserve for Receivables	1,911,586	1,576,305
Fund Balance	<u>6,255,893</u>	<u>5,834,626</u>
 Total Operating Fund	 <u>11,694,164</u>	 <u>12,590,774</u>
Capital Fund		
Serial Bonds Payable	6,864,000	7,279,000
NJ EIT Loan Payable	11,058,453	11,696,351
Bond Anticipation Notes Payable	10,245,000	7,667,000
Contracts Payable	653,200	498,944
Capital Improvement Fund	106,472	106,472
Improvement Authorizations		
Funded	19,933	443,852
Unfunded	5,860,254	7,199,834
Due to Water Utility Operating Fund	66,635	
Reserve for Amortization	35,166,644	34,231,267
Reserve for Deferred Amortization	304,208	304,208
Reserve for Future Capital Improvements	703,152	1,708,173
Fund Balance	<u>1,421,000</u>	<u>903,955</u>
 Total Capital Fund	 <u>72,468,951</u>	 <u>72,039,056</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 84,163,115</u>	 <u>\$ 84,629,830</u>

There were bonds and notes authorized but not issued on December 31, 2024 and 2023 of \$6,340,605 and \$9,230,633, 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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Surplus Anticipated		\$ 130,000
Rents	\$ 9,197,184	9,197,184
Additional Water Rents	2,073,964	
Water Connection Fees		393,228
Public and Private Programs Offset with Appropriations		3,000,000
Non-Budget Revenues	366,000	268,718
Other Credits to Income		
Cancellation of Prior Year Accounts Payable		123,577
Unexpended Balance of Appropriation Reserves	3,290	12,627
	<u>11,640,438</u>	<u>13,125,334</u>
Total Revenues		
Expenditures		
Budget Appropriations		
Operating	6,930,940	5,450,000
Public and Private Revenues Offset with Revenues		3,000,000
Capital Improvements		400,000
Debt Service	2,080,569	1,913,000
Deferred Charges	26,669	279
	<u>9,038,178</u>	<u>10,763,279</u>
Total Expenditures		
Less:		
Expenditures Included Above Which by Statute are		
Deferred to Subsequent Year Budgets	27,940	-
	<u>9,010,238</u>	<u>10,763,279</u>
Total Adjusted Expenditures		
Excess in Revenues	2,630,200	2,362,055
Adjustments to Income Before Fund Balance		
Surplus to General Budget	(913,933)	(906,721)
	<u>1,716,267</u>	<u>1,455,334</u>
Statutory Excess to Fund Balance		
Fund Balance, Beginning of Year	5,834,626	5,804,292
Decreased by:	7,550,893	7,259,626
Utilized as Anticipated Revenue	-	130,000
Utilized as Anticipated Revenue - Current Fund	1,295,000	1,295,000
	<u>\$ 6,255,893</u>	<u>\$ 5,834,626</u>
Fund Balance, End of Year		

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Balance, Beginning of Year	\$ 903,955	\$ 893,318
Increased by:		
Funded Improvement Authorizations Cancelled	423,919	10,637
Premium on Issuance of Bonds and Notes	<u>93,126</u>	<u>-</u>
Balance, End of Year	<u>\$ 1,421,000</u>	<u>\$ 903,955</u>

**CITY OF RAHWAY
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>		<u>2023</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated			\$ 130,000	\$ 130,000
Rents	\$ 9,197,184	\$ 9,197,184	8,240,000	9,197,184
Additional Rents	732,816	2,073,964		
Water Connection Fees			300,000	393,228
UCLSG - Water Infrastructure Grant	-	-	<u>3,000,000</u>	<u>3,000,000</u>
	<u>\$ 9,930,000</u>	<u>\$ 11,271,148</u>	<u>\$ 11,670,000</u>	<u>\$ 12,720,412</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriation</u>		<u>Expended</u>			<u>Overexpenditure</u>	<u>Cancelled</u>
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>			
Operating							
Management Fee	\$ 4,993,000	\$ 4,993,000	\$ 4,992,935	\$	65		
Other Expenses	710,000	710,000	737,940			\$ 27,940	
Other Expenses-Carbon Filter Replacements	1,200,000	1,200,000	1,199,388		612		
Debt Service							
Payment of Bond Principal	415,000	415,000	415,000				
Payment of Bond Anticipation Notes	306,398	306,398	306,398				
Interest on Bonds	230,000	230,000	226,408				\$ 3,592
Interest on Notes	385,000	385,000	385,000				
Principal and Interest on Loans	750,000	750,000	747,763				2,237
Deferred Charges							
Overexpenditure of Appropriations	26,669	26,669	26,669				
Surplus (General Budget)	<u>913,933</u>	<u>913,933</u>	<u>913,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	<u>\$ 9,930,000</u>	<u>\$ 9,930,000</u>	<u>\$ 9,951,434</u>	<u>\$ 677</u>	<u>\$ 27,940</u>	<u>\$ 5,829</u>	

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriation</u>		<u>Expended</u>	
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>
Operating				
Management Fee	\$ 4,750,000	\$ 4,750,500	\$ 4,750,483	\$ 17
Other Expenses	700,000	699,500	687,764	11,736
Public and Private Programs Offset by Revenues				
UCLSG - Water Infrastructure Grant	3,000,000	3,000,000	2,769,662	230,338
Capital Improvements				
Capital Outlay	400,000	400,000	400,000	
Debt Service				
Payment of Bond Principal	585,000	585,000	585,000	
Payment of Bond Anticipation Notes	33,000	33,000	33,000	
Interest on Bonds	275,000	275,000	275,000	
Interest on Notes	270,000	270,000	270,000	
Principal and Interest on Loans	750,000	750,000	750,000	
Deferred Charges				
Authorized but not Issued	279	279	279	
Overexpenditure of Appropriations				
Deferred Charges Unfunded - Water Utility Capital				
Surplus (General Budget)	<u>906,721</u>	<u>906,721</u>	<u>906,721</u>	<u>-</u>
	<u>\$ 11,670,000</u>	<u>\$ 11,670,000</u>	<u>\$ 11,427,909</u>	<u>\$ 242,091</u>

**CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
SEWER UTILITY FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Operating Fund		
Cash	\$ 1,910,873	\$ 652,318
Due from Water Utility Operating Fund	1,209,495	406,863
Due from Sewer Utility Capital Fund		60,687
Due from Parking Utility Operating Fund	<u>-</u>	<u>1,097,000</u>
	3,120,368	2,216,868
Receivables and Other Assets With Full Reserves		
Consumer Accounts Receivable	<u>774,432</u>	<u>663,058</u>
Total Operating Fund	<u>3,894,800</u>	<u>2,879,926</u>
Capital Fund		
Cash	4,793,124	1,668,348
Fixed Capital	5,306,426	4,505,428
Fixed Capital Authorized and Uncompleted	9,603,000	9,093,000
Due from Sewer Utility Operating Fund	<u>511,854</u>	<u>-</u>
Total Capital Fund	<u>20,214,404</u>	<u>15,266,776</u>
Total Assets	<u>\$ 24,109,204</u>	<u>\$ 18,146,702</u>

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
SEWER UTILITY FUND
AS OF DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Operating Fund		
Appropriation Reserves	\$ 111,122	\$ 155,563
Due to Current Fund	293,819	86,438
Due to Sewer Capital	511,854	
Due to Other Trust Fund		9,744
Accrued Interest on Bonds, Notes and Loans	<u>65,100</u>	<u>60,973</u>
	981,895	312,718
Reserve for Receivables	774,432	663,058
Fund Balance	<u>2,138,473</u>	<u>1,904,150</u>
 Total Operating Fund	 <u>3,894,800</u>	 <u>2,879,926</u>
Capital Fund		
Serial Bonds Payable	3,472,572	3,735,612
NJ Environmental Infrastructure Loan Payable	61,349	80,423
Bond Anticipation Notes Payable	3,535,000	
Due to Water Utility Operating Fund	534,044	
Due to Sewer Utility Operating Fund		60,687
Improvement Authorizations		
Funded	1,030,701	1,574,249
Unfunded	5,669,951	4,717,355
Contracts Payable	546,630	48,545
Capital Improvement Fund	374,500	374,500
Reserve for Amortization	4,163,805	4,270,693
Deferred Reserve for Amortization	6,700	6,700
Fund Balance	<u>819,152</u>	<u>398,012</u>
 Total Capital Fund	 <u>20,214,404</u>	 <u>15,266,776</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 24,109,204</u>	 <u>\$ 18,146,702</u>

There were bonds and notes authorized but not issued of \$3,670,000 and \$5,505,000 on December 31, 2024 and 2023, 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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Surplus Anticipated	\$ 551,748	\$ 551,748
Rents	5,800,000	6,008,081
Industrial Sewer Flow Charges	110,000	157,629
Sewer Connection Fees	250,000	59,522
Non-Budget Revenues	140,631	74,827
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	155,563	155,057
Cancelled Prior Year Liabilities	-	10,000
	<u>7,007,942</u>	<u>7,016,864</u>
Total Income		
Expenditures		
Budget Appropriations		
Operating	6,848,000	6,136,000
Debt Service	420,396	552,214
Deferred Charges and Statutory Expenditures	16,000	20,248
	<u>7,284,396</u>	<u>6,708,462</u>
Total Expenditures		
Excess in Revenues	(276,454)	308,402
Fund Balance, Beginning of Year	<u>1,904,150</u>	<u>2,147,496</u>
	1,627,696	2,455,898
Decreased by:		
Utilized as Anticipated Revenue	<u>551,748</u>	<u>551,748</u>
Fund Balance, End of Year	<u>\$ 1,075,948</u>	<u>\$ 1,904,150</u>

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SEWER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Balance, Beginning of Year	\$ 398,012	\$ 397,452
Increased by:		
Funded Improvement Authorizations Cancelled	389,002	560
Premium on Bonds/Bond Anticipation Notes	<u>32,138</u>	<u>-</u>
Balance, End of Year	<u>\$ 819,152</u>	<u>\$ 398,012</u>

CITY OF RAHWAY
STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>2024</u>		<u>2024</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated	\$ 818,000	\$ 818,000	\$ 551,748	\$ 551,748
Rents	6,008,000	6,008,000	5,500,000	5,500,000
Additional Sewer Rents	257,000	979,094	300,000	\$ 508,081
Industrial Sewer Flow Charges	155,000	208,212	110,000	157,629
Sewer Connection Fees	<u>50,000</u>	<u>27,219</u>	<u>250,000</u>	<u>59,522</u>
	<u>\$ 7,288,000</u>	<u>\$ 8,040,525</u>	<u>\$ 6,711,748</u>	<u>\$ 6,776,980</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 245,000	\$ 251,000	\$ 250,910	\$ 90	
Other Expenses	125,000	119,000	19,549	99,451	
Sewer Treatment Expense					
Rahway Valley Sewer Authority	6,400,000	6,399,000	6,388,743	10,257	
Sewer Permit Fees	78,000	79,000	78,010	990	
Debt Service					
Payment of Bond Principal	265,000	265,000	263,040		\$ 1,960
Interest on Bonds	130,000	130,000	128,360		1,640
Interest on Notes	9,000	9,000	9,000		
Principal and Interest on Loans	20,000	20,000	19,996		4
Statutory Expenditures					
Social Security System (O.A.S.I.)	16,000	16,000	15,666	334	-
	<u>\$ 7,288,000</u>	<u>\$ 7,288,000</u>	<u>\$ 7,173,274</u>	<u>\$ 111,122</u>	<u>\$ 3,604</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 240,000	\$ 240,000	\$ 236,282	\$ 3,718	
Other Expenses	125,000	121,000	13,160	107,840	
Sewer Treatment Expense					
Rahway Valley Sewer Authority	5,700,000	5,700,000	5,665,453	34,547	
Sewer Permit Fees	75,000	75,000	66,021	8,979	
Debt Service					
Payment of Bond Principal	344,000	344,000	343,025		\$ 975
Interest on Bonds	186,500	186,500	186,412		88
Principal and Interest on Loans	25,000	25,000	22,777		2,223
Deferred Charges					
Authorized but not Issued - Sewer Capital	4,248	4,248	4,248		
Statutory Expenditures					
Social Security System (O.A.S.I.)	<u>12,000</u>	<u>16,000</u>	<u>15,521</u>	<u>479</u>	<u>-</u>
	<u>\$ 6,711,748</u>	<u>\$ 6,711,748</u>	<u>\$ 6,552,899</u>	<u>\$ 155,563</u>	<u>\$ 3,286</u>

**CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
PARKING UTILITY FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Operating Fund		
Cash	\$ 5,463,838	\$ 6,872,992
Total Operating Fund	<u>5,463,838</u>	<u>6,872,992</u>
Capital Fund		
Cash	783,214	97,392
Fixed Capital	11,190,396	11,190,396
Fixed Capital Authorized and Uncompleted	1,355,000	1,355,000
Due from Parking Utility Operating Fund	<u>9,140</u>	<u>688,435</u>
Total Capital Fund	<u>13,337,750</u>	<u>13,331,223</u>
Total Assets	<u>\$ 18,801,588</u>	<u>\$ 20,204,215</u>

**CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
PARKING UTILITY FUND
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
LIABILITIES, RESERVES AND FUND BALANCE		
Operating Fund		
Appropriation Reserves	\$ 42,200	\$ 223,030
Encumbrances Payable	46,753	69,656
Accounts Payable	16,551	14,006
Due to Current Fund	1,783,000	757,000
Due to General Capital Fund	64,969	
Due to Sewer Utility Operating Fund		1,097,000
Due to Parking Utility Capital Fund	9,140	688,435
Reserve for Rate Stabilization	900,000	1,200,000
Accrued Interest on Bonds and Notes	29,176	35,270
Reserve for Security Deposits	-	3,265
	2,891,789	4,087,662
Fund Balance	2,572,049	2,785,330
Total Operating Fund	5,463,838	6,872,992
Capital Fund		
Serial Bonds Payable	2,245,000	2,445,000
Bond Anticipation Notes Payable	1,268,000	1,303,000
Reserve for Amortization	9,032,396	8,797,396
Reserve for Future Capital Improvements	186,524	186,524
Contracts Payable		2,500
Improvement Authorizations		
Unfunded	532,458	534,958
Fund Balance	73,372	61,845
Total Capital Fund	13,337,750	13,331,223
Total Liabilities, Reserves and Fund Balance	\$ 18,801,588	\$ 20,204,215

There were no bonds and notes authorized but not issued at December 31, 2024 and 2023.

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - PARKING UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Surplus Anticipated	\$ 500,000	500,000
Parking Fees	1,603,288	\$ 1,467,975
Ground Lease	500,743	531,269
Reserve for Rate Stabilization	300,000	300,000
Non-Budget Revenues	240,911	294,998
Other Credits to Income		
Unexpended Balance of Appropriation Reserves	198,677	202,255
Cancelled Prior Year Liabilities	<u>-</u>	<u>17,007</u>
Total Revenues	<u>3,343,619</u>	<u>3,313,504</u>
Expenditures		
Budget Appropriations		
Operating	940,000	940,000
Debt Service	403,900	366,309
Deferred Charges and Statutory Expenditures	<u>37,000</u>	<u>37,000</u>
Total Expenditures	<u>1,380,900</u>	<u>1,343,309</u>
Excess in Revenue	1,962,719	1,970,195
Adjustments to Income Before Fund Balance		
Surplus to General Budget	<u>(1,176,000)</u>	<u>(1,097,000)</u>
Statutory Excess to Fund Balance	786,719	873,195
Fund Balance, Beginning of Year	<u>2,785,330</u>	<u>3,062,135</u>
	3,572,049	3,935,330
Decreased by:		
Utilized as Anticipated Revenue	500,000	500,000
Utilized as Anticipated Revenue - Current Fund	<u>500,000</u>	<u>650,000</u>
Fund Balance, End of Year	<u>\$ 2,572,049</u>	<u>\$ 2,785,330</u>

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
PARKING UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Balance, Beginning of Year	\$ 61,845	\$ 42,507
Increased by:		
Premium on Bond Anticipation Notes	<u>11,527</u>	<u>19,338</u>
Balance, End of Year	<u>\$ 73,372</u>	<u>\$ 61,845</u>

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
PARKING UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>		<u>2023</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Parking Fees	1,200,000	1,603,288	1,100,000	1,467,975
Ground Lease	558,000	500,743	541,000	531,269
Reserve for Rate Stabilization	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
	<u>\$ 2,558,000</u>	<u>\$ 2,904,031</u>	<u>\$ 2,441,000</u>	<u>\$ 2,799,244</u>

**CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 420,000	\$ 425,000	\$ 422,019	\$ 2,981	
Other Expenses	450,000	445,000	405,781	39,219	
Employee Group Insurance	70,000	70,000	70,000		
Debt Service					
Payment of Bond Principal	200,000	200,000	200,000		
Payment on Bond Anticipation Notes	35,000	35,000	35,000		
Interest on Bonds	110,000	110,000	108,900		\$ 1,100
Interest on Notes	60,000	60,000	60,000		
	-				
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>1,176,000</u>	<u>1,176,000</u>	<u>1,176,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,558,000</u>	<u>\$ 2,558,000</u>	<u>\$ 2,514,700</u>	<u>\$ 42,200</u>	<u>\$ 1,100</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
PARKING UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Salaries and Wages	\$ 420,000	\$ 420,000	\$ 384,474	\$ 35,526	
Other Expenses	450,000	450,000	262,496	187,504	
Employee Group Insurance	70,000	70,000	70,000		
Debt Service					
Payment of Bond Principal	185,000	185,000	185,000		
Payment on Bond Anticipation Notes	26,000	26,000	26,000		
Interest on Bonds	118,000	118,000	117,309		\$ 691
Interest on Notes	38,000	38,000	38,000		
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>1,097,000</u>	<u>1,097,000</u>	<u>1,097,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,441,000</u>	<u>\$ 2,441,000</u>	<u>\$ 2,217,279</u>	<u>\$ 223,030</u>	<u>\$ 691</u>

**CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Land	\$ 13,925,600	\$ 13,925,600
Buildings and Building Improvements	25,848,831	23,230,282
Machinery and Equipment	<u>16,968,136</u>	<u>16,177,221</u>
 Total Assets	 <u>\$ 56,742,567</u>	 <u>\$ 53,333,103</u>
 LIABILITIES AND RESERVES		
 Investment in General Fixed Assets	 <u>\$ 56,742,567</u>	 <u>\$ 53,333,103</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, 2024 AND 2023**

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 and 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. However under the regulatory basis of accounting municipalities are required to follow GASB pronouncements with regard to disclosure requirements for notes to the financial statements.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 Trust 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.

Unemployment Insurance Fund - This fund is used to account for employee and employer contributions for the purpose of providing unemployment benefits to eligible former employees.

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, 2024 AND 2023

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.

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, 2023 balances to conform to the December 31, 2024 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, 2024 AND 2023

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 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The 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, 2024 AND 2023

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 proprietary funds and government-wide financial statements.

**CITY OF RAHWAY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

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.

Reserve for Uncollected Taxes – Reserve for Uncollected Taxes is a non-spending budget appropriation account required to provide assurance that cash collected for property taxes levied in the current year will provide sufficient cash flow to meet expected budgetary obligations. The minimum amount required to be budgeted in Reserve for Uncollected Taxes is determined utilizing the actual percentage of property taxes collected in the immediate preceding budget year, unless allowable alternative methods are utilized with the approval of the Division. A Reserve for Uncollected Taxes is not established or required under GAAP.

Pensions – The City appropriates in its annual budget the amount required to be paid for pension contributions as determined by the State administered pension systems. Under the regulatory basis of accounting the City is only required to disclose in the Notes to the Financial Statements its share of the actuarially determined net pension liabilities, deferred outflow of resources, deferred inflow of resources and pension expense (benefit) related to the State administered pension system. GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

Other Post-Employment Benefits (OPEB) – The City funds its employer paid post-retirement medical benefits on a pay-as-you-go basis. Under the regulatory basis of accounting the City is only required to disclose in the Notes to the Financial Statements its actuarially determined net OPEB liability, deferred outflow of resources, deferred inflow of resources and OPEB expense (benefit). GAAP requires these actuarially determined amounts to be reported in the proprietary funds and government-wide financial statements.

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.

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 acquired under capital financing agreements are capitalized at their acquisition cost. Intangible right-to-use leased assets and intangible right-to-use IT software (SBITAs) are not capitalized.

General Fixed Assets purchased after January 1, 2020 are stated as cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to January 1, 2020 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.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

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, including intangible right-to-use leased assets and intangible right-to-use IT software (SBITAs), 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 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.

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 City must prepare its budget in compliance with applicable laws limiting or capping the amounts by which both the budget appropriations and the municipal tax levy can increase in the annual budget.

1977 Appropriation "CAP": The 1977 Appropriation Cap is calculated using the formulas and provisions of N.J.S.A 40A:4-45.1 through 4-45.43a. The law was originally adopted in 1976 and was most recently amended in 2003. Under this law, the City is permitted to increase its overall Current Fund appropriations (with certain exceptions) by 2.5% or the "cost of living adjustment" (COLA), whichever is less. The COLA is calculated based on the Implicit Price Deflator for Local Governments computed by the U.S. Department of Commerce. The City can, when the COLA is less than or equal to 2.5%, increase its allowable inside-the-cap appropriations to 3.5%, upon adoption of a COLA Rate Ordinance by the governing body and beyond 3.5% upon voter passage of a referendum. Additionally, municipalities can bank the unused appropriation increases for use in any of the next two (2) succeeding budget years.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

2010 Levy “CAP”: The 2010 Levy Cap is calculated using the formulas and provisions of N.J.S.A. 40A:4-45.44 through 45.47. It established limits on the increase in the total amount to be raised by taxation for municipal purposes (municipal tax levy). The core of the levy cap formula is a 2% increase to the previous year’s amount to be raised by taxation for municipal purposes, exclusive of certain appropriations and allowable adjustments and extraordinary costs related to a declared emergency. Voter approval may be requested to increase the municipal tax levy by more than the allowable adjusted tax levy. Additionally, municipalities can bank the unused tax levy for use in any of the next three (3) succeeding budget years.

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2024 and 2023, the City increased the original budget by \$1,519,087 and \$3,328,692, respectively. For both 2024 and 2023, the increase was funded by a special emergency authorization for terminal pay and by additional allotted to the City. In addition, the governing body approved several budget transfers during 2024 and 2023.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

<u>2024</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Water Utility Operating Fund Appropriations Operating Other Expenses	\$710,000	\$737,940	\$27,940
 <u>2023</u>			
Water Utility Operating Fund Appropriation Reserves Operating Other Expenses	\$245	\$26,914	\$26,669

In accordance with the regulatory basis of accounting, the above variances or overexpenditures were recorded as deferred charges on the balance sheet of the respective fund at year end and are required to be funded in the succeeding year’s budget. GAAP does not permit the deferral of overexpenditures at year end.

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.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

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 deposits in excess of the FDIC or NCUSIF insured amounts. GUDPA does not protect intermingled trust funds, bail funds, withholdings from an employee’s salary or funds which may pass to the local government upon the happening of a future condition.

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, 2024 and 2023, the book value of the City's deposits were \$61,321,058 and \$57,977,645 and bank and brokerage firm balances of the City's deposits amounted to \$61,741,848 and \$57,895,612, 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>2024</u>	<u>2023</u>
Insured	\$ 58,002,177	\$ 54,083,862
Uninsured and Collateralized	<u>3,739,671</u>	<u>3,811,750</u>
	<u>\$ 61,741,848</u>	<u>\$ 57,895,612</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. As of December 31, 2024 and 2023, the City’s bank balances of \$3,739,671 and \$3,811,750 were exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2024</u>	<u>2023</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the City's name	<u>\$ 3,739,671</u>	<u>\$ 3,811,750</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

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 Local Government Services in the Department of the Community Affairs 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, 2024 and 2023 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.

NOTE 4 TAXES AND UTILITY CHARGES RECEIVABLE

Receivables at December 31, 2024 consisted of the following:

	<u>Current</u>	<u>Utility</u>		<u>Total</u>
		<u>Water</u>	<u>Sewer</u>	
<u>2024</u>				
Property Taxes	\$ 2,069,820			\$ 2,069,820
Tax Title Liens	700,986			700,986
Utility Rents	<u>-</u>	<u>\$ 1,911,586</u>	<u>\$ 774,432</u>	<u>2,686,018</u>
	<u>\$ 2,770,806</u>	<u>\$ 1,911,586</u>	<u>\$ 774,432</u>	<u>\$ 5,456,824</u>

In 2024, the City collected \$1,457,648 and \$2,239,363 from delinquent taxes and utility charges and fees, which represented 64% of the delinquent tax and 100% of the water and sewer charges receivable at December 31, 2023.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 4 TAXES AND UTILITY CHARGES RECEIVABLE (Continued)

Receivables at December 31, 2023 consisted of the following:

	<u>Current</u>	<u>Water</u>	<u>Utility</u>	<u>Sewer</u>	<u>Total</u>
<u>2023</u>					
Property Taxes	\$ 1,624,449				\$ 1,624,449
Tax Title Liens	643,253				643,253
Utility Rents	-	\$ 1,576,305	\$ 663,058		2,239,363
	<u>\$ 2,267,702</u>	<u>\$ 1,576,305</u>	<u>\$ 663,058</u>		<u>\$ 4,507,065</u>

In 2023, the City collected \$1,623,793 and \$2,035,244 from delinquent taxes and utility charges and fees, which represented 74% of the delinquent tax and 100% of the water and sewer charges receivable at December 31, 2022.

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>2024</u>		<u>2023</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	\$ 3,992,141	\$ 2,635,456	\$ 862,440	\$ 8,568,569
Trust Fund:				
Animal Control		3,326		18,227
Community Development		183,562		382,017
Other Trust	1,047,613	43,247	2,011,623	964,347
Unemployment	43,247	368	53,323	775
General Capital Fund	630,816	1,911,628	383,017	
Water Utility Fund:				
Operating	2,188,522	1,591,780	7,476,714	1,065,109
Capital	-	66,635	658,246	
Sewer Utility Fund:				
Operating	1,209,495	805,673	1,564,550	96,182
Capital	511,854	534,044		60,687
Parking Utility Fund:				
Operating		1,857,109		2,542,435
Capital	9,140	-	688,435	-
Total	<u>\$ 9,632,828</u>	<u>\$ 9,632,828</u>	<u>\$ 13,698,348</u>	<u>\$ 13,698,348</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and/or revenues being collected in one fund on behalf of another.

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Under the regulatory basis of accounting, certain expenditures or other items are required to be deferred to budgets of succeeding years. At December 31, the following deferred charge is reported on the Current Fund balance sheet:

	<u>Balance December 31</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2024</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 1,270,000	\$ 254,000	\$ 1,016,000
Water Utility Operating Fund			
Overexpenditure of Appropriation Reserves	27,940	-	27,940

	<u>Balance December 31</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2023</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 3,060,000	\$ 3,060,000	
Water Utility Operating Fund			
Overexpenditure of Appropriation Reserves	26,669	26,669	

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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>2024</u>		<u>2023</u>	
	Fund Balance December 31	Utilized in Subsequent Year's Budget	Fund Balance December 31	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 7,688,562	\$ 3,300,000	\$ 7,118,615	\$ 3,000,000
Non-Cash Surplus	<u>4,399,441</u>	<u>-</u>	<u>4,998,092</u>	<u>-</u>
	<u>\$ 12,088,003</u>	<u>\$ 3,300,000</u>	<u>\$ 12,116,707</u>	<u>\$ 3,000,000</u>
Water Utility Operating Fund				
Cash Surplus	\$ 6,227,953	1,000,000	\$ 5,807,957	1,295,000
Non-Cash Surplus	<u>27,940</u>	<u>-</u>	<u>26,669</u>	<u>-</u>
	<u>\$ 6,255,893</u>	<u>1,000,000</u>	<u>\$ 5,834,626</u>	<u>1,295,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 2,138,473	\$ 841,000	\$ 1,904,150	\$ 818,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,138,473</u>	<u>\$ 841,000</u>	<u>\$ 1,904,150</u>	<u>\$ 818,000</u>
Parking Utility Operating Fund				
Cash Surplus	\$ 2,572,049	\$ 750,000	\$ 2,785,330	\$ 1,000,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,572,049</u>	<u>\$ 750,000</u>	<u>\$ 2,785,330</u>	<u>\$ 1,000,000</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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, 2024 and 2023.

	Balance, December 31, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2024</u>
<u>2024</u>				
Land	\$ 13,925,600			\$ 13,925,600
Buildings and Improvements	23,230,282	\$ 2,618,549		25,848,831
Machinery and Equipment	<u>16,177,221</u>	<u>790,915</u>	<u>-</u>	<u>16,968,136</u>
	<u>\$ 53,333,103</u>	<u>\$ 3,409,464</u>	<u>\$ -</u>	<u>\$ 56,742,567</u>
	Balance, December 31, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2023</u>
<u>2023</u>				
Land	\$ 13,925,600			\$ 13,925,600
Buildings and Improvements	20,703,540	\$ 2,526,742		23,230,282
Machinery and Equipment	<u>15,738,446</u>	<u>438,775</u>	<u>-</u>	<u>16,177,221</u>
	<u>\$ 50,367,586</u>	<u>\$ 2,965,517</u>	<u>\$ -</u>	<u>\$ 53,333,103</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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, 2024 and 2023.

<u>Water Utility Fund</u>	Balance, December 31, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2024</u>
<u>2024</u>				
Fixed Capital				
System and System Improvements	\$ 34,146,792	\$ 274,820		\$ 34,421,612
Land, Plant, Building and Building Improvements	21,383,462			21,383,462
Vehicles and Equipment	<u>573,836</u>	<u>-</u>	<u>-</u>	<u>573,836</u>
	<u>\$ 56,104,090</u>	<u>\$ 274,820</u>	<u>-</u>	<u>\$ 56,378,910</u>
	Balance, December 31, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2023</u>
<u>2023</u>				
Fixed Capital				
System and System Improvements	\$ 34,146,792			\$ 34,146,792
Land, Plant, Building and Building Improvements	21,383,462			21,383,462
Vehicles and Equipment	<u>573,836</u>	<u>-</u>	<u>-</u>	<u>573,836</u>
	<u>\$ 56,104,090</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 56,104,090</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 8 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets (Continued)

<u>Sewer Utility Fund</u>	Balance, December 31, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2024</u>
<u>2024</u>				
Fixed Capital				
System and System Improvements	\$ 4,505,428	\$ 925,993	124,995	\$ 5,306,426
	Balance December 31, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2023</u>
<u>2023</u>				
Fixed Capital				
System and System Improvements	\$ 4,205,428	\$ 300,000	-	\$ 4,505,428
<u>Parking Utility Fund</u>	Balance, December 31, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2024</u>
<u>2024</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
	<u>\$ 11,190,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,190,396</u>
	Balance, December 31, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2023</u>
<u>2023</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
	<u>\$ 11,190,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,190,396</u>

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 9 MUNICIPAL DEBT

The Local Bond Law (N.J.S.A. 40A:2 et seq.) 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 and acquisitions or other purposes permitted by the Local Bond Law. 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 and acquisitions or other purposes permitted by the Local Bond Law, 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>2024</u>	<u>2023</u>
Issued		
General		
Bonds, Notes and Loans	\$ 52,197,821	\$ 53,460,596
Water Utility		
Bonds, Notes and Loans	28,167,453	26,642,351
Sewer Utility		
Bonds, Notes and Loans	7,068,921	3,816,035
Parking Utility		
Bonds and Notes	<u>3,513,000</u>	<u>3,748,000</u>
	90,947,195	87,666,982
Less Funds Temporarily Held to Pay Bonds and Notes	<u>1,270,246</u>	<u>278,810</u>
Net Debt Issued	89,676,949	87,388,172
Authorized But Not Issued		
General		
Bonds and Notes	13,477,618	7,223,382
Water Utility		
Bonds and Notes	6,340,605	9,230,633
Sewer Utility		
Bonds and Notes	3,670,000	5,505,000
Parking Utility		
Bonds and Notes	<u>-</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 113,165,172</u>	<u>\$ 109,347,187</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is in the format of City's Annual Debt Statement and indicates a statutory net debt of 1.63% and 1.70% at December 31, 2024 and 2023, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2024</u>			
General Debt	\$ 65,675,439	\$ 1,270,246	\$ 64,405,193
School Debt	44,250,049	44,250,049	
Utility Debt	48,759,979	48,712,407	47,572
Debt Guarantees (Note 9)	<u>1,445,000</u>	<u>1,445,000</u>	<u>-</u>
Total	<u>\$ 160,130,467</u>	<u>\$ 95,677,702</u>	<u>\$ 64,452,765</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2023</u>			
General Debt	\$ 60,683,978	\$ 278,810	\$ 60,405,168
School Debt	46,825,000	46,825,000	
Utility Debt	48,942,019	48,861,407	80,612
Debt Guarantees (Note 9)	<u>1,965,000</u>	<u>1,965,000</u>	<u>-</u>
Total	<u>\$ 158,415,997</u>	<u>\$ 97,930,217</u>	<u>\$ 60,485,780</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>2024</u>	<u>2023</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 138,160,287	\$ 124,394,220
Less: Net Debt	<u>64,405,193</u>	<u>60,485,780</u>
Remaining Borrowing Power	<u>\$ 73,755,094</u>	<u>\$ 63,908,440</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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>2024</u>	<u>2023</u>
\$7,425,000, 2013 Bonds, due in annual installments of \$405,000 to \$515,000 through September 15, 2032, interest at 3.125% to 4.00%	\$ 3,630,000	\$ 4,025,000
\$9,460,000, 2015 Bonds, due in annual installments of \$650,000 to \$700,000 through August 1, 2013, interest at 3.00% to 4.00%	4,820,000	5,470,000
\$4,463,056, 2015 Refunding Bonds, due in an annual installment of \$476,780 on October 1, 2024, interest at 4.00%		476,780
\$8,627,000, 2016 Bonds, due in annual installments of \$600,000 to \$797,000 through August 1, 2031, interest at 3.00% to 4.00%.	5,002,000	5,602,000
\$11,683,178, 2016 Refunding Bonds, due in annual installments of \$670,000 to \$1,160,697 through April 15, 2030, interest at 2.00% to 4.00%.	5,012,428	6,182,608
\$3,875,000, 2019 General Obligation Bonds, due in annual installments of \$315,000 to \$430,000 through July 15, 2031, interest at 2.00% to 4.00%.	2,620,000	2,910,000
\$5,215,000, 2020 General Obligation Bonds, due in annual installments of \$515,000 to \$660,000 through July 15, 2030, interest at 2.00% to 4.00%.	3,565,000	4,050,000
\$7,330,000, 2022 General Obligation Bonds, due in annual installments of \$350,000 to \$500,000 through July 15, 2039, interest at 3.375% to 4.00%.	6,730,000	7,080,000
\$12,000,000, 2024 General Obligation Bonds, due in annual installments of \$695,000 to \$1,225,000 through July 15, 2036, interest at 3.00% to 4.00%.	12,000,000	-
	<u>\$ 43,379,428</u>	<u>\$ 35,796,388</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

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>2024</u>	<u>2023</u>
\$290,876, Waterfront Park Loan due in Semi-annual installments of \$1,048 to \$17,721 through March, 2031, interest at 0%	\$ 60,500	\$ 78,221
\$477,200, 2006 Green Acres Loan due in Semi-annual installments of \$13,977 to \$14,690 through August, 2026, interest at 2.00%	<u>57,893</u>	<u>85,987</u>
	<u>\$ 118,393</u>	<u>\$ 164,208</u>

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

	<u>2024</u>	<u>2023</u>
\$4,714,000, 2018 Bonds, due in annual installments of \$185,000 to \$280,000 through June 25, 2038, interest at 2.5% to 5.0%	\$ 3,794,000	\$ 3,964,000
\$3,900,000, 2019 Bonds, due in annual installments of \$165,000 to \$250,000 through July 15, 2039, interest at 2.0% to 4.0%	<u>3,070,000</u>	<u>3,315,000</u>
	<u>\$ 6,864,000</u>	<u>\$ 7,279,000</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Utility Bonds (Continued)

Sewer Utility

2024

2023

Allocated \$76,944, 2015 Refunding Bonds, due in an annual installment of \$8,220 on October 1, 2024 interest at 4.00%

\$ 8,220

Allocated \$251,822, 2016 Refunding Bonds, due in annual installments of \$23,269 to \$24,820 through April 15, 2026, interest at 2.00% to 4.00%

\$ 47,572 72,392

\$2,275,000, 2019 Bonds due in annual installments of \$120,000 to \$130,000 through July 15, 2038, interest at 2.00% to 4.00%

1,800,000 1,920,000

\$1,848,000, 2022 Sewer Bonds due in annual installments of \$110,000 to \$175,000 through July 15, 2035, interest at 3.50% to 4.00%

1,625,000 1,735,000

\$ 3,472,572 \$ 3,735,612

Parking Utility

2024

2023

\$3,335,000 2018 Revenue Refunding Bonds, due in annual installments of \$210,000 to \$300,000 through November 15, 2033 interest at 4.5%

\$ 2,245,000 \$ 2,445,000

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

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 water and sewer utilities at December 31 are as follows:

Water Utility	<u>2024</u>	<u>2023</u>
\$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.	\$ 1,117,909	\$ 1,211,069
\$605,000, 2017 Environmental Infrastructure Trust Loan, due in annual installments of \$30,000 to \$45,000, through August 1, 2036, interest at 3.0% to 5.0%.	435,000	465,000
\$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.	6,880,544	7,285,282
\$3,210,000, 2018 Environmental Infrastructure Trust Loan, due in annual installments of \$115,000 to \$200,000, through August 1, 2041, interest at 3.0% to 5.0%.	<u>2,625,000</u>	<u>2,735,000</u>
	<u>\$ 11,058,453</u>	<u>\$ 11,696,351</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Utility Intergovernmental Loans Payable (Continued)

Sewer Utility	<u>2024</u>	<u>2023</u>
\$257,017, 2010 Environmental Infrastructure Fund Loan, due in semi-annual installments of \$4,590 to \$9,179 through August 1, 2029, interest free	\$ 40,904	\$ 54,673
\$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>20,445</u>	<u>25,750</u>
	<u>\$ 61,349</u>	<u>\$ 80,423</u>

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2024 is as follows:

Calendar Year	General Capital		Water Utility		Sewer Utility		Parking Utility		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2025	\$ 4,737,077	\$ 1,514,040	\$ 1,067,897	\$ 318,391	\$ 273,575	\$ 123,171	\$ 210,000	\$ 101,025	\$ 8,345,176
2026	4,918,687	1,368,874	1,087,897	293,479	287,751	113,042	220,000	91,575	8,381,305
2027	4,777,721	1,210,991	1,097,897	272,932	274,304	102,786	225,000	81,675	8,043,306
2028	4,932,096	1,037,241	1,112,897	251,248	273,291	92,347	235,000	71,550	8,005,670
2029	5,007,096	868,341	1,122,897	231,048	280,000	81,413	245,000	60,975	7,896,770
2030-2034	14,265,144	2,191,526	5,789,485	855,844	1,450,000	249,413	1,110,000	127,800	26,039,212
2035-2039	4,860,000	436,625	5,444,008	343,019	695,000	44,475	-	-	11,823,127
2040-2041	-	-	1,199,475	20,651	-	-	-	-	1,220,126
	<u>\$ 43,497,821</u>	<u>\$ 8,627,638</u>	<u>\$ 17,922,453</u>	<u>\$ 2,586,612</u>	<u>\$ 3,533,921</u>	<u>\$ 806,647</u>	<u>\$ 2,245,000</u>	<u>\$ 534,600</u>	<u>\$ 79,754,692</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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, 2024 and 2023, the Agency had outstanding \$0- and \$145,000, respectively, subject to the City guarantee.

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, 2024 and 2023, the Agency had outstanding \$1,445,000 and \$1,820,000, respectively, subject to City guarantee.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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, 2024 and 2023 were as follows:

	Balance, December 31, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2024</u>	Due Within <u>One Year</u>
<u>2024</u>					
General Capital Fund:					
Bonds Payable	\$ 35,796,388	\$ 12,000,000	\$ 4,416,960	\$ 43,379,428	\$ 4,690,697
Intergovernmental Loans Payable:					
Green Acres Loans	<u>164,208</u>	<u>-</u>	<u>45,815</u>	<u>118,393</u>	<u>46,380</u>
General Capital Fund Long-Term Liabilities	<u>\$ 35,960,596</u>	<u>\$ 12,000,000</u>	<u>\$ 4,462,775</u>	<u>\$ 43,497,821</u>	<u>\$ 4,737,077</u>
Water Utility Capital Fund:					
Bonds Payable	\$ 7,279,000		\$ 415,000	\$ 6,864,000	\$ 425,000
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>11,696,351</u>	<u>-</u>	<u>637,898</u>	<u>11,058,453</u>	<u>642,897</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 18,975,351</u>	<u>\$ -</u>	<u>\$ 1,052,898</u>	<u>\$ 17,922,453</u>	<u>\$ 1,067,897</u>
Sewer Utility Capital Fund:					
Bonds Payable	\$ 3,735,612	\$ -	\$ 263,040	\$ 3,472,572	\$ 254,303
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>80,423</u>	<u>-</u>	<u>19,074</u>	<u>61,349</u>	<u>19,272</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 3,816,035</u>	<u>\$ -</u>	<u>\$ 282,114</u>	<u>\$ 3,533,921</u>	<u>\$ 273,575</u>
Parking Utility Capital Fund:					
Bonds Payable	<u>\$ 2,445,000</u>	<u>-</u>	<u>\$ 200,000</u>	<u>\$ 2,245,000</u>	<u>\$ 210,000</u>
Parking Utility Capital Fund Long-Term Liabilities	<u>\$ 2,445,000</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 2,245,000</u>	<u>\$ 210,000</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2023</u>	Due Within <u>One Year</u>
<u>2023</u>					
General Capital Fund:					
Bonds Payable	\$ 40,706,363	\$ -	\$ 4,909,975	\$ 35,796,388	\$ 4,416,960
Intergovernmental Loans Payable:					
Green Acres Loans	<u>209,469</u>	<u>-</u>	<u>45,261</u>	<u>164,208</u>	<u>45,815</u>
General Capital Fund Long-Term Liabilities	<u>\$ 40,915,832</u>	<u>\$ -</u>	<u>\$ 4,955,236</u>	<u>\$ 35,960,596</u>	<u>\$ 4,462,775</u>
Water Utility Capital Fund:					
Bonds Payable	\$ 7,864,000		\$ 585,000	\$ 7,279,000	\$ 415,000
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>12,324,248</u>	<u>-</u>	<u>627,897</u>	<u>11,696,351</u>	<u>637,898</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 20,188,248</u>	<u>\$ -</u>	<u>\$ 1,212,897</u>	<u>\$ 18,975,351</u>	<u>\$ 1,052,898</u>
Sewer Utility Capital Fund:					
Bonds Payable	\$ 4,078,637	\$ -	\$ 343,025	\$ 3,735,612	\$ 263,040
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>99,312</u>	<u>-</u>	<u>18,889</u>	<u>80,423</u>	<u>19,074</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 4,177,949</u>	<u>\$ -</u>	<u>\$ 361,914</u>	<u>\$ 3,816,035</u>	<u>\$ 282,114</u>
Parking Utility Capital Fund:					
Bonds Payable	\$ 2,630,000	-	\$ 185,000	\$ 2,445,000	\$ 200,000
Parking Utility Capital Fund Long-Term Liabilities	<u>\$ 2,630,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 2,445,000</u>	<u>\$ 200,000</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The City's short-term debt activity for the years ended December 31, 2024 and 2023 was as follows:

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, December 31, 2023	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2024
<u>2024</u>						
<u>General Capital Fund</u>						
		<u>Purpose</u>				
	4.50%	7/24/2025	\$ 510,000		\$ 510,000	
	4.50%	7/24/2025	916,270		916,270	
	4.50%	7/24/2025	300,000		300,000	
	4.50%	7/24/2025	1,171,956		1,171,956	
	4.50%	7/24/2025	710,000		710,000	
	4.50%	7/24/2025	120,000		120,000	
	4.50%	7/24/2025	665,000		665,000	
	4.50%	7/24/2025	2,215,774		2,215,774	
	4.50%	7/24/2025	1,428,000		1,428,000	
	4.50%	7/24/2025	380,000		380,000	
	4.50%	7/24/2025	380,000	\$ 380,000	380,000	\$ 380,000
	4.50%	7/24/2025	2,330,000		2,330,000	
	4.50%	7/24/2025	1,999,000	1,999,000	1,999,000	1,999,000
	4.50%	7/24/2025	1,666,000	1,666,000	1,666,000	1,666,000
	4.50%	7/24/2025	238,000	238,000	238,000	238,000
	4.50%	7/24/2025	2,470,000	2,470,000	2,470,000	2,470,000
	4.50%	7/24/2025	-	1,947,000	-	1,947,000
			<u>17,500,000</u>	<u>8,700,000</u>	<u>17,500,000</u>	<u>8,700,000</u>
<u>Water Utility Capital Fund</u>						
		<u>Purpose</u>				
	4.50%	7/24/2025	903,919	315,766	903,919	315,766
	4.50%	7/24/2025	3,488,081	3,299,747	3,488,081	3,299,747
	4.50%	7/24/2025	2,500,000	2,479,487	2,500,000	2,479,487
	4.50%	7/24/2025	775,000	775,000	775,000	775,000
	4.50%	7/24/2025		950,000		950,000
	4.50%	7/24/2025		950,000		950,000
	4.50%	7/24/2025		975,000		975,000
	4.50%	7/24/2025	-	500,000	-	500,000
			<u>7,667,000</u>	<u>10,245,000</u>	<u>7,667,000</u>	<u>10,245,000</u>
<u>Sewer Utility Capital Fund</u>						
		<u>Purpose</u>				
	4.50%	7/24/2025	-	3,535,000	-	3,535,000
<u>Parking Utility Capital Fund</u>						
		<u>Purpose</u>				
	4.50%	7/24/2025	698,000	672,000	698,000	672,000
	4.50%	7/24/2025	80,000	71,000	80,000	71,000
	4.50%	7/24/2025	525,000	525,000	525,000	525,000
			<u>1,303,000</u>	<u>1,268,000</u>	<u>1,303,000</u>	<u>1,268,000</u>
Total Bond Anticipation Notes			<u>\$ 26,470,000</u>	<u>\$ 23,748,000</u>	<u>\$ 26,470,000</u>	<u>\$ 23,748,000</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2022	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2023
<u>2023</u>						
<u>General Capital Fund</u>						
		<u>Purpose</u>				
Acquisition of Property	5.00%	7/26/2024	\$ 510,000	\$ 510,000	\$ 510,000	\$ 510,000
2020 Road Improvement Program	5.00%	7/26/2024	1,200,000	916,270	1,200,000	916,270
Improvements to Madden Field	5.00%	7/26/2024	300,000	300,000	300,000	300,000
Various 2020 Capital Acquisitions & Improvements	5.00%	7/26/2024	1,171,956	1,171,956	1,171,956	1,171,956
Purchase of Ambulance and 911 Command Center	5.00%	7/26/2024	710,000	710,000	710,000	710,000
Purchase and Installation of Outdoor Shelters	5.00%	7/26/2024	120,000	120,000	120,000	120,000
Acquisition of Equipment, Vehicle and Fire Rescue Truck	5.00%	7/26/2024	665,000	665,000	665,000	665,000
2021 Road Improvement Program	5.00%	7/26/2024	2,023,044	2,215,774	2,023,044	2,215,774
Acquisition of Vehicles and Equipment	5.00%	7/26/2024		1,428,000		1,428,000
Replacement of HVAC at City Hall	5.00%	7/26/2024		380,000		380,000
Tennis Court Improvements	5.00%	7/26/2024		380,000		380,000
2022 Roads and Sidewalk Program	5.00%	7/26/2024		2,330,000		2,330,000
Various Improvements and Acquisitions	5.00%	7/26/2024		1,999,000		1,999,000
Acquisition of Fire Truck and Headquarters Improvements	5.00%	7/26/2024		1,666,000		1,666,000
Steetscape Improvements	5.00%	7/26/2024		238,000		238,000
Acquisition of Property	5.00%	7/26/2024	-	2,470,000	-	2,470,000
			<u>6,700,000</u>	<u>17,500,000</u>	<u>6,700,000</u>	<u>17,500,000</u>
<u>Water Utility Capital Fund</u>						
		<u>Purpose</u>				
Various Improvements to Water Treatment Plant	5.00%	7/26/2024	925,000	903,919	925,000	903,919
Various Acquisitions and Improvements	5.00%	7/26/2024	3,500,000	3,488,081	3,500,000	3,488,081
Upgrade of Granular Activated Carbon Filter System	5.00%	7/26/2024	2,500,000	2,500,000	2,500,000	2,500,000
Lead Water Service Pipe Replacement Project	5.00%	7/26/2024	-	775,000	-	775,000
			<u>6,925,000</u>	<u>7,667,000</u>	<u>6,925,000</u>	<u>7,667,000</u>
<u>Parking Utility Capital Fund</u>						
		<u>Purpose</u>				
Various Parking Utility Capital Acquisitions and Improvements	5.00%	7/26/2024	724,000	698,000	724,000	698,000
Purchase and Acquisition of Electric Vehicles	5.00%	7/26/2024	80,000	80,000	80,000	80,000
Structural Repairs at Parking Deck	5.00%	7/26/2024	-	525,000	-	525,000
			<u>804,000</u>	<u>1,303,000</u>	<u>804,000</u>	<u>1,303,000</u>
Total Bond Anticipation Notes			<u>\$ 14,429,000</u>	<u>\$ 26,470,000</u>	<u>\$ 14,429,000</u>	<u>\$ 26,470,000</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

The purpose of these short-term borrowings was to provide resources for capital construction, acquisitions or improvement projects and other purposes permitted by the 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, sewer and parking utility activities are accounted for in the Water, Sewer and Parking 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.

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the City’s statutory debt limit calculation is reported in the Current Fund for the years 2024 and 2023 as follows:

Special Emergency Notes

Following the adoption of an ordinance or resolution for special emergency appropriations, the City may borrow money and issue special emergency notes which may be renewed from time to time, but at least 1/5 of all such notes and the renewal thereof, shall mature and be paid in each year so that all notes have been paid by the end of the fifth year following the date of the special emergency resolution.

<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	Balance, December 31, <u>2023</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2024</u>
<u>2024</u>						
Terminal Pay	5.00%	10/21/2024	\$ <u>1,200,000</u>	\$ <u>-</u>	\$ <u>1,200,000</u>	\$ <u>-</u>
			Balance, December 31, <u>2022</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2023</u>
<u>2023</u>						
Terminal Pay	5.00%	10/21/2024	\$ <u>1,500,000</u>	\$ <u>1,200,000</u>	\$ <u>1,500,000</u>	\$ <u>1,200,000</u>

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

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>
<u>2024</u>		
Berzenic Park Tennis Courts and Howard Field Park Basketball Court Improvements	\$203,300	2025
Madden Field Basketball Court Improvements	283,460	2025
Main Street Lighting and Landscaping Improvements	246,300	2025
LSLRP Test Pit Program – Phase 2	865,281	2025
NJ DOT 2024 Road Improvement Program	634,963	2025
<u>2023</u>		
NJDOT FY22Municipal Aid Program	\$594,678	2024
Acquisition of Refuse Truck-2022	338,504	2024
Acquisition of Refuse Truck-2023	358,215	2024
NJDOT FY23 Municipal Aid Program	403,672	2024
LSLRP Test Pit Program – Phase 2	2,876,117	2025
Portable Radio Equipment for Police and Fire Departments	324,754	2024
Playground Equipment for Berzinec Park	239,238	2024

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, personal time 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 \$6,944,510 and \$9,712,184 at December 31, 2024 and 2023, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of both December 31, 2024 and 2023, the City has reserved in the Other Trust Fund \$86,982 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) at December 31, 2024 and 2023 is \$480,282 and \$718,531, respectively.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

B. Deferred Pension Obligation (Continued)

During the years ended December 31, 2024, 2023 and 2022 the City was required to contribute for the deferred pension obligation the following amounts which equaled the required contribution for each year.

<u>Years Ended December 31,</u>	<u>PERS</u>	<u>PFRS</u>
2024	\$ 34,476	\$ 204,944
2023	34,049	202,147
2022	35,390	210,082

C. 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, 2024 and 2023 were as follows:

	<u>Balance, December 31, 2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2024</u>	<u>Due Within One Year</u>
<u>2024</u>					
Compensated Absences	\$ 9,712,184		\$ 2,767,674	\$ 6,944,510	
Deferred Pension Obligation	718,531	\$ 1,221	239,470	480,282	\$ 241,295
Net Pension Liability - PERS (1)	15,625,584			15,625,584	
Net Pension Liability - PFRS (1)	35,140,570			35,140,570	
Net OPEB Liability (1)	<u>76,988,049</u>	<u>-</u>	<u>-</u>	<u>76,988,049</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 138,184,918</u>	<u>\$ 1,221</u>	<u>\$ 3,007,144</u>	<u>\$ 135,178,995</u>	<u>\$ 241,295</u>

(1) GASB Statements number 68 (Pension) and 75 (OPEB) financial information was not provided by the State Division of Pensions and Benefits as of the date of the audit.

	<u>Balance, December 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2023</u>	<u>Due Within One Year</u>
<u>2023</u>					
Compensated Absences	\$ 10,092,760		\$ 380,576	\$ 9,712,184	
Deferred Pension Obligation	940,606	\$ 14,121	236,196	718,531	\$ 239,470
Net Pension Liability - PERS	16,019,144		393,560	15,625,584	
Net Pension Liability - PFRS	38,965,284		3,824,714	35,140,570	
Net OPEB Liability	<u>70,979,087</u>	<u>6,008,962</u>	<u>-</u>	<u>76,988,049</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 136,996,881</u>	<u>\$ 6,023,083</u>	<u>\$ 4,835,046</u>	<u>\$ 138,184,918</u>	<u>\$ 239,470</u>

**CITY OF RAHWAY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 cost-sharing multi-employer defined benefit plan. For additional information about CPFPPF, please refer to the State Division of Pension and Benefits (Division’s) Annual Comprehensive Financial Report (ACFR) which can be found at 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) Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions.

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

The following represents the membership tiers for PFRS:

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

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

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service.

**CITY OF RAHWAY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees' Retirement System (PERS) (Continued)

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

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those 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 on or after November 2, 2008 and do not earn the minimum salary required for tier 3 enrollment or do not work the minimum required hours for tier 4 and tier 5 enrollment 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. 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.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds (Continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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. Empower (formerly 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.

Collective Net Pension Liability

The collective net pension liability of the participating employers for local PERS at June 30, 2024 was not available and for June 30, 2023 is \$14.6 billion, and the plan fiduciary net position as a percentage of the total pension liability is 65.22% at June 30, 2023. The collective net pension liability of the participating employers for local PFRS at June 30, 2024 was not available and for June 30, 2023 is \$13.1 billion and the plan fiduciary net position as a percentage of total pension liability is 70.16% at June 30, 2023.

The total pension liabilities were determined based on actuarial valuations as of July 1, 2022 which were rolled forward to June 30, 2023.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Methods and Assumptions

In the July 1, 2022 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 2024 and 2023 based on 10.0% for PFRS, 7.50% for PERS and 5.50% for DCRP of employee’s annual compensation.

For the years ended December 31, 2024 and 2023 for CPFPPF, which is a single-employer defined benefit plan, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, employers’ contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution. All contributions made by the City for 2024, 2023 and 2022 were equal to the required contributions.

During the years ended December 31, 2024, 2023 and 2022, 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>CPFPPF</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2024		\$ 4,323,906	\$ 1,461,930	\$ 15,425
2023		4,427,298	1,338,573	15,870
2022	\$ 17,955	4,203,227	1,231,022	23,442

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.

Under GASB Statement No. 68 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer’s prior fiscal year. The GASB No. 68 financial information from the State’s Division of Pensions and Benefits to be reported for the year ended December 31, 2023 for the measurement date of June 30, 2024 was not available as of the date of audit. Accordingly, N.J.A.C. 5:30-6.1(c)2 authorized and permits New Jersey municipalities to present the most recent available audited GASB No. 68 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 68 financial information for the year ended December 31, 2024 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the contributions made as an individual employer to the total contributions to the plan during the fiscal years ended June 30, 2024 and 2023. Employer allocation percentages have been rounded for presentation purposes.

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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)

At December 31, 2023, the City reported a liability of \$15,625,584 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City's proportionate share of the net pension liability was based on the ratio of the City's contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2023, the City's proportionate share was .10787 percent, which was an increase of .00172 percent from its proportionate share measured as of June 30, 2022 of .10615 percent.

For the year ended December 31, 2023, the pension system has determined the City's pension expense (benefit) to be (\$157,742) for PERS based on the actuarial valuation which is less than the actual contributions reported in the City's financial statements of \$1,338,573. At December 31, 2023, 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>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 149,401	\$ 42,269
Changes of Assumptions	34,326	626,683
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	71,958	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>1,319,971</u>	<u>169,224</u>
Total	<u>\$ 1,575,656</u>	<u>\$ 838,176</u>

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	\$ (140,220)
2025	(27,733)
2026	886,220
2027	8,084
2028	11,129
Thereafter	<u>-</u>
	<u>\$ 737,480</u>

**CITY OF RAHWAY
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

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)

Actuarial Assumptions

The City’s total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2023</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Rate for All Future Years	2.75 - 6.55%
	Based on Years of Service
Investment Rate of Return	7.00%

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2023, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>2023</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

The discount rate used to measure the total pension liability for PERS was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of Net Pension Liability

The following presents the City’s proportionate share of the PERS net pension liability as of December 31, 2023 calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

<u>2023</u>	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 20,341,186</u>	<u>\$ 15,625,584</u>	<u>\$ 11,611,983</u>

The sensitivity analysis was based on the proportionate share of the City’s net pension liability at December 31, 2023. A sensitivity analysis specific to the City’s net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2023, the City reported a liability of \$35,140,570 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City’s proportionate share of the net pension liability was based on the ratio of the City’s contributions to the pension plan relative to the total contributions of all participating governmental entities during the measurement period. As of the measurement date of June 30, 2023, the City’s proportionate share was .31804 percent, which was a decrease of .02237 percent from its proportionate share measured as of June 30, 2022 of .34041 percent.

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

For the year ended December 31, 2023, the pension system has determined the City pension expense to be \$574,408 for PFRS based on the actuarial valuation which are less than the actual contributions reported in the City’s financial statements of \$4,427,298. At December 31, 2023, 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:

	<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 1,504,649	\$ 1,675,893
Changes of Assumptions	75,846	2,372,831
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,789,643	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>-</u>	<u>3,661,040</u>
Total	<u>\$ 3,370,138</u>	<u>\$ 7,709,764</u>

At December 31, 2023 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	(2,806,902)
2025	(2,538,568)
2026	1,441,321
2027	(931,478)
2028	391,593
Thereafter	<u>104,408</u>
	<u>\$ (4,339,626)</u>

**CITY OF RAHWAY
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Actuarial Assumptions

The City’s total pension liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2023</u>
Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	
Rate for All Future Years	3.25%-16.25%
	Based on Years of Service
Investment Rate of Return	7.00%

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Mortality Rates

Employee mortality rates were based on the PubS-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the PubS-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and actuaries. 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, 2023, as reported for the year ended December 31, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>2023</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	6.21%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment Grade Credit	7.00%	5.19%
US Equity	28.00%	8.98%
Non-US Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
High Yield	4.50%	6.97%
Real Assets	3.00%	8.40%
Private Credit	8.00%	9.20%
Real Estate	8.00%	8.58%
Private Equity	13.00%	12.50%

Discount Rate

The discount rate used to measure the total pension liability for PFRS was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Sensitivity of Net Pension Liability

The following presents the City’s proportionate share of the PFRS net pension liability as of December 31, 2023 calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

<u>2023</u>	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's Proportionate Share of the PFRS Net Pension Liability	\$ <u>48,962,231</u>	\$ <u>35,140,570</u>	\$ <u>23,630,429</u>

The sensitivity analysis was based on the proportionate share of the City’s net pension liability at December 31, 2023. A sensitivity analysis specific to the City’s net pension liability was not provided by the pension system.

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, 2023, the State’s proportionate share of the net pension liability attributable to the City for the PFRS special funding situation is \$6,475,059. For the year ended December 31, 2023, 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 \$736,525, which is less than the actual contributions the State made on behalf of the City of \$740,497. At December 31, 2023 (measurement date June 30, 2023) the State’s share of the PFRS net pension liability attributable to the City was .31804 percent, which was a decrease of .02237 percent from its proportionate share measured as of December 31, 2022 (measurement date June 30, 2022) of .34041 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 In 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.

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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.

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. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), 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 participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) 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.

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Plan Membership and Contributing Employers

Membership and contributing employers/nonemployers of the defined benefit OPEB plan consisted of the following at June 30, 2023:

Active Plan Members	65,613
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	<u>34,771</u>
Total	<u>100,384</u>
Contributing Employers	574
Contributing Nonemployers	1

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.

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, 2024 was not available and for June 30, 2023 is \$15.0 billion, and the plan fiduciary net (deficit) as a percentage of the total OPEB liability is (0.79)% at June 30, 2023.

The total OPEB liabilities were determined based on actuarial valuations as of July 1, 2022 which was rolled forward to June 30, 2023.

Actuarial Methods and Assumptions

In the July 1, 2022 OPEB actuarial valuation, the actuarial assumptions and methods used in this valuation 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.

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution

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 can be 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 \$431.4 million and the State of New Jersey, as the non-employer contributing entity, contributed \$55.6 million for fiscal year 2023.

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, 2024, 2023 and 2022 were \$4,130,224, \$3,721,454 and \$3,204,698, respectively, which equaled the required contributions for each year. In addition, the City's reimbursements to eligible retired employees for Medicare Part B insurance coverage for the years ended December 31, 2024, 2023 and 2022 were \$125,522, \$121,071 and \$120,750, 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.

Under GASB Statement No. 75 local governmental employers are required to provide certain financial information based on a measurement date no earlier than the end of the employer's prior fiscal year. The GASB No. 75 financial information from the State's Division of Pensions and Benefits to be reported for the year ended December 31, 2022 for the measurement date of June 30, 2024 was not available as of the date of audit. Accordingly, N.J.A.C. 5:30-6.1(c)2 authorizes and permits New Jersey municipalities to present the most recent available audited GASB No. 75 financial information to be incorporated into the audit and remain in compliance with the regulatory basis of accounting disclosure requirements for notes to the financial statements. As such the GASB No. 75 financial information for the year ended December 31, 2024 is not presented in the notes to the financial statements.

The employer allocation percentages presented are based on the ratio of the plan members as an individual employer to the total plan members to the plan during the fiscal years ended June 30, 2023 and 2022. Employer allocation percentages have been rounded for presentation purposes.

At December 31, 2023, the City reported a liability of \$76,988,049 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022. 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, 2023 to the total OPEB liability for the State Health Benefit Program Fund – Local Government Retired Plan at June 30, 2023. As of the measurement date of June 30, 2023 the City's proportionate share was .51303 percent, which was an increase of .07352 percent from its proportionate share measured as of June 30, 2022 of .43951 percent.

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 year ended December 31, 2023, the Plan has determined the City’s OPEB expense to be \$3,417,517 based on the actuarial valuations which is less than the actual contributions reported in the City’s financial statements of \$3,721,454. At December 31, 2023, 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:

	<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 3,550,292	\$ 20,907,438
Changes of Assumptions	9,972,841	21,762,057
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments		12,703
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	52,832,156	9,938,760
Contributions made Subsequent to the Measurement Date	-	-
Total	<u>\$ 66,355,289</u>	<u>\$ 52,620,958</u>

At December 31, 2023, the amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in OPEB expense (benefit) as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2024	\$ 1,630,173
2025	1,626,949
2026	3,246,774
2027	4,303,949
2028	2,077,428
Thereafter	<u>849,058</u>
	<u>\$ 13,734,331</u>

**CITY OF RAHWAY
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Actuarial Assumptions

The City’s total OPEB liability reported for the year ended December 31, 2023 was based on the June 30, 2023 measurement date as determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2023</u>
Inflation Rate	2.50%
Salary Increases*	
PERS:	
Rate For All Future Years	2.75% to 6.55% Based on Years of Service
PFRS:	
Rate For All Future Years	3.25% to 16.25% Based on Years of Service

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

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021.

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

Mortality Rates

Pre-retirement and post-retirement mortality rates were based on the Pub-2010 Healthy “Safety” for PFRS and Healthy “General” for PERS classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. Disability mortality rates were based on the Pub-2010 Disabled “Safety” for PFRS and Disabled “General” for PERS classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Health Care Trends

The trend rate for pre-Medicare medical benefits is initially 6.50% and decreases to a 4.50% long-term trend rate after 9 years. For post-65 medical benefits PPO, the trend is, increasing to 14.80% in Fiscal Year 2026 and decreasing to 4.50% in Fiscal Year 2033. For HMO the trend is increasing to 17.40% in Fiscal Year 2026 and decreasing to 4.50% in Fiscal Year 2033. For prescription drug benefits, the initial trend rate is 9.50% and decreases to a 4.50% long-term trend rate after 7 years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2023 measurement date was 3.65%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Sensitivity of Net OPEB Liability to Changes in the Discounts Rate

The following presents the City’s proportionate share of the net OPEB liability as of December 31, 2023 calculated using the discount rate of 3.65% 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 2.65% or 1-percentage-point higher 4.65% than the current rate:

<u>2023</u>	<u>1% Decrease 2.65%</u>	<u>Current Discount Rate 3.65%</u>	<u>1% Increase 4.65%</u>
City's Proportionate Share of the Net OPEB Liability	\$ 89,176,700	\$ 76,988,049	\$ 67,184,159

The sensitivity analysis was based on the proportionate share of the City’s net OPEB liability at December 31, 2023. A sensitivity analysis specific to the City’s net OPEB liability was not provided by the Plan.

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

The following presents the City’s proportionate share of the net OPEB liability as of December 31, 2023 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:

<u>2023</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
City's Proportionate Share of the Net OPEB Liability	\$ 65,430,783	\$ 76,988,049	\$ 91,784,882

The sensitivity analysis was based on the proportionate share of the City’s net OPEB liability at December 31, 2023. 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 of 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, 2024 AND 2023**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Special Funding Situation (Continued)

At December 31, 2023, the State's proportionate share of the net OPEB liability attributable to the City for the OPEB special funding situation is \$177,211. For the year ended December 31, 2023 the plan has determined the State's proportionate share of the OPEB expense (benefit) attributable to the City for the OPEB special funding situation is \$(32,132). At December 31, 2023, (measurement date June 30, 2023), the State's share of the OPEB liability attributable to the City was .00508 percent, which was a decrease of .001 percent from its proportionate share measured as of December 31, 2022 (measurement date June 30, 2022) of .00608 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.

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 Central Jersey Joint Insurance Fund (CJSIF). 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.

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.

CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 14 RISK MANAGEMENT (Continued)

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>
2024	None	\$ 43,247	\$ 72,994	\$ 43,230
2023	None	36,329	None	72,977
2022	None	18,330	None	36,648

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, 2024 and 2023. 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 both December 31, 2024 and 2023, the City reserved \$970,418 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, 2024 and 2023, 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, 2024 and 2023, the City had no estimated arbitrage earnings due to the IRS.

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 Veolia (formerly Suez, formerly 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 Veolia 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 Veolia 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 Veolia 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, 2024 and 2023, the City provided property tax abatements through a certain program 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, 2024 and 2023 the City abated property taxes totaling \$10,170,701 and \$5,824,682, respectively under the LTTE program. The City received \$4,081,036 and \$3,571,295 in PILOT payments under this program for the years ended December 31, 2024 and 2023, respectively.

NOTE 19 SUBSEQUENT EVENTS

Bond Anticipation Notes

On July 23, 2025, the City issued Bond Anticipation Notes in the amount of \$35,698,000 to temporarily finance expenditures related to various capital projects. The City awarded the sale of said notes to Jefferies LLC at an interest rate of 4.0%. These notes, dated July 23, 2025 will mature on July 22, 2026.

Debt Authorized

During 2025, the City adopted bond ordinances authorizing the issuance of \$7,252,662 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.

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APPENDIX C

FORM OF BOND COUNSEL OPINION FOR THE BONDS

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ARCHER & GREINER, P.C.
ATTORNEYS AT LAW
RIVERVIEW PLAZA
10 HIGHWAY 35
RED BANK, NJ 07701
732-268-8000
FAX 732-345-8420

July 21, 2026

Mayor and City Council
City of Rahway
Rahway, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$11,690,000 Water Utility Bonds, Series 2026 (the "Bonds"), of the City of Rahway, in the County of Union, State of New Jersey (the "City"), a body politic and corporate of the State of New Jersey.

The Bonds are authorized by and are issued pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), bond ordinances duly adopted by the City Council and published as required by law, and a resolution duly adopted by the City Council on July 6, 2026.

The Bonds are being issued to: (i) refund, on a current basis, a portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$35,698,000 on July 23, 2025 and maturing on July 22, 2026 (the "Prior Notes"), which Prior Notes were issued to temporarily finance the cost of various water utility improvements and purposes in and by the City; (ii) permanently finance various water utility improvements; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

The Bonds are issued in fully registered 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 the Bonds maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of in principal denominations of \$5,000 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 duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the fifteenth day of January and July (each an "Interest Payment Date"), commencing January 15, 2027, in each year until maturity or prior redemption, as

applicable. The Bonds shall mature on July 15 in each of the years, in the principal amounts and at the interest rates as follows:

\$11,690,000 Water Utility Bonds, Series 2026

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2027	\$405,000		2037	\$585,000	
2028	415,000		2038	605,000	
2029	430,000		2039	630,000	
2030	445,000		2040	650,000	
2031	465,000		2041	675,000	
2032	480,000		2042	700,000	
2033	500,000		2043	725,000	
2034	520,000		2044	755,000	
2035	545,000		2045	785,000	
2036	565,000		2046	810,000	

The Bonds are subject to optional redemption prior to their stated maturity dates as set forth therein.

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 issuance and sale 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 issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the City enforceable in accordance with their terms, and (iii) the City has pledged its 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"), sets forth 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 the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause 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 will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code described in the preceding paragraph, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owner of the Bonds pursuant to section 103 of the Code and is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax; however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

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 is 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 two (2) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local 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 bond 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.

We have examined one of each of the Bonds, as executed by the City, and, in our opinion, the form of such Bond and its execution are regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Mayor and City Council
of the City of Rahway
July 21, 2026
Page 4

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Bonds and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Bonds) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

APPENDIX D

FORM OF BOND COUNSEL OPINION FOR THE NOTES

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10 HIGHWAY 35
RED BANK, NJ 07701
732-268-8000
FAX 732-345-8420

July 21, 2026

Mayor and City Council
City of Rahway
Rahway, New Jersey

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City Council of the City of Rahway, in the County of Union, State of New Jersey (the "City") and other proofs submitted to us relative to the issuance and sale of the

\$37,500,000
BOND ANTICIPATION NOTES

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

Dated: July 21, 2026

The \$37,500,000 aggregate principal amount of Bond Anticipation Notes (the "Notes") of the City are dated July 21, 2026, mature on July 20, 2027 and bear interest at the rate of ____ and ____ hundredths percentum (____%) per annum. The Notes are issued in fully registered 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. Purchases of the Notes will be made in book-entry only form in principal denominations of \$5,000 or in such amount necessary to issue the principal amount of the Note (subject to approval of the Chief Financial Officer of the City). 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 or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The Notes are not subject to redemption prior to maturity.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented, various bond ordinances duly adopted by the City Council and published as required by law.

The Notes are being issued to: (i) refund, on a current basis, a portion of the Bond Anticipation Notes of the City issued on July 23, 2025 and maturing on July 22, 2026; (ii)

temporarily finance various general capital and utility improvements; and (iii) pay for the costs associated with the issuance and sale of the Notes.

We are of the opinion that: (i) such proceedings and proofs show lawful authority for the issuance and sale of the Notes pursuant to the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented, (ii) the Notes are valid and legally binding obligations of the City, and (iii) the City has pledged its 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 principal of and interest on the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth 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. Noncompliance with such requirements could cause 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 will represent in its tax certificate relating to the Notes that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

Assuming the City observes its covenants with respect to compliance with the Code, we are of the opinion that, under existing law, 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. Interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax; however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under the Code.

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 is 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 two (2) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Notes. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other bond counsel.

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

We have examined the Notes, as executed by the City, and, in our opinion, the form of such Notes and their execution are regular and proper.

We express no opinion as to any matter not set forth above. The opinions expressed above are being rendered on the basis of federal law and the laws of the State of

Mayor and City Council
City of Rahway
July 21, 2026
Page 3

New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

This letter is being provided for your exclusive benefit pursuant to the requirements of the closing of the Notes and may not be provided to (except in connection with the preparation of a closing transcript with respect to the Notes) or relied upon by any other person, party, firm or organization without our prior written consent. Notwithstanding anything to the contrary herein, the undersigned acknowledges that this opinion is a governmental record subject to release under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 *et seq.*, as amended and supplemented.

Very truly yours,

ARCHER & GREINER P.C.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

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FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of July 21, 2026 (the "Disclosure Certificate") is executed and delivered by the City of Rahway, County of Union, State of New Jersey (the "City" or the "Issuer") in connection with the issuance of its \$11,690,000 Water Utility Bonds, Series 2026, dated July 21, 2026 (the "Bonds"). The Bonds are being issued pursuant to bond ordinances duly adopted by the City Council and published as required by law, and a resolution duly adopted by the City Council on July 6, 2026 (the "Bond Resolution"). 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 Beneficial Owners of the Bonds to assist the 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 Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, 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 (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for Federal income tax purposes.

"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, the City 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 and approved by the SEC 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 PDF file to 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) 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.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission (the "SEC") 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.

"Underwriter(s)" shall mean the original underwriter(s) 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 provide or cause to be provided to the Dissemination Agent not later than 270 days following the end of each year, commencing with the year ending December 31, 2025, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the City are not available by September 1 of each year, the City shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the City, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the City.

(b) Not later than 285 days following the end of each year, commencing with the year ending December 31, 2025, the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

(c) If the City does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot forward the Annual Report to EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the City (if the Dissemination Agent is not the City).

(d) Each year the Dissemination Agent shall file a report with the City (if the Dissemination Agent is not the City), certifying that the Annual Report has been filed with EMMA pursuant to this Disclosure Certificate, and stating the date it was provided.

(e) If the fiscal year of the City changes, the City shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the City, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

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).

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, State Department of Community Affairs (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 general financial information and operating data of the City consistent with the information set forth in Appendix A to the Official Statement dated July __, 2026, prepared in connection with the sale of the Bonds (the "Official Statement") consisting of (i) City indebtedness including a schedule of outstanding debt issued by the City, (ii) property valuation information, and (iii) tax rate, levy and collection data and in the forepart thereof under the heading entitled, "Litigation".

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. If the document incorporated by reference is a final official statement, it must be available from the MSRB. 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 (Note to Section 5(a)(12): For the purposes of the event identified in Section 5(a) (12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, 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 obligated person, 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 Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, 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 that require a materiality determination, the City shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the City (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination 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 requiring a materiality determination 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 the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, 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)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption 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 the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The City has previously entered into various continuing disclosure undertakings pursuant to the Rule with respect to its own obligations and obligations of other entities for which it guarantees debt. The City engaged NW Financial Group, LLC in 2026 to serve as continuing disclosure agent for purposes of on-going secondary market disclosure compliance. 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's bonds by February 28 of each year. As a result, with respect to certain outstanding obligations of the Agency, the City failed to timely file with EMMA: (i) audited financial information for the fiscal years ended December 31, 2020, 2021, 2022, 2023, 2024 and 2025; (ii) annual debt statements for fiscal years ended December 31, 2020 and 2021; and (iii) certain operating and financial data for fiscal years ended December 31, 2020 and 2021. Additionally, the City previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) annual debt statements, for fiscal years ended December 31, 2020 and 2022, as described above.

SECTION 8. 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 the City. 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 9. 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, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds 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 hereof. 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 hereof, 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 10. 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 11. 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 12. 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 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Underwriter(s), and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile 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
Frank C. Ruggiero, Chief Financial Officer
City of Rahway
1 City Hall Plaza
Rahway City, NJ 07065

(b) Copies of all notices to the Dissemination Agent from
time to time with respect to the Bonds:

initially: Frank C. Ruggiero, Chief Financial Officer
City of Rahway
1 City Hall Plaza
Rahway City, NJ 07065

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 15. 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 16. 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 17. 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, as applicable.

CITY OF RAHWAY

FRANK C. RUGGIERO,
Chief Financial Officer

Acknowledged and Accepted by:
DISSEMINATION AGENT

N/A

AUTHORIZED SIGNATORY

EXHIBIT A

NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Rahway, County of Union, State of New Jersey

Name of Bond Issue: \$11,690,000 Water Utility Bonds, Series 2026
Dated July 21, 2026
(CUSIP Number 750667___)

Date of Issuance: July 21, 2026

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 Bond Resolution and a Continuing Disclosure Certificate dated as of July ____, 2026 executed by the City.

DATED: _____

DISSEMINATION AGENT
(on behalf of the City)

cc: City of Rahway

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES

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**FORM OF CERTIFICATE OF COMPLIANCE WITH
SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

I, FRANK C. RUGGIERO, Chief Financial Officer of the City of Rahway, in the County of Union, State of New Jersey (the "City"), a body politic and corporate organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY to [PURCHASER NAME, CITY, STATE], the purchaser (the "Purchaser") of \$37,500,000 aggregate principal amount of Bond Anticipation Notes of the City dated July 21, 2026 and maturing July 20, 2027 (the "Notes"), in connection with the issuance of the Notes, 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 will provide notice of certain events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, 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 Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of Note holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City (Note to (12): For the purposes of the event identified in (12), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the 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 Notes or the change of name of a trustee for the Notes, if material; (15) incurrence of a Financial Obligation (as defined below) 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 security holders, if material; or (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The term "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 consistent with the Rule.

Whenever the City (i) has or obtains knowledge of the occurrence of any of the aforementioned listed events not requiring a materiality determination, or (ii) determines that the occurrence of an aforementioned listed event requiring a materiality determination would be material to the holders of the Notes, the City shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis not in excess of ten (10) business days after the occurrence of any of the aforementioned events.

The City's obligations under this Certificate shall terminate upon the defeasance, prior redemption 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 as of the 21st day of July, 2026.

CITY OF RAHWAY

FRANK C. RUGGIERO,
Chief Financial Officer