

OFFICIAL STATEMENT DATED AUGUST 27, 2019

NEW ISSUE

SERIAL BONDS  
Rating: S&P: "AA-"  
(See "RATING" herein)

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

**BOROUGH OF CALDWELL,  
IN THE COUNTY OF ESSEX, NEW JERSEY**

**\$6,421,000 GENERAL OBLIGATION BONDS, SERIES 2019  
CONSISTING OF:  
\$3,291,000 GENERAL IMPROVEMENT BONDS  
AND  
\$3,130,000 WATER UTILITY BONDS  
(Book-Entry-Only) (Callable) (Bank-Qualified)**

**Dated Date: Date of Delivery**

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

The \$6,421,000 General Obligation Bonds, Series 2019, consisting of \$3,291,000 General Improvement Bonds (the "General Improvement Bonds") and \$3,130,000 Water Utility Bonds (the "Water Utility Bonds" and, together with the General Improvement Bonds, the "Bonds"), of the Borough of Caldwell, in the County of Essex, New Jersey (the "Borough"), will be issued in the form of one certificate for the aggregate principal amount of the Bonds of each series maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository. See "THE BONDS - Book-Entry-Only System" herein.

Proceeds from the sale and issuance of the General Improvement Bonds will be used to: (i) currently refund all of the Borough's \$3,291,476 Bond Anticipation Note, dated and issued on February 19, 2019 and maturing on September 6, 2019, together with \$476 being paid down pursuant to a 2019 budget appropriation; and (ii) pay the costs in connection with the authorization, sale and issuance of the General Improvement Bonds.

Proceeds from the sale and issuance of the Water Utility Bonds will be used to: (i) currently refund all of the Borough's \$3,130,841 Bond Anticipation Note, dated and issued on February 19, 2019 and maturing on September 6, 2019, together with \$841 being paid down pursuant to a 2019 budget appropriation; and (ii) pay the costs in connection with the authorization, sale and issuance of the Water Utility Bonds.

Interest on the Bonds will be payable semiannually on the first day of March and September in each year until maturity or earlier redemption, commencing March 1, 2020. The principal of and the interest due on the Bonds will be paid to DTC by the Borough as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding February 15 and August 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities as described herein. See "THE BONDS – Redemption" herein.

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

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

The Bonds will be offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in New York, New York, on or about September 5, 2019.

**Baird**

**BOROUGH OF CALDWELL,  
IN THE COUNTY OF ESSEX, NEW JERSEY**

**\$6,421,000 GENERAL OBLIGATION BONDS, SERIES 2019  
CONSISTING OF:  
\$3,291,000 GENERAL IMPROVEMENT BONDS  
AND  
\$3,130,000 WATER UTILITY BONDS  
(BOOK-ENTRY-ONLY) (CALLABLE) (BANK QUALIFIED)**

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

<u>Year</u>	<u>General Improvement Amount</u>	<u>Water Utility Amount</u>	<u>Combined Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2020	\$201,000	\$180,000	\$381,000	4.00%	1.03%	129065HD3
2021	225,000	200,000	425,000	4.00	1.04	129065HE1
2022	320,000	275,000	595,000	4.00	1.05	129065HF8
2023	335,000	275,000	610,000	4.00	1.06	129065HG6
2024	335,000	275,000	610,000	4.00	1.07	129065HH4
2025	375,000	275,000	650,000	4.00	1.10	129065HJ0
2026	375,000	275,000	650,000	4.00	1.14	129065HK7
2027	375,000	275,000	650,000	4.00	1.20*	129065HL5
2028	375,000	275,000	650,000	2.00	1.70*	129065HM3
2029	375,000	275,000	650,000	2.00	1.80*	129065HN1
2030		275,000	275,000	2.00	1.90*	129065HP6
2031		275,000	275,000	2.00	2.00	129065HQ4

\* Priced at the stated yield to the first optional redemption date of September 1, 2026 at a redemption price of 100%.

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

**BOROUGH OF CALDWELL,  
IN THE COUNTY OF ESSEX, NEW JERSEY**

**MAYOR**

John Kelley

**BOROUGH COUNCIL MEMBERS**

Francis Rodgers, President  
Thomas O'Donnell  
Pasquale Capozzoli  
Henderson Cole  
Jonathan Lace  
Christine Schmidt

**ACTING BOROUGH ADMINISTRATOR**

Thomas Banker

**CHIEF FINANCIAL OFFICER**

Christopher Battaglia

**BOROUGH ATTORNEY**

Vincent J. Nuzzi, Esquire  
Roseland, New Jersey

**AUDITOR**

Nisivoccia LLP  
Mount Arlington, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

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

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

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

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

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy or completeness thereof, and, accordingly, they express no opinion with respect thereto.

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**OFFICIAL STATEMENT  
Relating to**

**BOROUGH OF CALDWELL,  
IN THE COUNTY OF ESSEX, NEW JERSEY**

**\$6,421,000 GENERAL OBLIGATION BONDS, SERIES 2019  
CONSISTING OF:  
\$3,291,000 GENERAL IMPROVEMENT BONDS  
AND  
\$3,130,000 WATER UTILITY BONDS**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Borough of Caldwell (the "Borough"), in the County of Essex (the "County"), New Jersey (the "State"), in connection with the sale and issuance of \$6,421,000 General Obligation Bonds, Series 2019, consisting of \$3,291,000 General Improvement Bonds (the "General Improvement Bonds") and \$3,130,000 Water Utility Bonds (the "Water Utility Bonds" and, together with the General Improvement Bonds, the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

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

**THE BONDS**

**General Description**

The Bonds shall be dated their date of issuance and will mature on September 1 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date, payable semiannually on each March 1 and September 1 (each, an "Interest Payment Date"), commencing March 1, 2020, in each year until maturity or earlier redemption, at the interest rates shown on the inside front cover page hereof. Interest on the Bonds shall be computed on a 30-day month/360-day year basis.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of Bonds of each series and in the principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of \$1,000 or any integral multiple in excess thereof, required 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 for the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 15 and August 15 (the "Record Dates" for the payment of interest on the Bonds). See "Book-Entry-Only System" herein.

## **Redemption**

The Bonds maturing prior to September 1, 2027 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after September 1, 2027 are subject to redemption in whole or in part on any date on or after September 1, 2026 at the option of the Borough, at one hundred percent (100%) of the principal amount of the Bonds being redeemed (the "Redemption Price"), plus in each case accrued interest thereon to the date fixed for redemption.

## **Notice of Redemption**

Notice of redemption shall be given 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 Borough, at least thirty (30) but not more than sixty (60) days before the date fixed for redemption. However, so long as DTC (or any successor thereto) acts as securities depository for the Bonds, notice of redemption shall be sent to such securities depository and shall not be sent to the beneficial owners of the Bonds, and will be done in accordance with DTC procedures. Any failure of such 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 Borough determines to redeem a portion of the Bonds of a maturity, such Bonds shall be selected by the Borough by lot. If notice of redemption has been given as described herein, the Bonds, or the portion thereof called for redemption, shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

## **Book-Entry-Only System**

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest, and other payments due on the Bonds to DTC Participants or Beneficial Owners (each as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations concerning these matters.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct



Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "DTC Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

Redemption proceeds, if applicable, and distributions on the Bonds 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 Borough or paying agent, 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, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or its 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Borough or its paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough does not take any responsibility for the accuracy thereof.

THE BOROUGH AS PAYING AGENT 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 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

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

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

### **SECURITY AND SOURCE OF PAYMENT**

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

## AUTHORIZATION AND PURPOSE OF THE BONDS

### General Improvement Bonds

The General Improvements Bonds are authorized by and are being issued pursuant to: (i) the laws of the State of New Jersey, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"), (ii) the bond ordinances set forth below, each finally adopted by the Borough Council, and (iii) an authorizing resolution duly adopted by the Borough on August 6, 2019 (the "Resolution").

The proceeds of the General Improvement Bonds, along with other available funds of the Borough in the amount of \$476, are being used to: (i) currently refund all of the Borough's \$3,291,476 Bond Anticipation Note, dated and issued on February 19, 2019 and maturing on September 6, 2019; and (ii) pay the costs associated with the authorization, sale and issuance of the General Improvement Bonds.

Bond Ordinance	Description of Improvement	Principal Amount of Bonds
1248-12/1278-13/1283-13	Various Street Improvements	\$1,238,155
1252-12	Various Capital Improvements	128,818
1295-14	Various Capital Improvements	1,069,027
1309-15	Various Road Improvements	<u>855,000</u>
	Total:	\$3,291,000

### Water Utility Bonds

The Water Utility Bonds are authorized by and are being issued pursuant to: (i) the Local Bond Law, (ii) the bond ordinances set forth below, each finally adopted by the Borough Council, and (iii) the Resolution.

The proceeds of the Water Utility Bonds, along with other available funds of the Borough in the amount of \$841, are being used to: (i) currently refund all of the Borough's \$3,130,841 Bond Anticipation Note, dated and issued on February 19, 2019 and maturing on September 6, 2019; and (ii) pay the costs associated with the authorization, sale and issuance of the Water Utility Bonds.

Bond Ordinance	Description of Improvement	Principal Amount of Bonds
1198-09/1245-12	Water System Improvements	\$294,300
1249-12/1276-13	Various Water Main Improvements	1,206,950
1296-14	Various Water Main Improvements	282,629
1299-14	Various Water Main Improvements	302,075
1178-07/1231-11	Water System Improvements	44,046
1326-17	Water System Improvements	<u>1,000,000</u>
	Total:	\$3,130,000

## **MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

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

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

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Borough, as annually determined by the State Director of Taxation is shown in Appendix A.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating. As shown in Appendix A, the Borough has not exceeded its statutory debt limit.

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

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

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

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

The local unit is authorized to issue "emergency notes" and "special emergency notes" pursuant to the Local Budget Law.

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

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

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

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

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

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

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over

three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation, drainage map preparation for flood control purposes and contractually required severance liabilities, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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

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

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

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

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

## **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

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

Tax bills are mailed annually in June by the Borough. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

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

## **Tax Appeals**

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

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its

submission. The entire annual audit report for the year ended December 31, 2018 for the Borough is on file with the Clerk and is available for review during business hours.

## **TAX MATTERS**

### **Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes**

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

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

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 Bonds 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 the effect of future changes in (i) 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 Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Borough or the owners of the Bonds 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 Bonds, under current IRS procedures, the IRS will treat the Borough as the taxpayer and the beneficial owners of the Bonds 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 Bonds 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 Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond 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.

### **Original Issue Discount**

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

### **Original Issue Premium**

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

### **Bank Qualification**

The Bonds will be designated as qualified under Section 265 of the Code by the Borough for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

## **Additional Federal Income Tax Consequences of Holding the Bonds**

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

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

## **Changes in Federal Tax Law Regarding the Bonds**

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 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

## **State Taxation**

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

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

## LITIGATION

To the knowledge of the Borough Attorney, Vincent J. Nuzzi, Esq., Roseland, New Jersey (the "Borough Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided.

## SECONDARY MARKET DISCLOSURE

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

(a) On or prior to September 30 of each year, beginning September 30, 2020, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Borough consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Borough and certain financial information and operating data consisting of (i) the Borough and overlapping indebtedness including a schedule of outstanding debt issued by the Borough, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

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

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough;

- (13) The consummation of a merger, consolidation or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Borough, if any such event reflects financial difficulties.

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

(c) In a timely manner to EMMA, notice of failure of the Borough to provide required annual financial information on or before the date specified in the Resolution. In the event that the Borough fails to comply with the above-described undertaking and covenants, the Borough shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

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

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal year ending December 31, 2013; (ii) operating data for the fiscal years ending December 31, 2013; and (iii) adopted budgets for fiscal years ending December 31, 2014, 2015 and 2019. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) adopted budgets, all as described above. Such notices of events and late filings have since been filed with EMMA. The Borough appointed Phoenix Advisors, LLC in May of 2015 to serve as continuing disclosure agent.

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

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 et seq., as amended by Public Law 94-260, approved

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

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

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale, and the delivery of the Bonds are subject to the approval of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for the Borough by its Borough Attorney.

### **MUNICIPAL ADVISOR**

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

### **UNDERWRITING**

The Bonds have been purchased from the Borough at a public sale by Robert W. Baird & Co., Incorporated, (the "Underwriter") at a price of \$6,993,061.99 (consisting of the par amount of the Bonds plus a bid premium of \$572,061.99). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement.

On April 1, 2019, Baird Financial Corporation, the parent company of Baird, acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively "Hilliard Lyons"). As

a result of such common control, Baird, Hilliard Lyons and Hilliard Lyons Trust Company are now affiliated. It is expected that Hilliard Lyons will merge with and into Baird later in 2019

## **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency") has assigned a rating of "AA-" to the Bonds based upon the creditworthiness of the Borough.

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

## **FINANCIAL STATEMENTS**

The audited financial statements of the Borough for the year ended December 31, 2018 are presented in Appendix "B" to this Official Statement (the "Financial Statements"). The Financial Statements have been prepared by Nisivoccia LLP, Certified Public Accountants, Mount Arlington, New Jersey, an independent auditor, as stated in its report appearing in Appendix "B" to this Official Statement. Nisivoccia LLP has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the audited financial statements appearing in Appendix "B" hereto) and, accordingly, will express no opinion with respect thereto. See "APPENDIX B - Financial Statements of the Borough of Caldwell".

## **PREPARATION OF OFFICIAL STATEMENT**

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

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

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

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Christopher Battaglia, Chief Financial Officer, Borough of Caldwell, 1 Provost Square, Caldwell, New Jersey 07006-5189, telephone (973) 226-6100 or by email [cbattaglia@caldwell-nj.com](mailto:cbattaglia@caldwell-nj.com), or the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, telephone (609) 291-0130.

## **MISCELLANEOUS**

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

## **BOROUGH OF CALDWELL**

By: /s/ Christopher Battaglia  
Christopher Battaglia,  
Chief Financial Officer

Dated: August 27, 2019

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**APPENDIX A**  
**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION**  
**ABOUT THE BOROUGH OF CALDWELL**

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## **INFORMATION REGARDING THE BOROUGH<sup>1</sup>**

The following material presents certain economic and demographic information of the Borough of Caldwell (the “Borough”), in the County of Essex (the “County”), State of New Jersey (the “State”).

### **General Information**

The Borough has grown from a suburban municipality of a few homes and farms to a fine, modern community of predominantly middle-class families.

The Borough is located in western Essex County, and has a land area of only 1.20 square miles. Single-family homes predominate with a number of two and three family houses, and twenty-five apartment complexes. Caldwell’s multi-family developments since 1960 have contributed to its population growth. The Borough has almost no vacant land remaining for development of single-family homes and its future growth is limited.

A majority of its more than two hundred business and commercial establishments are located along Bloomfield Avenue, which bisects the Borough from east to west and is a major shopping center for the area.

In the early part of 1981, the Governing Body embarked upon a project of Downtown Revitalization and Historic Preservation. The first Community Development Block Grants were acquired in 1982 and the completed architectural study was submitted in November 1982. The Caldwell Governing Body is strongly committed to the community’s historic preservation and downtown development. A well-balanced blend of historic preservation, coupled with the business community’s support, should retain the charm of Caldwell’s past and meet the marketing needs of the future.

Caldwell is the center of the West Essex area and is the focal point of many of the area residents’ personal needs. A majority of the West Essex residents gravitate to the Caldwell Downtown District for their everyday shopping and for its social amenities.

### **Form of Government**

Caldwell was incorporated in 1892 and operates under the Borough form of municipal government. The Governing Body is made up of an independently elected Mayor, serving a four year term, and six (6) Council Members, each serving a three-year term of office. All are elected on a partisan ballot.

The Mayor votes only in case of a tie, but also has veto powers over certain ordinances and resolutions. In July 1970, the Borough underwent a Management Administrator Study and the first Borough Administrator was employed during the year.

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<sup>1</sup> Source: The Borough, unless otherwise indicated.

## **Police Department**

A Chief of Police, responsible for the efficiency, management and policy of the department, heads the local Police Department. The department has grown from the first officer in 1912 to present day strength of twenty (20) uniformed officers. In addition, the department is supplemented by a Police reserve Unit and fifteen (15) School Crossing Guards.

The Police Department is headquartered in the Borough Hall, a building constructed in the late 1930's with bricks from the old Newark, New Jersey Post Office and erected with WPA labor. The Borough Hall and Police Department facilities complement the historic mode of the community's building facade.

The police have a vehicle fleet of five (5) marked units and two (2) unmarked units; all equipped with multi-channel radios, emergency equipment and lifesaving oxygen resuscitation units.

The Detective, Juvenile and Traffic Bureaus are recognized as being among the best equipped and trained in Essex County, New Jersey. The police desk is a modern network of police radios, which can transmit and receive local, county and state emergencies. The addition of a computer terminal at the desk provides quick and accurate information regarding driver licenses, vehicle registrations, criminal records, stolen property and many other inquires on a State and national level.

## **Caldwell Volunteer Emergency Groups**

The Caldwell Volunteer Fire Department was founded in the year 1901. It is made up of two companies – the Regular Company and the Auxiliary Company. The Department is one hundred percent volunteer, with a complement of 36 members.

Equipment consists of one 1937 American La France Pumper not in service for firefighting. Staffed by an average of 50 members (whose volunteer status saves local taxpayers over a million dollars annually), the department utilizes two 1500 gallon-per-minute pumper engines, one 106 foot aerial ladder truck, one 750 gallon per minute mini-pumper and one utility/power/support vehicle.

The Department protects an area approximately one square mile and responds to about 100 to 140 alarms per year. All volunteer firemen in Caldwell undergo regular and extensive training at a number of Fire Academies throughout the State of New Jersey.

## **West Caldwell – Caldwell Recreation and Parks Program**

The West Caldwell-Caldwell Recreation and Parks Program, founded in 1946, at 5 Fairfield Avenue, West Caldwell, have five full time employees, over one hundred part-time employees and one hundred volunteers assisting. The Recreation Department provides over one hundred and fifty programs starting with the toddlers to the senior citizens and coordinates many

special events such as the 4th of July celebration, Memorial Day Parade and Christmas Tree Lighting.

Between the municipalities of Caldwell and West Caldwell, there are eight parks and recreational sites, two community pools and one Civic Center, with all facilities being shared by both communities for the Recreation Program. Included in the parks and recreational sites are six tennis courts, four lighted platform tennis courts, six softball and little league fields, three full size baseball fields and soccer and football fields, with play areas at all sites.

The Recreation Department makes extensive use of the five (5) elementary schools, Junior High School and High School facilities, both indoor and outdoor. Available also to the Recreation Department is a softball field provided by one of our local companies.

### **Caldwell Public Library**

Caldwell is the second smallest town in Essex County in population and yet it supports its Library very well. Within the County of Essex, Caldwell is 19th in the amount of salary and wages it expends out of 20, but 7th out of 20 in the amount spent on library materials. In volume per capita owned, Caldwell is 6th out of 20.

Housed in a building of some 6,000 square feet of floor space is a collection of around 45,000 titles. The library participates in region 3, which is Hudson and Essex Counties combined, of the State Library System and the County card, called REBEL, which entitles borrowers to use all the public libraries in the County plus the libraries of Rutgers- Newark, Bloomfield College, Seton Hall University, Caldwell College, Essex County College, Jewish Education Association, Katherine Gibbs and Northeast Bible School.

The Library employees full-time and part-time employees and there are several volunteers who assist in the operations. The Library is open from nine-to-eight on Tuesdays, Wednesdays and Thursdays, from nine to five on Mondays and Fridays, and from nine to one on Saturdays.

### **Sewage and Water**

Caldwell operates a sewerage treatment facility, which serves, in addition to Caldwell, the neighboring communities of North Caldwell, West Caldwell, Essex Fells and Roseland. The Treatment Plant is a secondary-type treatment facility which provides biological treatment utilizing trickling filters and chlorination of the final effluent before discharge into a tributary of the Passaic River.

The Treatment Plant is located on a site consisting of 41 acres in West Caldwell and services a connected population of about 35,000 people. The capacity of the present Treatment Plant is 4.5 MGD, which would provide for a flow of approximately 115 gallons per capita. This plant completed a \$22.5 rehabilitation program in 1994. Potable water is supplied to Caldwell in sufficient quantities under a contract with its neighboring municipality, the Borough of Essex Fells.

## **Schools**

The Caldwell-West Caldwell School District, founded in 1904, is a joint system governed by the provisions of Chapter VII of Title 18 of the Revised Statutes of New Jersey. The present facilities consist of five (5) Elementary Schools, a Junior High School, a High School, an Administration Building and a separate athletic field with stadium field house and adjoining play fields.

## **Community Center**

In 2001, the Borough opened a Community Center to serve the West Essex community. The new Community Center was designed with a six (6) lane competitive swimming pool, a full gymnasium, a cardiovascular fitness room, a multi-purpose room, men's and women's locker rooms with showers and a separate senior citizens recreational facility that includes a commercial kitchen, an office and multi-meeting rooms.

With membership of over 8,500, the facility rivals the local YMCA's in the area and provides much of the same type of programming. Swimming lessons for children and adults, fitness classes, a Community Center youth swim team and adult and family activities and Summer Camp are provided to the membership at costs significantly less than the local YMCA's. The facility has seven (7) full time and 50-75 part time employees depending on the season. During summer months the staffing levels increase as the Summer Camp programs are in operation.

## **Retirement Systems**

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

## **Pension Information<sup>2</sup>**

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2018, which is based upon the annual billings received from the State, amounted to \$190,658 for PERS and \$606,330 for PFRS. Certain employees who are not eligible to enroll in the PERS or PFRS are enrolled in the Defined Contribution Retirement Program (DCRP).

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<sup>2</sup> Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

**Employment and Unemployment Comparisons**

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State:

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2014	4,214	3,979	235	5.60%
2015	4,237	4,018	219	5.20%
2016	4,250	4,060	190	4.50%
2017	4,207	4,045	162	3.90%
2018	4,172	4,032	140	3.40%
<u>County</u>				
2014	373,430	343,438	29,992	8.00%
2015	371,065	345,364	25,701	6.90%
2016	367,908	345,779	22,129	6.00%
2017	367,390	346,604	20,786	5.70%
2018	364,346	345,495	18,851	5.20%
<u>State</u>				
2014	4,527,177	4,221,277	305,900	6.80%
2015	4,537,231	4,274,685	262,546	5.80%
2016	4,530,800	4,305,515	225,285	5.00%
2017	4,518,838	4,309,708	209,130	4.60%
2018	4,422,900	4,239,600	183,300	4.10%

Source: New Jersey Department of Labor

**Income (2017)**

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$ 85,162	\$ 57,365	\$ 76,475
Median Family Income	119,293	74,434	94,337
Per Capita Income	45,413	35,133	39,069

Source: US Bureau of the Census

**Population**

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

Year	Borough		County		State	
	Population	Percentage Change	Population	Percentage Change	Population	Percentage Change
1980	7,624	-12.14%	851,304	-8.71%	7,365,001	2.75%
1990	7,549	-0.98%	778,206	-8.59%	7,730,188	4.96%
2000	7,584	0.46%	793,633	1.98%	8,414,350	8.85%
2010	7,822	3.14%	783,969	-1.22%	8,791,894	4.49%
2018 *	7,970	1.89%	799,767	2.02%	8,908,520	1.33%

\* - Estimate

Source: United States Department of Commerce, Bureau of the Census

**Largest Taxpayers**

The ten largest taxpayers in the Borough and their assessed valuations are listed below:

Taxpayer	2019	
	Taxable Assessed Value	Percentage of Total Net Assessed Value
Westover Associates	\$ 14,489,600	1.40%
Carlyle Towers, LLC/Partnership	9,680,100	0.94%
Philip Hillside Realty, LLC	9,115,100	0.88%
Panyork Group LLC	8,941,600	0.87%
Caldwell Plaza Inc.	6,119,700	0.59%
Rumsey Park Association LLC (c/o AFLTD Mgt)	4,742,500	0.46%
Parkview Commons Apartments LLC	4,262,200	0.41%
Sidebrook Associates (c/o K. Shalit)	4,251,300	0.41%
43/351/399/342/459 Bloomfield Ave LLC	4,089,700	0.40%
S&S @ 550 Bloomfield Avenue	4,042,500	0.39%
Total	\$ 69,734,300	6.75%

Source: Municipal Tax Assessor



**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year Percentage of Collection</u>
2014	\$ 24,468,919	\$ 24,408,160	99.75%
2015	26,073,443	26,051,600	99.91%
2016	27,026,332	26,997,948	99.89%
2017	27,517,160	27,492,569	99.91%
2018	28,030,714	28,011,450	99.93%

Source: Annual Audit Reports of the Borough

**Delinquent Taxes and Tax Title Liens**

There were no delinquent taxes or tax title liens receivable at December 31, 2014, 2015, 2016, 2017 or 2018.

Source: Annual Audit Reports of the Borough

**Property Acquired by Tax Lien Liquidation**

There were no properties acquired by tax lien liquidation as of December 31, 2014, 2015, 2016, 2017 or 2018.

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Regional School District</u>	<u>Borough of Caldwell</u>	<u>Essex County</u>	<u>Total</u>
2014	\$ 1.18	\$ 0.72	\$ 0.52	\$ 2.42
2015	1.26	0.73	0.55	2.54
2016	1.38	0.75	0.58	2.71
2017	1.36	0.75	0.55	2.66
2018	1.38	0.77	0.57	2.72

Source: Borough of Caldwell Tax Duplicate

**Valuation of Property**

<u>Year</u>	<u>Aggregate Assessed Valuation of Borough</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Aggregate Value of Personal Property</u>	<u>Equalized Valuation</u>
2014	\$ 1,049,413,750	\$ 1,057,247,501	95.05%	\$ 3,398,338	\$ 1,060,645,839
2015	1,004,460,650	1,117,433,141	89.89%	3,118,098	1,120,551,239
2016	992,187,900	1,079,521,162	91.91%	3,177,900	1,082,699,062
2017	1,028,804,100	1,157,129,794	88.91%	3,534,500	1,160,664,294
2018	1,025,011,900	1,148,472,717	89.25%	3,164,000	1,151,636,717

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

**Classification of Ratables**

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Qualified</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Public Utilities</u>	<u>Net Valuation Taxable</u>
2014	\$ 3,505,600	\$ 800,217,350	\$ -0-	\$ 125,410,900	\$ -0-	\$ 75,779,900	\$ 3,398,338	\$ 1,008,312,088
2015	3,219,600	803,972,450	-0-	121,488,700	-0-	75,779,900	3,118,098	1,007,578,748
2016	3,035,300	792,493,600	-0-	120,879,700	-0-	75,779,900	3,177,900	995,366,400
2017	3,685,800	804,887,800	-0-	128,263,100	-0-	91,967,400	3,534,500	1,032,338,600
2018	3,079,100	804,675,200	-0-	126,859,900	-0-	90,397,700	3,164,000	1,028,175,900

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

**Financial Operations**

The following table summarizes the Borough’s Current Fund budget for the past five (5) years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Anticipated Revenues:					
Fund Balance	\$ 412,500	\$ 412,500	\$ 445,838	\$ 445,837	\$ 469,838
Miscellaneous Revenue	5,319,536	4,062,183	4,019,749	4,256,505	4,774,577
Receipts from Delinquent Taxes	28				
Amount to be Raised by Taxes for Support of Municipal Budget	<u>7,181,290</u>	<u>7,253,700</u>	<u>7,406,787</u>	<u>7,666,533</u>	<u>7,819,726</u>
	<u>12,913,354</u>	<u>11,728,383</u>	<u>11,872,374</u>	<u>12,368,875</u>	<u>13,064,141</u>
Appropriations					
Operations Within CAPS	7,144,481	6,655,570	6,718,970	6,961,235	6,983,241
Operations Outside CAPS	3,037,803	2,937,602	3,083,512	3,268,826	3,133,758
Deferred Charges and Statutory Expenditures	359,246	604,153	664,096	701,888	793,975
Capital Improvements	922,812	50,000	25,000	15,000	670,000
Municipal Debt Service	1,317,515	1,359,566	1,281,492	1,319,326	1,379,497
Reserve for Uncollected Taxes	<u>131,497</u>	<u>121,492</u>	<u>99,304</u>	<u>102,600</u>	<u>103,670</u>
	<u>12,913,354</u>	<u>11,728,383</u>	<u>11,872,374</u>	<u>12,368,875</u>	<u>13,064,141</u>

Source: Annual Adopted Budgets of the Borough

**Fund Balance**

**Current Fund**

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

<u>Year</u>	<u>Balance 12/31</u>	<u>Budget of Succeeding Year</u>
2014	\$ 885,487	\$ 412,500
2015	839,303	445,838
2016	851,265	445,837
2017	973,366	469,838
2018	743,556	469,838

Source: Annual Audit Reports of the Borough

Sewer Utility Operating Fund

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

<u>Fund Balance - Sewer Utility Operating Fund</u>		
<u>Year</u>	<u>Balance</u> <u>12/31</u>	<u>Utilized in</u> <u>Budget of</u> <u>Succeeding</u> <u>Year</u>
2014	\$ 286,789	\$ 141,519
2015	108,998	30,000
2016	275,306	71,024
2017	507,749	71,260
2018	623,474	100,000

Source: Annual Audit Reports of the Borough

Water Utility Operating Fund

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

<u>Fund Balance - Water Utility Operating Fund</u>		
<u>Year</u>	<u>Balance</u> <u>12/31</u>	<u>Utilized in</u> <u>Budget of</u> <u>Succeeding</u> <u>Year</u>
2014	\$ 290,694	\$ 77,429
2015	303,850	58,626
2016	290,714	44,869
2017	281,041	45,613
2018	299,703	50,000

Source: Annual Audit Reports of the Borough

**Borough Indebtedness as of December 31, 2018**

General Purpose Debt:	
Serial Bonds	\$ 5,291,900
Bond Anticipation Notes	3,404,355
Bonds and Notes Authorized Not Issued	2,280,000
Total	<u>10,976,255</u>
Regional School District Debt:	
Serial Bonds	8,188,178
Bonds and Notes Authorized Not Issued	122
Total	<u>8,188,300</u>
Self-Liquidating Debt:	
Water Utility:	
Serial Bonds	420,000
Bond Anticipation Notes	3,139,062
Bonds and Notes Authorized Not Issued	2,024,801
Sewer Utility:	
Serial Bonds	154,580
Loans	7,772,414
Bonds and Notes Authorized Not Issued	643,220
Total	<u>14,154,077</u>
Total Gross Debt	<u>33,318,632</u>
Less:	
Statutory Deductions:	
General Purpose Debt	772,283
Regional School District Debt	8,188,300
Self-Liquidating Debt	14,154,077
Total	<u>23,114,660</u>
Total Net Debt	<u>\$ 10,203,972</u>

Source: Annual Debt Statement of the Borough

*[Remainder of Page Intentionally Left Blank]*

### **Overlapping Debt (as of December 31, 2018)<sup>3</sup>**

<u>Governmental Unit</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Regional School Debt	\$ 26,495,394	30.90%	\$ 8,188,300
County of Essex	524,217,998	1.29%	<u>6,762,412</u>
Net Indirect Debt			14,950,712
Net Direct Debt			<u>10,203,972</u>
Total Net Direct and Indirect Debt			<u>\$ 25,154,684</u>
 <u>Debt Limit</u>			
Average Equalized Valuation Basis (2016, 2017, 2018)			<u>\$ 1,128,374,558</u>
Permitted Debt Limitation (3.5%)			\$ 39,493,110
Less: Net Debt			<u>10,203,972</u>
Remaining Borrowing Power			<u>\$ 29,289,138</u>
Percentage of Net Debt to Average Equalized Valuations			<u>0.904%</u>
Gross Debt Per Capita based on 2010 population of 7,822			\$ 4,260
Net Debt Per Capita based on 2010 population of 7,822			\$ 1,305

Source: Annual Debt Statement of the Borough

### **Litigation**

The status of pending litigation is included in the Notes to Financial Statements of the Borough's annual audit report.

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<sup>3</sup> Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

**APPENDIX B**  
**FINANCIAL STATEMENTS OF THE BOROUGH OF CALDWELL**

BOROUGH OF CALDWELL  
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FOR THE YEAR ENDED DECEMBER 31, 2018

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## Independent Auditors' Report

The Honorable Mayor and Members  
of the Borough Council  
Borough of Caldwell  
Caldwell, New Jersey

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

We have audited the financial statements – *regulatory basis* – of the various funds of the Borough of Caldwell, in the County of Essex (the "Borough") as of and for the year ended December 31, 2018, and the related notes to the financial statements, as listed in the foregoing table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

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

As described in Note 1, the financial statements are prepared by the Borough on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and account group of the Borough as of December 31, 2018, and the results of operations and changes in fund balance, where applicable, of such funds, thereof for the year then ended on the basis of accounting practices prescribed or permitted by the Division to demonstrate compliance with the Division's regulatory basis of accounting and the budget laws of New Jersey, as described in Note 1.

***Emphasis of Matter***

As discussed in Note 18 to the financial statements, the Borough implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the year ended December 31, 2018. Our opinions are not modified with respect to this matter.

Mount Arlington, New Jersey  
June 5, 2019

*Nisivoccia LLP*  
\_\_\_\_\_  
NISIVOCCIA LLP

BOROUGH OF CALDWELL  
CURRENT FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2018

ASSETS

Regular Fund:	
Cash and Cash Equivalents	\$ 3,053,039.70
Change Fund	900.00
	<hr/>
	3,053,939.70
	<hr/>
Receivables and Other Assets With Full Reserves:	
Revenue Accounts Receivable	20,919.28
Due from Other Trust Funds	37,600.00
	<hr/>
Total Receivables and Other Assets with Full Reserves	58,519.28
	<hr/>
Deferred Charges:	
Special Emergency Authorization	74,000.00
	<hr/>
Total Regular Fund	3,186,458.98
	<hr/>
Federal and State Grant Fund:	
Grants Receivable	981,559.69
Due from Current Fund	55,516.38
	<hr/>
Total Federal and State Grant Fund	1,037,076.07
	<hr/>
TOTAL ASSETS	\$ 4,223,535.05
	<hr/> <hr/>

BOROUGH OF CALDWELL  
CURRENT FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2018  
 (Continued)

LIABILITIES, RESERVES AND FUND BALANCE

Regular Fund:

Appropriation Reserves:

Encumbered	\$ 148,431.63
Unencumbered	249,385.77
	397,817.40

Due State of New Jersey:

Senior Citizens' and Veterans' Deductions	15,544.34
Marriage License Fees	300.00
DCA Training Fees	2,341.00
Regional School Taxes Payable	1,155,705.00
County Added and Omitted Taxes Payable	19,910.04
Prepaid Taxes	184,066.98
Tax Overpayments	6,221.33
Due to Federal and State Grant Fund	55,516.38
Due to General Capital Fund	491,145.05
Reserve for Hurricane Sandy Damage	7,033.76
Reserve for FEMA Reimbursements	23,371.19
Reserve for Revaluation	675.00
Reserve for Tax Appeals	24,736.04
	2,384,383.51
Reserve for Receivables and Other Assets	58,519.28
Fund Balance	743,556.19
	3,186,458.98

Total Regular Fund

Federal and State Grant Fund:

Appropriated Reserves	1,018,815.73
Unappropriated Reserves	18,260.34
	1,037,076.07

Total Federal and State Grant Fund

TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 4,223,535.05
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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
 ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF CALDWELL  
CURRENT FUND  
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

Revenue and Other Income Realized

Fund Balance Utilized	\$ 469,837.50
Miscellaneous Revenue Anticipated	4,745,021.37
Receipts from:	
Current Taxes	28,011,450.01
Nonbudget Revenue	117,221.48
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	27,426.44
Cancellation of County Taxes Payable	92.14
Total Income	33,371,048.94

Expenditures

Budget and Emergency Appropriations:	
Municipal Purposes	12,960,359.03
County Taxes	5,867,403.23
Regional School District Taxes	14,162,491.00
Municipal Open Space Taxes	103,168.35
Interfunds Advanced	37,600.00
Total Expenditures	33,131,021.61

Excess in Revenue	240,027.33
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Fund Balance

Balance January 1	973,366.36
	1,213,393.69
Decreased by:	
Utilized as Anticipated Revenue	469,837.50
Balance December 31	\$ 743,556.19

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

BOROUGH OF CALDWELL  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

	Budget	Realized	Excess or Deficit *
Fund Balance Anticipated	\$ 469,837.50	\$ 469,837.50	
Miscellaneous Revenue:			
Licenses:			
Alcoholic Beverages	7,930.00	7,930.00	
Other	51,115.00	53,674.00	\$ 2,559.00
Fees and Permits	35,519.20	36,380.50	861.30
Fines and Costs:			
Municipal Court	305,972.57	248,041.27	57,931.30 *
Interest and Costs on Taxes	35,918.88	36,719.46	800.58
Parking Meters	153,276.54	148,536.32	4,740.22 *
Interest on Investments and Deposits	25,906.51	75,652.86	49,746.35
Sewer Utility Operating Fund - Administration Charge	99,022.00	99,022.00	
Senior Citizens' Transportation Program - Contributed by West Caldwell and Roseland	45,100.00	46,000.00	900.00
Payment in Lieu of Taxes - Marion Manor Senior Citizens Housing	180,657.36	190,458.75	9,801.39
Lease of Municipal Property - Wastewater Treatment Plant	291,143.81	291,143.81	
Cablevision Franchise Fees (N.J.S. 48:5A-30)	134,349.95	134,349.95	
Sewer User Charges	170,381.05	176,577.50	6,196.45
Senior Citizens' Fitness Program	1,419.00	1,419.00	
Energy Receipts Tax	686,875.00	686,875.00	
Uniform Construction Code Fees	198,093.00	138,343.00	59,750.00 *
Shared Service Agreements:			
Township of West Caldwell - Welfare Services	8,000.00	8,000.00	
Community Center - Membership & Program Fees	1,447,497.85	1,457,606.86	10,109.01
Recycling Tonnage Grant - 2017	10,475.12	10,475.12	
N.J. Transportation Trust Fund Authority Act:			
Municipal Aid Program:			
2018 - Various Streets	600,000.00	600,000.00	
NJHCN - Caldwell Health Initiative	10,000.00	10,000.00	
Preserve NJ Historic Preservation Grant	15,000.00	15,000.00	
Investors Foundation Grant	1,500.00	1,500.00	
Utility Operating Surplus of Prior Year (Sewer)	100,000.00	100,000.00	
Uniform Fire Safety Act	58,058.00	69,949.63	11,891.63
Water Utility Operating Fund - Administration Charges	50,000.00	50,000.00	
Reserve for Open Space Trust to Offset Debt Service	50,000.00	50,000.00	
Additional Cablevision Franchise Fees (N.J.S.48:5A-30)	1,366.34	1,366.34	
Total Miscellaneous Revenue	4,774,577.18	4,745,021.37	29,555.81 *

BOROUGH OF CALDWELL  
CURRENT FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

	<u>Budget</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Amount to be Raised by Taxes for Support of Municipal Budget:			
Local Tax for Municipal Purposes	\$ 7,432,838.67	\$ 7,595,169.30	\$ 162,330.63
Minimum Library Tax	386,887.81	386,887.81	
	<u>7,819,726.48</u>	<u>7,982,057.11</u>	<u>162,330.63</u>
 Budget Totals	 13,064,141.16	 13,196,915.98	 <u>\$ 132,774.82</u>
 Nonbudget Revenue		 <u>117,221.48</u>	
	 <u>\$ 13,064,141.16</u>	 <u>\$ 13,314,137.46</u>	

BOROUGH OF CALDWELL  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

	<u>Budget After Modification</u>	<u>Expended By</u>		<u>Unexpended Balance Canceled</u>
		<u>Paid or Charged</u>	<u>Reserved</u>	
Operations Within "CAPS":				
Salaries and Wages	\$ 3,288,185.71	\$ 3,268,204.20	\$ 19,981.51	
Other Expenses	3,695,055.76	3,556,393.27	138,662.49	
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS	756,975.43	752,473.36	4,502.07	
Operations Excluded from "CAPS":				
Salaries and Wages	8,000.00	8,000.00		
Other Expenses	3,125,757.50	3,039,517.80	86,239.70	
Capital Improvements	670,000.00	670,000.00		
Municipal Debt Service	1,379,497.08	1,379,384.63		\$ 112.45
Deferred Charges - Municipal - Excluded from "CAPS	37,000.00	37,000.00		
Reserve for Uncollected Taxes	103,669.68	103,669.68		
	<u>\$ 13,064,141.16</u>	<u>\$ 12,814,642.94</u>	<u>\$ 249,385.77</u>	<u>\$ 112.45</u>

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



BOROUGH OF CALDWELL  
BALANCE SHEET - TRUST FUNDS - REGULATORY BASIS  
DECEMBER 31, 2018

ASSETS

Animal Control Fund:		
Cash and Cash Equivalents	\$	5,280.00
		5,280.00
Other Trust Funds:		
Cash and Cash Equivalents		844,064.91
		844,064.91
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>849,344.91</b>

LIABILITIES AND RESERVES

Animal Control Fund:		
Due to State Board of Health	\$	19.20
Reserve for Animal Control Fund Expenditures		5,260.80
		5,280.00
Other Trust Funds:		
Due to Current Fund		37,600.00
Reserve for:		
State Unemployment Insurance		7,321.48
Open Space		86,962.87
Escrow Fees		106,284.37
Tax Sale Premiums		195,000.00
Outside Tax Liens		177.50
Parking Offense Adjudication Act		20,190.95
Police Outside Duty Traffic Assignment		9,400.00
Recycling		35,075.50
Law Enforcement		2,381.35
Accumulated Leave		16,247.34
Debt Service - 2005 Sinking Fund Bonds		240,000.00
Police Donations		2,272.65
Fire Safety Act Penalty Monies		8,852.89
Storm Recovery		12,450.60
Food Pantry Donations		60,425.93
Community Center Donation		429.63
Cannons Swim Team Donations		2,991.85
		844,064.91
<b>TOTAL LIABILITIES AND RESERVES</b>	<b>\$</b>	<b>849,344.91</b>

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

BOROUGH OF CALDWELL  
GENERAL CAPITAL FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2018

ASSETS

Cash and Cash Equivalents	\$ 797,596.49
Due from Current Fund	491,145.05
Deferred Charges to Future Taxation:	
Funded	5,291,900.00
Unfunded	5,684,355.00
	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 12,264,996.54</u>

LIABILITIES, RESERVES AND FUND BALANCE

Serial Bonds Payable	\$ 5,291,900.00
Bond Anticipation Notes Payable	3,404,355.00
Improvement Authorizations:	
Funded	59,650.30
Unfunded	2,767,653.25
Capital Improvement Fund	173,653.26
Reserve for Payment of Debt Service	532,282.61
Fund Balance	35,502.12
	<hr/>
<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>\$ 12,264,996.54</u>

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

BOROUGH OF CALDWELL  
GENERAL CAPITAL FUND  
STATEMENT OF FUND BALANCE - REGULATORY BASIS

Balance December 31, 2017	\$ 8,266.41
Increased by:	
Premium on Sale of Notes	<u>27,235.71</u>
Balance December 31, 2018	<u><u>\$ 35,502.12</u></u>

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

BOROUGH OF CALDWELL  
WATER UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2018

ASSETS

Operating Fund:

Cash and Cash Equivalents	\$ 534,120.54
Due from Water Utility Capital Fund	14,353.31
	<u>548,473.85</u>

Receivables with Full Reserves:

Consumer Accounts Receivable	<u>955.54</u>
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Total Receivables with Full Reserves	<u>955.54</u>
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Total Operating Fund	<u>549,429.39</u>
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Capital Fund:

Cash and Cash Equivalents	457,213.34
Fixed Capital	4,498,859.03
Fixed Capital Authorized and Uncompleted	<u>4,220,800.00</u>

Total Capital Fund	<u>9,176,872.37</u>
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TOTAL ASSETS	<u><u>\$ 9,726,301.76</u></u>
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BOROUGH OF CALDWELL  
WATER UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2018  
 (Continued)

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund:

Appropriation Reserves:

Unencumbered	\$ 167,587.37
Encumbered	18,531.89
	186,119.26

Accrued Interest on Bonds	7,275.00
Accrued Interest on Notes	50,224.99
Water Rent Overpayments	5,151.18
	248,770.43

Reserve for Receivables	955.54
Fund Balance	299,703.42
	299,703.42

Total Operating Fund	549,429.39
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Capital Fund:

Serial Bonds Payable	420,000.00
Bond Anticipation Notes Payable	3,139,062.00
Due to Water Utility Operating Fund	14,353.31

Improvement Authorizations:

Funded	22,605.07
Unfunded	2,234,570.63

Capital Improvement Fund	119,250.00
Reserve to Pay Debt Service	11,300.00
Reserve for Amortization	2,763,846.12
Deferred Reserve for Amortization	371,000.00
Fund Balance	80,885.24
	80,885.24

Total Capital Fund	9,176,872.37
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TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 9,726,301.76
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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS  
 ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF CALDWELL  
WATER UTILITY OPERATING FUND  
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

Revenue and Other Income Realized

Fund Balance Utilized	\$ 45,612.94
Water Rents/Additional Water Billing	1,846,276.94
Miscellaneous Revenue Anticipated	37,880.42
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	49,654.57
Total Income	1,979,424.87

Expenditures

Operating	1,503,994.73
Capital Improvements	90,000.00
Debt Service	260,153.45
Deferred Charges and Statutory Expenditures	61,001.36
Total Expenditures	1,915,149.54

Excess in Revenue	64,275.33
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Fund Balance

Balance January 1	281,041.03
	345,316.36
Decreased by:	
Utilization as Anticipated Revenue:	
Water Utility Operating Budget	45,612.94
Balance December 31	\$ 299,703.42

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

BOROUGH OF CALDWELL  
WATER UTILITY CAPITAL FUND  
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

Balance December 31, 2017	\$ 55,771.95
Increased by:	
Premium on Sale of Notes	<u>25,113.29</u>
Balance December 31, 2018	<u><u>\$ 80,885.24</u></u>

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

BOROUGH OF CALDWELL  
WATER UTILITY OPERATING FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

	Anticipated	Realized	Excess or Deficit *
Operating Surplus Anticipated	\$ 45,612.94	\$ 45,612.94	
Water Rents	1,842,747.97	1,846,276.94	\$ 3,528.97
Miscellaneous Revenue	28,755.30	37,880.42	9,125.12
Budget Totals	\$ 1,917,116.21	\$ 1,929,770.30	\$ 12,654.09

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



BOROUGH OF CALDWELL  
WATER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

	Budget After Modification	Expended by		Unexpended Balance Cancelled
		Paid or Charged	Reserved	
Operating:				
Salaries and Wages	\$ 283,921.73	\$ 274,670.76	\$ 9,250.97	
Other Expenses	1,220,073.00	1,061,736.60	158,336.40	
Capital Improvements	90,000.00	90,000.00		
Debt Service	262,120.12	260,153.45		\$ 1,966.67
Deferred Charges and Statutory Expenditures	61,001.36	61,001.36		
	<u>\$ 1,917,116.21</u>	<u>\$ 1,747,562.17</u>	<u>\$ 167,587.37</u>	<u>\$ 1,966.67</u>

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

BOROUGH OF CALDWELL  
SEWER UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2018

ASSETS

Operating Fund:

Cash and Cash Equivalents	\$ 961,033.61
	<u>961,033.61</u>

Receivables with Full Reserves:

Consumer Accounts Receivable	<u>7.73</u>
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Total Receivables with Full Reserves	<u>7.73</u>
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Total Operating Fund	<u>961,041.34</u>
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Capital Fund:

Cash and Cash Equivalents	311,615.33
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Due from New Jersey Environmental Infrastructure Trust	203,032.00
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Fixed Capital	28,982,151.97
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Fixed Capital Authorized and Uncompleted	<u>18,137,300.00</u>
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Total Capital Fund	<u>47,634,099.30</u>
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TOTAL ASSETS	<u>\$ 48,595,140.64</u>
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BOROUGH OF CALDWELL  
SEWER UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2018  
 (Continued)

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund:	
Appropriation Reserves:	
Unencumbered	\$ 194,829.64
Encumbered	55,530.40
	250,360.04
Prepaid Sewer Rents	174.39
Accrued Interest on Bonds	1,545.80
Accrued Interest on Loans	85,479.17
	337,559.40
Reserve for Receivables	7.73
Fund Balance	623,474.21
	961,041.34
Capital Fund:	
Serial Bonds Payable	154,580.00
New Jersey Environmental Infrastructure Trust	
Loans Payable	7,772,414.31
Improvement Authorizations:	
Funded	333,745.54
Unfunded	630,906.25
Capital Improvement Fund	193,215.54
Reserve for Amortization	37,287,686.55
Deferred Reserve for Amortization	1,261,551.11
	47,634,099.30
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	\$ 48,595,140.64

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

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BOROUGH OF CALDWELL  
SEWER UTILITY OPERATING FUND  
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -  
REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

Revenue and Other Income Realized

Fund Balance Utilized	\$ 71,260.07
Sewer Rents	4,405,329.44
Additional Sewer Rents	9,972.96
Interest Income	12,464.06
KMOS Lease of Wastewater Plant Property	87,530.34
Sewer Connection Fees	18,000.00
Sewer Application Fees	500.00
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	252,745.29
	<hr/>
Total Income	4,857,802.16
	<hr/>

Expenditures

Operating	3,370,476.48
Capital Improvements	100,000.00
Debt Service	1,004,276.52
Deferred Charges and Statutory Expenditures	96,063.64
	<hr/>
Total Expenditures	4,570,816.64
	<hr/>

Statutory Excess to Fund Balance	286,985.52
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Fund Balance

Balance January 1	507,748.76
	<hr/>
	794,734.28
Decreased by:	
Utilization as Anticipated Revenue	71,260.07
Surplus Anticipated in Current Fund	100,000.00
	<hr/>
Balance December 31	\$ 623,474.21
	<hr/> <hr/>

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

BOROUGH OF CALDWELL  
SEWER UTILITY OPERATING FUND  
STATEMENT OF REVENUE - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

	<u>Anticipated</u>	<u>Realized</u>	<u>Excess or Deficit *</u>
Operating Surplus Anticipated	\$ 71,260.07	\$ 71,260.07	
Sewer Rents	4,405,329.44	4,405,329.44	
Interest Income	6,000.87	12,464.06	\$ 6,463.19
KMOS Lease of Wastewater Plant Property	87,530.34	87,530.34	
Sewer Connection Fees	36,000.00	18,000.00	18,000.00 *
Additional Sewer Rents	9,635.75	9,972.96	337.21
Sewer Application Fees	1,250.00	500.00	750.00 *
	<u>\$ 4,617,006.47</u>	<u>\$ 4,605,056.87</u>	<u>\$ 11,949.60 *</u>

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

BOROUGH OF CALDWELL  
SEWER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2018

	Budget After Modification	Expended by		Unexpended Balance Canceled
		Paid or Charged	Reserved	
Operating:				
Salaries and Wages	\$ 466,735.12	\$ 455,058.21	\$ 11,676.91	
Other Expenses	2,903,741.36	2,720,588.63	183,152.73	
Capital Improvements	675,000.00	100,000.00		\$ 575,000.00
Debt Service	1,050,466.35	1,004,276.52		46,189.83
Payment of Loan Interest				
Deferred Charges and Statutory Expenditures	96,063.64	96,063.64		
	\$ 5,192,006.47	\$ 4,375,987.00	\$ 194,829.64	\$ 621,189.83
Adopted Budget	\$ 4,617,006.47			
Added by N.J.S.A. 40A:4-48	575,000.00			
	\$ 5,192,006.47			

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

BOROUGH OF CALDWELL  
PUBLIC ASSISTANCE FUND  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2018

ASSETS

Cash and Cash Equivalents	\$ 33,414.82
	<hr/>
TOTAL ASSETS	\$ 33,414.82
	<hr/> <hr/>

RESERVES

Reserve for Public Assistance	\$ 33,414.82
	<hr/>
TOTAL RESERVES	\$ 33,414.82
	<hr/> <hr/>

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

BOROUGH OF CALDWELL  
GENERAL FIXED ASSETS ACCOUNT GROUP  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2018

ASSETS

Land and Land Improvements	\$ 22,215,342.00
Buildings and Building Improvements	40,802,998.00
Machinery and Equipment	<u>5,426,183.00</u>
<u>TOTAL ASSETS</u>	<u>\$ 68,444,523.00</u>

RESERVES

Reserve for General Fixed Assets	<u>\$ 68,444,523.00</u>
<u>TOTAL RESERVES</u>	<u>\$ 68,444,523.00</u>

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



BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Caldwell include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough, as required by N.J.S. 40A:5-5. Accordingly, the financial statements of the Borough do not include the operations of the municipal library, or volunteer fire and first aid squads.

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

B. Description of Funds

The accounting policies of the Borough conform to the accounting practices applicable to municipalities which have been prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Such practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds:

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

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

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

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

B. Description of Funds (Cont'd)

Water Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned water utility.

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

Public Assistance Fund – Receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes. The operations of the State funded welfare program were transferred to the County effective July 1, 2011.

General Fixed Assets Account Group – Estimated values of land, buildings and certain fixed assets of the Borough as discussed in Note 1E “General Fixed Assets”.

C. Basis of Accounting

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

The more significant accounting policies in New Jersey follow.

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

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

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

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

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

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

C. Basis of Accounting (Cont'd)

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

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

E. Other significant accounting policies include:

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

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

Investments – Investments are stated at cost.

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

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

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

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

Interfunds – Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories of Supplies – The 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.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

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

General Fixed Assets Account Group – In accordance with the New Jersey Administrative Code accounting requirements, as promulgated by the Division of Local Government Services, the Borough has developed a fixed assets accounting and reporting system based on the following:

General fixed assets are recorded at historical cost as estimated by the independent appraisal company which conducted the inventory of the Borough's assets in 2011. Subsequent fixed assets purchases are valued at historical cost. Infrastructure assets are not included in general fixed assets, as per state directive. Major renewals and betterments are charged to the asset accounts; maintenance and minor repairs and replacements, which do not improve or extend the lives of the respective assets, are expensed currently. Donated fixed assets are valued at their fair market value on the date donated. The total value recorded for general fixed assets is offset by a "Reserve for General Fixed Assets." When properties are retired or otherwise disposed of, the asset and the reserve are adjusted accordingly. Assets recorded in the General Fixed Assets Account Group may also be recorded in the Current Fund, General Capital Fund, Water Utility Fund and Sewer Utility Fund. The values recorded in the General Fixed Assets Account Group and the Current, General Capital, Water Utility and Sewer Utility Funds may not always agree due to differences in valuation methods, timing of recognition of assets, and the recognition of infrastructures. Fixed assets are reviewed for impairment.

Property and equipment purchased by the Water Utility and Sewer Utility Funds are recorded in the capital account at cost and are not adjusted for dispositions and abandonments. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Utility Capital Funds represent charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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

Note 2: Long-Term Debt

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

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

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

Summary of Municipal Debt

	<u>December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Issued:</u>			
General:			
Bonds and Notes	\$ 8,696,255.00	\$ 9,747,055.00	\$10,748,055.00
Water Utility:			
Bonds and Notes	3,559,062.00	3,745,362.00	2,917,562.00
Sewer Utility:			
Bonds and Loans	7,926,994.31	8,755,127.47	9,651,757.33
Total Issued	<u>20,182,311.31</u>	<u>22,247,544.47</u>	<u>23,317,374.33</u>
<u>Authorized but not Issued:</u>			
General:			
Bonds and Notes	2,280,000.00		
Water Utility:			
Bonds and Notes	2,024,800.91	2,024,800.91	0.91
Sewer Utility:			
Bonds and Notes	643,220.00	68,220.00	68,220.00
Total Authorized but not Issued	<u>4,948,020.91</u>	<u>2,093,020.91</u>	<u>68,220.91</u>
Less:			
Funds Temporarily Held to Pay			
Bonds, Notes and Loans:			
General:			
Reserve to Pay Debt Service	532,282.61	41,137.56	126,137.56
Reserve for 2005 Sinking Fund Bonds	240,000.00	205,000.00	170,000.00
Water Utility:			
Reserve to Pay Debt Service	11,300.00	11,300.00	11,300.00
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>\$24,346,749.61</u>	<u>\$24,083,127.82</u>	<u>\$23,078,157.68</u>

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

Summary of Municipal Debt Issued and Outstanding - Current and Prior Years

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/18</u>
Serial Bonds:				
General Capital Fund	\$ 6,226,900.00		\$ 935,000.00	\$ 5,291,900.00
Water Utility	550,000.00		130,000.00	420,000.00
Sewer Utility	204,580.00		50,000.00	154,580.00
Bond Anticipation Notes:				
General Capital Fund	3,520,155.00	\$ 3,404,355.00	3,520,155.00	3,404,355.00
Water Utility	3,195,362.00	3,139,062.00	3,195,362.00	3,139,062.00
NJFIT Loans Payable:				
Sewer Utility	8,550,547.47		778,133.16	7,772,414.31
<b>Total</b>	<b><u>\$22,247,544.47</u></b>	<b><u>\$ 6,543,417.00</u></b>	<b><u>\$ 8,608,650.16</u></b>	<b><u>\$20,182,311.31</u></b>

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/17</u>
Serial Bonds:				
General Capital Fund	\$ 7,161,900.00		\$ 935,000.00	\$ 6,226,900.00
Water Utility	675,000.00		125,000.00	550,000.00
Sewer Utility	269,580.00		65,000.00	204,580.00
Bond Anticipation Notes:				
General Capital Fund	3,586,155.00	\$ 3,520,155.00	3,586,155.00	3,520,155.00
Water Utility	2,242,562.00	3,195,362.00	2,242,562.00	3,195,362.00
NJFIT Loans Payable:				
Sewer Utility	9,382,177.33		831,629.86	8,550,547.47
<b>Total</b>	<b><u>\$23,317,374.33</u></b>	<b><u>\$ 6,715,517.00</u></b>	<b><u>\$ 7,785,346.86</u></b>	<b><u>\$22,247,544.47</u></b>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition, which follows, is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.904%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Regional School District Debt	\$ 8,188,299.53	\$ 8,188,299.53	
Water Utility Debt	5,583,862.91	5,583,862.91	
Sewer Utility Debt	8,570,214.31	8,570,214.31	
General Debt	10,976,255.00	772,282.61	\$ 10,203,972.39
	<b><u>\$ 33,318,631.75</u></b>	<b><u>\$ 23,114,659.36</u></b>	<b><u>\$ 10,203,972.39</u></b>

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

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

Summary of Statutory Debt Condition - Annual Debt Statement (Cont'd)

Net Debt: \$10,203,972.39 divided by Average Equalized Valuations of \$1,128,374,557.67 of Real Property = 0.904%.

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

3-1/2% Average Equalized Valuation of Real Property	\$ 39,493,109.52
Net Debt	10,203,972.39
Remaining Borrowing Power	\$ 29,289,137.13

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 1,929,770.30
Deductions:	
Operating and Maintenance Cost	\$ 1,564,996.09
Debt Service	260,153.45
Total Deductions	1,825,149.54
Excess in Revenue	\$ 104,620.76

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

Cash Receipts from Fees, Rents or Other Charges for Year	\$ 4,605,056.87
Deductions:	
Operating and Maintenance Cost	\$ 3,466,540.12
Debt Service	1,004,276.52
Total Deductions	4,470,816.64
Excess in Revenue	\$ 134,240.23

Footnote: If there is an "excess in revenue", all such utility debt is deductible. If there is a "deficit", then utility debt is not deductible to the extent of 20 times such deficit amount, or the total amount of debt service for that fund, whichever is less.

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

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

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

At December 31, 2018, the Borough had capital debt issued and outstanding described as follows:

General Capital Serial Bonds

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
2005 ERI Refunding Bonds	07/01/19	4.00%	\$ 35,000.00
2007 General Obligation Bonds	04/01/21	4.00%	927,900.00
2011 General Improvement Bonds	07/15/26	3.125%-5.00%	2,189,000.00
2015 Refunding Bonds	07/01/24	4.00%	2,140,000.00
			<u>\$ 5,291,900.00</u>

General Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
Various Street Improvements	02/20/19	3.00%	\$ 1,241,255.00
Various Capital Improvements	02/20/19	3.00%	137,100.00
Various Capital Improvements	02/20/19	3.00%	1,123,500.00
Various Road Improvements	02/20/19	3.00%	902,500.00
			<u>\$ 3,404,355.00</u>

Water Utility Capital Serial Bonds

<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
Water Utility Bonds	04/01/21	4.00%	\$ 150,000.00
Water Utility Bonds	07/15/21	4.00%-5.00%	270,000.00
			<u>\$ 420,000.00</u>

Water Utility Capital Bond Anticipation Notes

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
Water System Improvements	02/20/19	3.00%	\$ 294,300.00
Water Main Improvements	02/20/19	3.00%	1,206,950.00
Water Main Improvements	02/20/19	3.00%	592,300.00
Water Capital Projects	02/20/19	3.00%	45,512.00
Water System Improvements	02/20/19	3.00%	1,000,000.00
			<u>\$ 3,139,062.00</u>



BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

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

At December 31, 2018, the Borough had capital debt issued and outstanding described as follows: (Cont'd)

<u>Sewer Utility Capital Serial Bonds</u>			
<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
2007 Sewer Utility Bonds	04/01/21	4.00%	<u>\$ 154,580.00</u>
<u>Sewer Utility Capital NJ Environmental Infrastructure Trust (NJEIT) Loans</u>			
<u>Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2018</u>
Wastewater Treatment Plant Upgrades:			
Trust Loan 1	08/01/27	3.40-5.00%	\$ 3,820,000.00
Trust Loan 2	08/01/27	3.00-5.00%	315,000.00
Fund Loan 1	08/01/27	0.00%	3,506,032.55
Fund Loan 2	08/01/23	0.00%	<u>131,381.76</u>
			<u>\$ 7,772,414.31</u>
<b>TOTAL DEBT ISSUED AND OUTSTANDING</b>			<u><u>\$ 20,182,311.31</u></u>

Environmental Infrastructure Loans

The Borough of Caldwell entered into four loan agreements with the State of New Jersey, acting by and through the NJ Department of Environmental Protection Fund (the "Fund"), and the NJ Environmental Infrastructure Trust (the "Trust"), in the revised aggregate amount of \$15,905,000.00, which represents direct obligations of the Borough. The loan agreements were obtained to finance a portion of the cost of wastewater treatment system projects.

At December 31, 2018, the Borough has borrowed or "drawn down" \$15,701,968.00 for these projects. The difference or unexpended proceeds of the "Trust" loan will be retired by NJ Environmental Infrastructure Trust from funds on hand, and any unexpended proceeds of the "Fund" will be reduced from future debt service payments. It is expected that interest will be paid from trust bond proceeds on deposit in the capitalized interest account (as defined in the bond resolution), and earnings thereon on the debt service reserve fund (as defined in the bond resolution) transferred to such capitalized interest account.

The Borough will nonetheless be responsible for all such interest payments to the extent such trust bond proceeds and interest earnings are not available from the capitalized interest account. Also, an annual administrative fee of fifteen hundredths of one percent (.15%) of the initial principal amount of the loan or such lesser amount, if any, as the Trust may approve from time to time is payable on these loans.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

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

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

Calendar Year	General		Water Utility	
	Principal	Interest	Principal	Interest
2019	\$ 935,000.00	\$ 214,600.76	\$ 140,000.00	\$ 17,600.00
2020	905,000.00	164,163.26	140,000.00	12,000.00
2021	917,900.00	125,605.26	140,000.00	5,500.00
2022	620,000.00	92,447.26		
2023	640,000.00	70,053.50		
2024-2026	1,274,000.00	79,030.50		
	<u>\$ 5,291,900.00</u>	<u>\$ 745,900.54</u>	<u>\$ 420,000.00</u>	<u>\$ 35,100.00</u>

Calendar Year	Sewer Utility		
	Principal	Interest	Total
2019	\$ 845,621.58	\$ 210,333.20	\$ 2,363,155.54
2020	860,840.10	189,483.20	2,271,486.56
2021	881,247.90	167,741.60	2,237,994.76
2022	855,784.39	146,150.00	1,714,381.65
2023	858,519.32	124,300.00	1,692,872.82
2024-2027	3,624,981.02	258,550.00	5,236,561.52
	<u>\$ 7,926,994.31</u>	<u>\$ 1,096,558.00</u>	<u>\$ 15,516,452.85</u>

Net Pension Liability

The State of New Jersey Public Employees' Retirement System's (PERS) net pension liability was calculated to be \$4,503,056 at June 30, 2018. The State of New Jersey Police and Firemen's Retirement System's (PFRS) net pension liability was calculated to be \$8,990,360 at June 30, 2018. See Note 5 for further information on the PERS and PFRS.

Net OPEB Liability

The Borough's Net OPEB liability related to the State Health Benefit Local Government Retired Employees Plan at June 30, 2017 was calculated to be \$17,123,947. See Note 18 for further information on this net OPEB liability.

Note 3: Fund Balances Appropriated

The amount of fund balance at December 31, 2018, which will be included in the introduced budget for the Current, Water Utility Operating and Sewer Utility Operating Funds for the year ending December 31, 2019 is not known as the budgets for these funds have not been introduced as of the date of this report.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 4: Regional School District Taxes

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

Note 5: Pension Plans

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

A. Public Employees’ Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of the retirement system, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$190,658 for 2018.

The employee contribution rate was 7.34% effective July 1, 2017 and increased to 7.50% effective July 1, 2018. Subsequent increases after October 1, 2011 were being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities and Pension Expense

At June 30, 2018, the Borough's liability was \$4,503,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Borough's proportion was 0.0203%, which was an increase of 0.004% from its proportion measured as of June 30, 2017. For the year ended December 31, 2018, the Borough recognized actual pension expense in the amount of \$190,658.

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 5: Pension Plans (Cont'd)

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

Actuarial Assumptions (Cont'd)

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the tables below and on the following page:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Management Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on 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. 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 made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Borough's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>June 30, 2018</u>		
	<u>At 1% Decrease (4.66%)</u>	<u>At Current Discount Rate (5.66%)</u>	<u>At 1% Increase (6.66%)</u>
Borough's proportionate share of the Net Pension Liability	\$ 5,662,074	\$ 4,503,056	\$ 3,530,714

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Plan Fiduciary Net Position

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

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

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service. The following represents the membership tiers for PFRS:

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

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

Contributions

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing members. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of the retirement system, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability is being paid by the employer in level annual amounts over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of the assets.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 5: Pension Plans (Cont'd)

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

Special Funding Situation

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specified financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. The June 30, 2018 State special funding situation net pension liability amount is the accumulated difference between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The State special funding situation pension expense for the fiscal year ended June 30, 2018 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Borough contributions to PFRS amounted to \$606,330 for the year ended December 31, 2018. During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$72,324 to the PFRS for normal pension benefits on behalf of the Borough, which is less than the contractually required contribution of \$144,648.

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

Pension Liabilities and Pension Expense

At June 30, 2018, the Borough's liability for its proportionate share of the net pension liability was \$8,990,360. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Borough's proportion was 0.0664%, which was a decrease of 0.002% from its proportion measured as of June 30, 2017.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$1,221,192 as of June 30, 2018. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The State's proportionate share of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the State's proportion was 0.0664%, which was a decrease of 0.002% from its proportion measured as of June 30, 2017 which is the same proportion as the Borough's.



BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 5: Pension Plans (Cont'd)

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

Pension Liabilities and Pension Expense (Cont'd)

Borough's Proportionate Share of the Net Pension Liability	\$ 8,990,360
State's Proportionate Share of the Net Pension Liability Associated with the Borough	1,221,192
Total Net Pension Liability	\$ 10,211,552

For the year ended December 31, 2018, the Borough recognized total pension expense of \$606,330.

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	2.25%
Salary Increases:	
Through 2026	2.10% - 8.98% based on age
Thereafter	3.10% - 9.98% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For pre-retirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability retirement rates were based on a custom table with representative rates and no mortality improvement assumed.

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 5: Pension Plans (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PFRS' target asset allocation as of June 30, 2018 are summarized in the following table:

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

Discount Rate – PFRS

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on 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. 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 made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 5: Pension Plans (Cont'd)

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

The following presents the total net pension liability (including the State's proportionate share of the net pension liability attributable to the Borough) as of June 30, 2018 calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (5.51%)	At Current Discount Rate (6.51%)	At 1% Increase (7.51%)
Borough's proportionate share of the NPL and the State's proportionate share of the Net Pension Liability associated with the Borough	\$ 13,666,894	\$ 10,211,552	\$ 7,361,523

Pension Plan Fiduciary Net Position - PFRS

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

C. Defined Contribution Retirement Program (DCRP)

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

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

For DCRP, the Borough recognized pension expense of \$4,894.57 for the year ended December 31, 2018. Employee contributions to DCRP amounted to \$8,974.06 for the year ended December 31, 2018.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 6: Accrued Sick and Vacation Benefits

The Borough policy allows Borough employees to accrue sick and vacation time. The current cost of such unpaid compensation upon termination or separation from the Borough would approximate \$711,201.82. This amount is not reported either as an expenditure or a liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. This amount is partially funded in the Reserve for Accumulated Leave of \$16,247.34 reflected on the Other Trust Funds' balance sheet as of December 31, 2018.

Note 7: Deferred Compensation Plan

The Borough of Caldwell offers its employees a deferred compensation plan (the "Plan") created in accordance with Section 457 of the Internal Revenue Code. The Plan, which is administered by the Hartford Group, is available to all Borough employees and permits participants to defer a portion of their salary. The deferred compensation plan is not available to employees until termination, retirement, unforeseeable emergency, or upon death to their beneficiaries.

Note 8: Selected Tax Rate Information

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A 6% penalty may be assessed for any unpaid taxes and other municipal charges in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the prior year may be placed in lien at a tax sale held after January 1 and through December 31. Unpaid taxes of the current year may be placed in lien at a tax sale held after December 10. In accordance with P.L. 1997, c.99, the Borough held an accelerated tax sale.

	2018	2017	2016
<u>Tax Rate</u>	\$ 2.717	\$ 2.662	\$ 2.712
<u>Apportionment of Tax Rate</u>			
Municipal:			
Local	0.761	0.743	0.744
Open Space	0.010	0.010	0.010
County	0.569	0.548	0.583
Regional School	1.377	1.361	1.375
<u>Assessed Valuations</u>			
2018	\$ 1,028,175,900.00		
2017		\$ 1,032,338,600.00	
2016			\$ 995,365,800.00

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 8: Selected Tax Rate Information (Cont'd)

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collections</u>	<u>Percentage of Collection</u>
2018	\$ 28,030,713.60	\$ 28,011,450.01	99.93%
2017	27,517,160.00	27,492,569.42	99.91%
2016	27,026,332.18	26,997,947.74	99.89%

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

Note 9: Cash and Cash Equivalents and Investments

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

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

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

Deposits:

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

**Credit Risk** – The Borough limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following pages.

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

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 9: Cash and Cash Equivalents and Investments (Cont'd)

Deposits: (Cont'd)

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

The market value of the collateral must equal 5% of the average daily balance of public funds; and in addition

If the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value equal to 100% of the amount exceeding 75%.

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law" P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 9: Cash and Cash Equivalents and Investments (Cont'd)

Investments: (Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities if:
- (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983 c.313 (C.40A:5A-1 et seq.);
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2018, cash and cash equivalents of the Borough of Caldwell consisted of the following:

<u>Fund</u>	<u>Cash on Hand</u>	<u>Checking and Savings Accounts</u>	<u>Total</u>
Current	\$ 900.00	\$ 3,053,939.70	\$ 3,054,839.70
Animal Control		5,280.00	5,280.00
Other Trust		844,064.91	844,064.91
General Capital		797,596.49	797,596.49
Water Utility Operating		534,120.54	534,120.54
Water Utility Capital		457,213.34	457,213.34
Sewer Utility Operating		961,033.61	961,033.61
Sewer Utility Capital		311,615.33	311,615.33
Public Assistance		33,414.82	33,414.82
	<u>\$ 900.00</u>	<u>\$ 6,998,278.74</u>	<u>\$ 6,999,178.74</u>

During the year ended December 31, 2018, the Borough did not hold any investments. The carrying amount of the Borough's cash and cash equivalents at December 31, 2018, was \$6,999,178.74 and the bank balance was \$6,156,713.66.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 10: Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Health benefits are provided through the State of New Jersey Health Benefits Plan.

Property and Liability

The Borough is a member of the Garden State Municipal Joint Insurance Fund (the "Fund"). The Fund is both an insured and self-administered group of municipalities established for the purpose of providing low cost general liability, property and workers compensation insurance coverage to its members.

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

The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. The members may either receive payment or offset their subsequent year assessments with their respective share of the distribution.

The December 31, 2018 audit report of the Fund is not filed as of the date of this audit. Selected financial information for the Fund as of December 31, 2017 is as follows:

Total Assets	<u>\$ 49,959,759</u>
Net Position	<u>\$ 6,825,455</u>
Total Revenue	<u>\$ 31,024,728</u>
Total Expenses	<u>\$ 29,235,793</u>
Change in Net Position	<u>\$ 1,788,935</u>
Member Dividends	<u>\$ -0-</u>

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

Garden State Municipal Joint Insurance Fund  
900 Route 9 North, Suite 503  
Woodbridge, NJ 07095-1003  
(800) 446-7647



BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 10: Risk Management (Cont'd)

New Jersey Unemployment Compensation Insurance

The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough 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 Borough is billed quarterly for amounts due to the State.

The following is a summary of Borough contributions, employee contributions, interest earned, reimbursements to the State for benefits paid and the ending balance of the Borough's expendable trust fund for the current and previous two years.

<u>Year</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ -0-	\$ -0-	\$ -0-	\$ 555.53	\$ 7,321.48
2017	-0-	7,949.85	-0-	72.84	7,877.01
2016	-0-	8,008.95	-0-	26,330.51	-0-

Note 11: Interfund Receivables and Payables

The following interfund balances remained on the balance sheets at December 31, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 37,600.00	\$ 546,661.43
Federal and State Grant Fund	55,516.38	
Other Trust Funds		37,600.00
General Capital Fund	491,145.05	
Water Utility Operating Fund	14,353.31	
Water Utility Capital Fund		14,353.31
	<u>\$ 598,614.74</u>	<u>\$ 598,614.74</u>

The Federal and State Grant Fund interfund receivable is the net of grant funds received in the Current Fund offset by disbursements made by the Current Fund on behalf of the Federal and State Grant Fund. The Current Fund interfund receivable is interfund advanced to the Other Trust Funds. The General Capital Fund interfund receivable is a Green Acres grant reimbursement for a capital ordinance that was collected in the Current Fund. The Water Utility Operating Fund interfund receivable is due from the Water Utility Capital Fund for accrued interest on bond anticipation notes.

Note 12: Economic Dependency

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

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 13: Contingent Liabilities

The Borough is periodically involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury, and various contract disputes. The Borough vigorously contests these lawsuits and believes the ultimate resolution will not have a material adverse effect on its financial position.

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

Note 14: Open Space Trust Reserve

The Borough established an Open Space Trust Fund in 2000. The Borough has levied a tax equal to one cent per \$100 of total Borough equalized real property valuation. The tax has remained one cent since the approval by the voters to establish the open space tax. The intention of the Borough is to use this funding for open space and recreation purposes. The funds are being held in the Open Space Fund Reserve on the Other Trust Funds balance sheet. The balance in the Reserve for Open Space at December 31, 2018 is \$86,962.87.

Note 15: Fixed Assets

The following is a summarization of general fixed assets for the year ended December 31, 2018 and 2017:

	Balance Dec. 31, 2017	Additions	Deletions	Balance Dec. 31, 2018
Land and Land Improvements	\$ 22,215,342.00			\$ 22,215,342.00
Buildings and Building Improvements	40,604,543.00	\$ 198,455		40,802,998.00
Machinery and Equipment	5,250,201.00	209,216.00	\$ 33,234.00	5,426,183.00
	<u>\$ 68,070,086.00</u>	<u>\$ 407,671.00</u>	<u>\$ 33,234.00</u>	<u>\$ 68,444,523.00</u>
	Balance Dec. 31, 2016	Additions	Deletions	Balance Dec. 31, 2017
Land and Land Improvements	\$ 22,215,342.00			\$ 22,215,342.00
Buildings and Building Improvements	40,451,056.00	153,487.00		40,604,543.00
Machinery and Equipment	5,223,254.00	83,695.00	\$ 56,748.00	5,250,201.00
	<u>\$ 67,889,652.00</u>	<u>\$ 237,182.00</u>	<u>\$ 56,748.00</u>	<u>\$ 68,070,086.00</u>

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 16: Deferred Charges to be Raised in Succeeding Years

Certain expenditures are required to be deferred to budgets of succeeding year. At December 31, 2018, the following deferred charge is shown on the balance sheet of the Current Fund:

	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Required</u> <u>2019 Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Years' Budgets</u>
Current Fund:			
Special Emergency Authorization	\$ 74,000.00	\$ 37,000.00	\$ 37,000.00

The appropriation in the 2019 budget will not be less than that required by statute.

Note 17: Tax Abatement

As of December 31, 2018, the Borough provides a tax abatement to a nonprofit housing corporation for its senior citizen housing development in the Borough pursuant to the authority contained in Section 18 of the Limited Dividend Law (N.J.S.A. 55:16-18), Section 30 of the HFA Law (N.J.S.A. 55:14J-30) and a resolution of the Mayor and Borough Council and with the approval of the New Jersey Housing Finance Agency (NJHFA) as provided under Section 30(b) of the NJHFA law. In consideration of the full abatement of taxes, the nonprofit housing corporation is required to pay to the Borough an annual service charge for municipal services in an amount not exceeding the tax on the property on which the abatement is received. The tax abatement per the agreement became effective upon the date that a first mortgage upon the development was first executed and shall continue for a period of not more than fifty years therefrom nor less than the term of the related NJHFA mortgage. The annual service charge made by the nonprofit housing corporation will be in an amount not exceeding 6.28% of the annual gross revenues of the housing development as detailed in the tax abatement agreement.

In the event that a breach of the agreement by either the Borough or the nonprofit housing corporation or a dispute arises between the two parties either party may apply to the Superior Court, Chancery Division to settle and resolve said dispute in such fashion as will tend to accomplish the purposes of the Limited-Dividend Laws and the HFA Law.

The Borough recognized revenue in the amount of \$190,458.75 from this annual service charge or payment in lieu of taxes which is recorded as an anticipated miscellaneous revenue in the Current Fund. The taxes which would have been paid on this property for 2018 without the abatement would have been \$504,411.05 of which \$143,136.15 would have been for the local municipal tax, minimum library tax and municipal open space tax.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 18: Post-Employment Benefits Other Than Pensions (OPEB)

State Health Benefit Local Government Retired Employees Plan

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

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

In accordance with the Borough's resolution, Borough employees are entitled to the following benefits:

The coverage applies to the employee and dependents. In the event of an employee's death, coverage ceases. In order to be eligible for this benefit, the employee must have a minimum of twenty-five (25) years of full-time service with the Borough.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018  
(Continued)

Note 18: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Contributions

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective inflows of resources, and collective OPEB expense. The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2016 through June 30, 2017. Employer and nonemployer allocation percentages were rounded for presentation purposes.

OPEB Expense

The total OPEB liability as of June 30, 2018 was not available from the State of New Jersey Division of Pensions and Benefits as of the date of this report. The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

At June 30, 2017, the Borough had a liability of \$17,123,947 for its proportionate share of the net OPEB liability. At June 30, 2017, the Borough's proportion was .083876% which was a decrease of .0067% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the Borough's OPEB expense as determined by the State of New Jersey Division of Pensions and Benefits was \$989,447.

The Borough's actual post retirement payments in 2018 for 29 retired employees were \$622,576.

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%
Salary Increases*:	
Through 2026	1.65% - 8.98%
Thereafter	2.65% to 9.98%

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 18: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

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

Actuarial Assumptions and Other Inputs (Cont'd)

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

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2016 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 – June 30, 2014, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long term rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2017 was 3.58%. The discount rate for June 30, 2016 was 2.85%. This represents the municipal bond rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

BOROUGH OF CALDWELL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018

(Continued)

Note 18: Post-Employment Benefits Other Than Pensions (OPEB) (Cont'd)

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

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

The following presents the net OPEB Liability of the Borough as of June 30, 2017, calculated using the discount rate as disclosed in this note, as well as what the net OPEB Liability of the Borough would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Current Discount Rate (3.58%)	At 1% Increase (4.58%)
Net OPEB Liability Attributable to the Borough	\$ 20,198,206	\$ 17,123,947	\$ 14,684,574

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

The following presents the net OPEB Liability of the Borough as of June 30, 2017, calculated using the healthcare trend rate as disclosed in this note, as well as what the net OPEB Liability of the Borough would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Net OPEB Liability Attributable to the Borough	\$ 14,230,500	\$ 17,123,947	\$ 20,891,550

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**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

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\_\_\_\_\_, 2019

Borough Council of the  
Borough of Caldwell, in the  
County of Essex, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of Caldwell, in the County of Essex, New Jersey (the "Borough"), in connection with the issuance by the Borough of \$6,421,000 General Obligation Bonds, Series 2019, consisting of \$3,291,000 General Improvement Bonds and \$3,130,000 Water Utility Bonds (together, the "Bonds"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Borough adopted on August 6, 2019 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

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

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

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

Very truly yours,

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