

**OFFICIAL STATEMENT DATED JANUARY 7, 2020**

**NEW ISSUE (BOOK-ENTRY ONLY)**

**Rating: S&P "AA-" - See "RATING" herein**

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

**BOROUGH OF FLEMINGTON  
IN THE COUNTY OF HUNTERDON  
STATE OF NEW JERSEY  
\$4,495,000  
GENERAL OBLIGATION BONDS, SERIES 2020  
Consisting of:  
\$2,371,000 General Improvement Bonds, Series 2020A  
\$2,006,000 Water Utility Bonds, Series 2020B  
\$118,000 Sewer Utility Bonds, Series 2020C  
(BANK QUALIFIED) (CALLABLE)**

**Dated: Date of Delivery**

**Due: January 15, as shown on the inside front cover**

The \$4,495,000 aggregate principal amount of General Obligation Bonds, Series 2020, consisting of \$2,371,000 General Improvement Bonds, Series 2020A (the "General Improvement Bonds"), \$2,006,000 Water Utility Bonds, Series 2020B (the "Water Utility Bonds"), and \$118,000 Sewer Utility Bonds, Series 2020C (the "Sewer Utility Bonds" and together with the General Improvement Bonds and the Water Utility Bonds, the "Bonds") are general obligations of the Borough of Flemington, in the County of Hunterdon, State of New Jersey (the "Borough") for which the full faith and credit of the Borough are pledged. The Borough is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Bonds will be issued in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 each, except that those Bonds in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book entries made on the books and records of DTC and its participants.

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on the fifteenth day of January and July of each year, commencing July 15, 2020, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption, as applicable. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Borough or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Borough to the registered owner thereof as of the Record Dates (as defined herein). As long as DTC is acting as securities depository for the Bonds, the principal of and interest on the Bonds will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Borough Council on the dates set forth herein and by a resolution duly adopted by the Borough Council on December 9, 2019.

The proceeds of the Bonds will be used to (i) provide for the current refunding of a \$4,602,000 portion of Bond Anticipation Notes of the Township issued in the aggregate principal amount of \$7,103,000 on January 15, 2019 and maturing on January 15, 2020; and (ii) pay for the costs associated with the issuance and sale of the Bonds.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS" under the subheading "Optional Redemption."

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

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

***The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by Archer & Greiner, P.C., Red Bank, New Jersey, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Borough by the Borough Attorney, Franklin G. Whittlesey, Esq., Flemington, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through DTC on or about January 15, 2020.***

**ROOSEVELT & CROSS, INC. AND ASSOCIATES**

**BOROUGH OF FLEMINGTON  
IN THE COUNTY OF HUNTERDON, STATE OF NEW JERSEY**

**\$4,495,000 GENERAL OBLIGATION BONDS, SERIES 2020**

**Consisting of:**

**\$2,371,000 General Improvement Bonds, Series 2020A**

**\$2,006,000 Water Utility Bonds, Series 2020B**

**\$118,000 Sewer Utility Bonds, Series 2020C**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

<u>Maturity</u> <u>January 15</u>	<u>General</u> <u>Improvement</u> <u>Bonds</u>	<u>Water Utility</u> <u>Bonds</u>	<u>Sewer Utility</u> <u>Bonds</u>	<u>Combined</u> <u>Bonds</u>	<u>Interest</u> <u>Rates</u>	<u>Yields</u>	<u>CUSIPS</u> *
2021	\$ 86,000	\$ 66,000	\$18,000	\$170,000	4.000%	1.000%	339261FA2
2022	85,000	65,000	25,000	175,000	4.000	1.000	339261FB0
2023	85,000	65,000	25,000	175,000	4.000	1.000	339261FC8
2024	85,000	65,000	25,000	175,000	4.000	1.010	339261FD6
2025	165,000	65,000	25,000	255,000	4.000	1.050	339261FE4
2026	165,000	65,000		230,000	4.000	1.150	339261FF1
2027	170,000	65,000		235,000	4.000	1.250	339261FG9
2028	170,000	70,000		240,000	3.000	1.400	339261FH7
2029	170,000	125,000		295,000	2.000	1.800	339261FJ3
2030	170,000	125,000		295,000	2.000	1.900	339261FK0
2031	170,000	125,000		295,000	2.000	2.000	339261FL8
2032	170,000	125,000		295,000	2.000	2.100	339261FM6
2033	170,000	125,000		295,000	2.125	2.150	339261FN4
2034	170,000	125,000		295,000	2.125	2.200	339261FP9
2035	170,000	125,000		295,000	2.250	2.250	339261FQ7
2036	170,000	125,000		295,000	2.250	2.300	339261FR5
2037		120,000		120,000	2.250	2.350	339261FS3
2038		120,000		120,000	2.375	2.400	339261FT1
2039		120,000		120,000	2.375	2.450	339261FU8
2040		120,000		120,000	2.500	2.500	339261FV6

\* 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 FLEMINGTON  
IN THE COUNTY OF HUNTERDON  
STATE OF NEW JERSEY**

---

**MAYOR**

Betsy Driver

**BOROUGH COUNCIL**

Caitlin Giles-McCormick

Jessica Hand

Michael Harris

Jeremy Long

Chris Runion

Kimberly A. Tilly

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**INDEPENDENT AUDITORS**

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**BOND COUNSEL**

Archer & Greiner P.C.

Red Bank, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC

Bordentown, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Borough of Flemington, in the County of Hunterdon, State of New Jersey (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 representation must not be relied upon as having been authorized 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.

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

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or owners 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 herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier. The Borough has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

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

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

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

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

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

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**OFFICIAL STATEMENT  
OF THE  
BOROUGH OF FLEMINGTON  
IN THE COUNTY OF HUNTERDON, STATE OF NEW JERSEY  
RELATING TO  
\$4,495,000 GENERAL OBLIGATION BONDS, SERIES 2020  
CONSISTING OF:  
\$2,371,000 General Improvement Bonds, Series 2020A  
\$2,006,000 Water Utility Bonds, Series 2020B  
\$118,000 Sewer Utility Bonds, Series 2020C**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Borough of Flemington (the "Borough"), in the County of Hunterdon (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$4,495,000 aggregate principal amount of General Obligation Bonds, Series 2020, consisting of \$2,371,000 General Improvement Bonds, Series 2020A (the "General Improvement Bonds"), \$2,006,000 Water Utility Bonds, Series 2020B (the "Water Utility Bonds"), and \$118,000 Sewer Utility Bonds, Series 2020C (the "Sewer Utility Bonds" and together with the General Improvement Bonds and the Water Utility Bonds, the "Bonds") of the Borough. This Official Statement, which includes the cover page, inside front cover page and appendices attached hereto, has been authorized by the Borough Council, and executed by and on behalf of the Borough by its Chief Financial Officer, to be distributed in connection with the sale of the Bonds.

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

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

**DESCRIPTION OF THE BONDS**

**General Description**

The Bonds are dated the date of delivery thereof and shall bear interest at the rates shown on the inside front cover page hereof from such date, payable semi-annually on the fifteenth day of January and July of each year (each an "Interest Payment Date") until maturity or prior redemption, as applicable, commencing July 15, 2020. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective January 1 and July 1 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the Borough's Chief Financial Officer, as Registrar and Paying Agent.

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

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$5,000 each or any integral multiple thereof, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made directly by the Borough as Paying Agent, or some other paying agent as may be designated by the Borough, to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Bonds is the responsibility of the DTC Participants and Indirect Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

### **Optional Redemption**

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

Notice of redemption ("Notice of Redemption") shall be given by mailing such notice at least thirty (30) days but not more than sixty (60) days before the date fixed for redemption by first class mail in a sealed envelope with postage prepaid to the registered owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the Securities Depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds prior to maturity, such Bonds shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

### **Authorization for the Issuance of the Bonds**

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Borough Council on the dates set forth in the chart on the following page and published and approved as required by law, and by a resolution duly adopted by the Borough Council on December 9, 2019.

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



## Purpose of the Bonds

The proceeds of the Bonds will be used to (i) provide for the current refunding of a \$4,602,000 portion of Bond Anticipation Notes of the Township issued in the aggregate principal amount of \$7,103,000 on January 15, 2019 and maturing on January 15, 2020 (the "Prior Notes"); and (ii) pay for the costs associated with the issuance and sale of the Bonds. The remaining portion of the Prior Notes will be paid by Borough funds, bond anticipation notes (See "Market Protection" herein), or through cancellation.

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

Ordinance Number	Description and Date of Final Adoption	Amount of Prior Notes Being Refunded with the Bond Proceeds
<b><i>General Improvement Bonds</i></b>		
2005-23	Various Improvements to Borough Buildings and Properties, Finally Adopted 9/26/05	\$420,649
2008-17	Improvements to Main Street Sidewalks, Finally Adopted 10/14/08	\$106,200
2012-09	Mine Street Storm Drainage Improvement Project, Finally Adopted 5/29/12	\$112,800
2013-13	Acquisition of Fire, Emergency Management, and Police Department, Equipment and Shade Tree Improvements, Finally Adopted 8/12/13	\$111,000
2013-21	Various Road Improvements, Finally Adopted 12/9/13	\$789,000
2014-25	Capner and Allen Street Improvement, Finally Adopted 12/8/14	\$315,300
2015-05	Acquisition of Public Works Department Equipment, Finally Adopted 6/8/15	\$75,000
2015-15	Acquisition of Fire and Police Equipment and Shade Tree Improvements, Finally Adopted 9/14/15	\$185,801
2016-03	Main Street Streetscape Improvements, Finally Adopted 2/22/16	\$71,250
2017-04	East Main Street Improvement Project, Finally Adopted 2/27/17	<u>\$271,000</u>
<b>Subtotal General Improvement Bond Proceeds</b>		<b>\$2,458,000</b>

Ordinance Number	Description and Date of Final Adoption	Amount of Prior Notes Being Refunded with the Bond Proceeds
<b><u>Water Utility Bonds</u></b>		
2008-08/2009-13	Improvements to Well Numbers 1, 4, 5 and 7, Finally Adopted 4/28/08 (2008-8) and 9/14/09 (2009-13)	\$56,700
2012-10/2012-20	Improvements to the Water System Firm Capacity – Phase I, Finally Adopted 5/29/12 (2012-10) and 12/28/12 (2012-20)	\$974,300
2016-10	Purchase and Installation of New Water Meters, Finally Adopted 5/23/16	\$780,000
2017-14	Drilling of Test Water Wells by the Water Utility, Finally Adopted 9/25/17	<u>\$215,000</u>
<b>Subtotal Water Utility Bond Proceeds</b>		<b>\$2,026,000</b>
<b><u>Sewer Utility Bonds</u></b>		
2004-17	Bonnell Street Sewer Improvements, Finally Adopted 5/10/04	<u>\$118,000</u>
<b>Subtotal Sewer Utility Bond Proceeds</b>		<b>\$118,000</b>
<b>TOTAL BOND PROCEEDS</b>		<b>\$4,602,000</b>

### Payment of Bonds

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

### SECURITY FOR THE BONDS

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

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

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

## **NO DEFAULT**

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

## **MARKET PROTECTION**

The Borough plans on issuing \$500,000 in Bond Anticipation Notes, to currently refund a portion of the Prior Notes, that will also close on January 15, 2020.

## **BOOK-ENTRY ONLY SYSTEM**

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as such terms are defined or used herein), 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 Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity of the Bonds, and will be deposited with DTC.

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

Purchases of the 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

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

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

### **Procedure for Authorization**

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

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

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

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

## **Short Term Financing**

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

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

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

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system and amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Refunding Bonds may be issued without the approval of Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") when authorized by conditions set forth in rules and regulations of the Local Finance Board and upon a resolution adopted by 2/3 vote of the full membership of the governing body.

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

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

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

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

the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the Borough and that the 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 services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. As shown in APPENDIX A attached hereto, the Borough has not exceeded its debt limit.

### **Debt Statements**

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

## **FINANCIAL MANAGEMENT**

### **Accounting and Reporting Practices**

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

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the Borough, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest

and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

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

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

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

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

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. The Borough adopted its 2018 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)".

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

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

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

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Borough shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and



Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Borough may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Borough for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

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

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

### **Deferral of Current Expenses**

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

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

### **Budget Transfers**

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2)

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

**Anticipation of Real Estate Taxes**

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

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

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

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

**Anticipation of Miscellaneous Revenues**

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

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

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs Law"), regulates the non-budgetary financial activities of local governments. An annual, independent audit of the local unit's accounts for the previous year must be performed by a Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government

Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the Borough's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the Borough Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the Borough Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principals.

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

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

### **Investment of Municipal Funds**

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

## **CAPITAL IMPROVEMENT PROGRAM**

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

## TAX ASSESSMENT AND COLLECTION

### Assessment and Collection of Taxes

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

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

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

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

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

### Tax Appeals

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

## 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 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 will rely upon the representations made in the 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, Archer & Greiner P.C., 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 (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the 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 with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

## **Bank Qualification**

The Bonds constitute "qualified tax-exempt obligations" as defined in and for the purpose of Section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

## **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.

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

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

### **Other Tax Consequences**

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

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

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

### **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their

control in any obligations of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

### **RISK TO HOLDERS OF BONDS**

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

#### **Municipal Bankruptcy**

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

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

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

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

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

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



default in their obligations. The powers and duties of the Commission are exercised within the Division, which constitutes the Commission.

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

### **CERTIFICATES OF THE BOROUGH**

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

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as APPENDIX C, attached hereto. Certain legal matters with respect to the Bonds will be passed on for the Borough by its Borough Attorney, Franklin G. Whittlesey, Esq., Flemington, New Jersey (the "Borough Attorney").

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Borough of Flemington, William J. Hance, Chief Financial Officer, 38 Park Avenue, Flemington, New Jersey 08822, telephone: (908) 782-8840; or the Borough's Bond Counsel, John M. Cantalupo, Esq., Archer & Greiner P.C., 10 Highway 35, Red Bank, New Jersey 07701, telephone: (732) 238-8009; or the Borough's Municipal Advisor, Anthony P. Inverso, Phoenix Advisors LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, telephone: (609) 291-0130.

## LITIGATION

To the knowledge of 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 offered for sale or the levy and collection of any taxes to pay the principal of or the interest on said Bonds, or in any manner questioning the authority of a proceeding for the issuance of the Bonds or for the levy or collection of taxes to pay the principal of and interest on the Bonds, or any action contesting the corporate existence or boundaries of the Borough or the title of any of its present officers. Further, to the knowledge of the Borough Attorney, there is no litigation presently pending or threatened against the Borough that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided. The original purchaser of the Bonds will receive a certificate of the Borough Attorney to such effect upon the closing of the Bonds.

## COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS

The Borough has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the Borough annually and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Bond Disclosure Certificate") to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in APPENDIX D attached hereto. Such Bond Disclosure Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB"). This covenant is being made by the Borough to assist the purchaser of the Bonds in complying with the Rule.

The Borough has previously entered into continuing disclosure undertakings under the Rule with respect to its own obligations. The Borough appointed Phoenix Advisors, LLC, Bordentown, New Jersey in December of 2015 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

## PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the preparation and review of this Official Statement and in the collection of financial, statistical or demographic information contained in this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

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

The Municipal Advisor (as defined herein) has not participated in the preparation or review of the information contained in this Official Statement, except as hereinafter noted, nor has it verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

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

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

## **RATING**

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

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

## **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 the Official Statement and the Appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **UNDERWRITING**

The Bonds have been purchased from the Borough at a public sale by Roosevelt & Cross, Inc. and Associates (the "Underwriter"), at a price of \$4,617,248.60. The purchase price of the Bonds reflects the par amount of Bonds equal to \$4,495,000.00, less an Underwriter's discount of \$66,006.20, plus an original issue premium of \$188,254.80.

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

## **FINANCIAL STATEMENTS**

APPENDIX B to this Official Statement attached hereto contains certain audited financial data of the Borough for the fiscal years ending December 31, 2018 and 2017. The audited financial data was extracted from the report prepared by Suplee, Clooney & Company, Westfield, New Jersey (the "Auditor"), to the extent and for the period set forth in their report appearing in APPENDIX B. The Auditor 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 financial data appearing in APPENDIX B hereto) and accordingly, will express no opinion with respect thereto. See "APPENDIX B –

FINANCIAL STATEMENTS OF THE BOROUGH OF FLEMINGTON (Audited for years ending December 31, 2018 and 2017)".

**MISCELLANEOUS**

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

This Official Statement is not to be construed as a contract or an agreement between the Borough and any purchasers or 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 herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there have been no changes in the affairs of the Borough, the State or any of their agencies or authorities, since the date hereof.

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

**BOROUGH OF FLEMINGTON**

**/s/ William J. Hance**  
**William J. Hance,**  
**Chief Financial Officer**

**DATED: January 7, 2020**

**APPENDIX A**

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION  
CONCERNING THE BOROUGH OF FLEMINGTON**

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

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

### **General Information**

The Borough is located in the northwestern portion of the State and is west of the New York-Northern New Jersey metropolitan area. The Borough comprises approximately one (1) square mile and is situated in the central eastern portion of the County, approximately fifty-five (55) miles west of New York City and thirty (30) miles north of the City of Trenton. The land that comprises the Borough was originally the territory of the Lenni-Lenape Indians, as was the entire County. The Borough's acreage was originally acquired by William Penn and Daniel Coxe. It is surrounded by the Township of Raritan and is located in its geographic center.

"Fleming's Town" was born in 1756 when Samuel Fleming, a tavern owner, purchased part of the land which is now the Borough. Fertile farmland provided abundant opportunities for agricultural work but as time passed, poultry and dairy farms superseded crops in agricultural importance. The Borough was chosen as the County Seat in 1785 and was incorporated in 1910.

By 1980, 65% of the Borough had been included on the State Register of Historic Places and is now on the National Register of Historic Places. The beautiful historic landmarks consisting of both Greek Revival and Victorian architecture lend a sense of elegance and character to the Borough. One of the more famous historic landmarks is the Hunterdon County Courthouse. It was here that in 1935, the "Trial of the Century" took place, the trial and conviction of Bruno Hauptmann for the kidnapping of the infant son of the famous aviator, Charles Lindbergh.

### **Form of Government**

The Borough operates under the Borough form of government as provided by N.J.S.A. 40A:60-1 et seq., as amended and supplemented. The Borough is governed by a six (6) member Common Council, whose members are elected at large for three-year terms by the legally registered voters in the Borough. The Common Council comprises the legislative body which formulates policy, appropriates funds and adopts ordinances and resolutions for the conduct of Borough business. The legally registered voters in the Borough also elect a Mayor at large for a four (4) year term. The Mayor operates as the chief executive officer of the Borough and presides at Common Council.

### **Pension and Retirement Systems**

Substantially all eligible employees participate in the Public Employees' Retirement System, the Police and Firemen's Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the “Division”). Benefits, contributions, means of funding and

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

the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

The Public Employees' Retirement System ("PERS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

The Police and Firemen's Retirement System ("PFRS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time county and municipal police and firemen or officer employees with police powers appointed after June 30, 1944.

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

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## **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:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough</u></b>				
2018	2,337	2,256	81	3.5%
2017	2,357	2,265	92	3.9%
2016	2,385	2,293	92	3.9%
2015	2,403	2,300	103	4.3%
2014	2,430	2,312	118	4.9%
<b><u>County</u></b>				
2018	63,020	60,971	2,049	3.3%
2017	63,474	61,229	2,245	3.5%
2016	64,215	61,793	2,422	3.8%
2015	64,834	62,076	2,758	4.3%
2014	65,322	62,135	3,187	4.9%
<b><u>State</u></b>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

## **Income (as of 2017)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$60,869	\$110,969	\$76,475
Median Family Income	71,597	136,895	94,337
Per Capita Income	29,846	54,200	39,069

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

**Population**

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2018 Estimate	4,589	0.17%	124,714	-2.83%	8,908,520	1.33%
2010	4,581	9.07	128,349	5.21	8,791,894	4.49
2000	4,200	3.78	121,989	13.19	8,414,350	8.85
1990	4,047	-2.06	107,776	23.37	7,730,188	4.96
1980	4,132	5.49	87,361	25.31	7,365,001	2.75

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:

<u>Taxpayers</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Flemington South	\$17,706,000	3.90%
Flemington Apts. LLC	17,186,600	3.79%
Biltmore Realty Co.	13,230,000	2.91%
Liberty Village	11,062,100	2.44%
Flemington Fidelco	8,232,000	1.81%
Hunterdon Shopping Center	7,800,000	1.72%
Roho LLC	7,050,000	1.55%
Main Street Associates LLC	5,079,000	1.12%
Hunterdon Mews	4,320,000	0.95%
John M Saums and Sons Inc	4,180,000	0.92%
<b>Total</b>	<b><u>\$95,845,700</u></b>	<b><u>21.12%</u></b>

Source: Comprehensive Annual Financial Report of the School District and Municipal Tax Assessor

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2018	\$14,276,789	\$14,016,147	98.17%
2017	14,285,140	13,976,339	97.84%
2016	14,400,529	14,074,718	97.74%
2015	13,972,093	13,605,192	97.37%
2014	13,439,219	12,927,822	96.19%

Source: Annual Audit Reports of the Borough

**Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2018	\$11,107	\$253,512	\$264,619	1.85%
2017	20,838	278,425	299,263	2.09%
2016	8,255	306,026	314,281	2.18%
2015	6,798	358,817	365,615	2.62%
2014	157,769	484,300	642,069	4.78%

Source: Annual Audit Reports of the Borough

**Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2018	\$380,000
2017	380,000
2016	380,000
2015	380,000
2014	0

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.

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Local School</u></b>	<b><u>Regional School</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
2019	\$0.997	\$1.279	\$0.489	\$0.345	\$3.110
2018	0.961	1.309	0.444	0.347	3.061
2017	0.957	1.351	0.435	0.343	3.086
2016	0.942	1.382	0.456	0.360	3.140
2015	0.908	1.329	0.457	0.360	3.054

Source: Abstract of Ratables and State of New Jersey – Property Taxes

## **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2019	\$457,550,500	\$463,248,456	98.77%	\$0	\$463,248,456
2018	453,914,600	451,971,124	100.43	0	451,971,124
2017	450,771,400	445,955,085	101.08	0	445,955,085
2016	446,898,300	452,509,417	98.76	0	452,509,417
2015	445,112,200	469,874,591	94.73	0	469,874,591

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.

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2019	\$2,336,600	\$228,716,600	\$0	\$172,222,500	\$1,845,000	\$52,429,800	\$457,550,500
2018	3,309,600	226,032,500	0	173,638,400	1,833,500	49,100,600	453,914,600
2017	2,839,400	220,991,100	0	179,626,200	1,871,200	45,443,500	450,771,400
2016	2,743,600	217,771,700	0	181,895,900	1,871,200	42,615,900	446,898,300
2015	2,670,400	213,974,000	0	186,465,500	1,871,200	40,131,100	445,112,200

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

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## Financial Operations

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

### **Summary of Current Fund Budget**

<u>Anticipated Revenues</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fund Balance Utilized	\$0	\$62,682	\$85,000	\$85,000	\$189,139
Miscellaneous Revenues	827,154	844,267	825,374	897,687	902,276
Receipts from Delinquent Taxes	374,500	350,000	300,000	270,000	250,000
Amount to be Raised by Taxation	<u>4,042,507</u>	<u>4,211,472</u>	<u>4,316,962</u>	<u>4,381,813</u>	<u>4,559,675</u>
Total Revenue:	<u>\$5,244,161</u>	<u>\$5,468,421</u>	<u>\$5,527,336</u>	<u>\$5,634,500</u>	<u>\$5,901,090</u>
<u>Appropriations</u>					
General Appropriations	\$3,310,816	\$3,528,558	\$3,577,020	\$4,393,331	\$4,581,704
Operations (Excluded from CAPS)	381,540	379,286	353,000	387,713	415,802
Deferred Charges and Statutory Expenditures	633,594	553,857	545,535	0	0
Judgments	0	0	0	0	0
Capital Improvement Fund	90,000	130,000	133,000	98,000	83,000
Municipal Debt Service	497,110	531,720	573,781	410,456	420,584
Reserve for Uncollected Taxes	<u>331,100</u>	<u>345,000</u>	<u>345,000</u>	<u>345,000</u>	<u>400,000</u>
Total Appropriations:	<u>\$5,244,161</u>	<u>\$5,468,421</u>	<u>\$5,527,336</u>	<u>\$5,634,500</u>	<u>\$5,901,090</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) fiscal years ending December 31.

### Fund Balance - Current Fund

<u>Year</u>	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2018	\$625,643	\$189,139
2017	580,782	85,000
2016	452,459	85,000
2015	163,205	62,682
2014	30,957	0

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) fiscal years ending December 31.

<b><u>Fund Balance - Water Utility Operating Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2018	\$206,264	\$210,000
2017	360,250	291,000
2016	335,746	159,700
2015	278,046	144,300
2014	167,359	115,000

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) fiscal years ending December 31.

<b><u>Fund Balance - Sewer Utility Operating Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2018	\$1,089,965	\$879,300
2017	1,279,633	839,750
2016	1,028,219	771,000
2015	1,001,938	692,000
2014	847,336	715,000

Source: Annual Audit Reports of the Borough

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

<b>General Purpose Debt</b>	
Serial Bonds	\$2,805,000
Bond Anticipation Notes	2,531,228
Bonds and Notes Authorized but Not Issued	1,844,469
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$7,180,697
<b>Local School District Debt</b>	
Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$0
<b>Regional School District Debt</b>	
Serial Bonds	\$2,922,814
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$2,922,814
<b>Self-Liquidating Debt</b>	
Serial Bonds	\$245,000
Bond Anticipation Notes	4,662,256
Bonds and Notes Authorized but Not Issued	5,096,312
Other Bonds, Notes and Loans	<u>8,361,070</u>
Total:	\$18,364,638
<b>TOTAL GROSS DEBT</b>	<b><u>\$28,468,148</u></b>
Less: Statutory Deductions	
General Purpose Debt	\$35,500
Local School District Debt	0
Regional School District Debt	2,922,814
Self-Liquidating Debt	<u>18,364,638</u>
Total:	\$21,322,952
<b>TOTAL NET DEBT</b>	<b><u>\$7,145,196</u></b>

Source: Annual Debt Statement of the Borough

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**Overlapping Debt (as of December 31, 2018)<sup>2</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Regional School District	\$26,885,000	9.78%	\$2,630,561
Regional School District (HS) County	6,110,000 83,452,933	4.78% 2.09%	292,252 <u>1,743,392</u>
Net Indirect Debt			\$4,666,206
Net Direct Debt			<u>7,145,196</u>
Total Net Direct and Indirect Debt			<b><u>\$11,811,402</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2016, 2017, 2018)	\$450,145,209
Permitted Debt Limitation (3 1/2%)	15,755,082
Less: Net Debt	<u>7,145,196</u>
Remaining Borrowing Power	<u>\$8,609,886</u>
Percentage of Net Debt to Average Equalized Valuation	1.587%
Gross Debt Per Capita based on 2010 population of 4,581	\$6,214
Net Debt Per Capita based on 2010 population of 4,581	\$1,560

Source: Annual Debt Statement of the Borough

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<sup>2</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 FLEMINGTON  
(Audited for years ending December 31, 2018 and 2017)**

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APPENDIX B  
FINANCIAL STATEMENTS OF THE  
BOROUGH OF FLEMINGTON

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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of Flemington  
County of Hunterdon  
Flemington, New Jersey 08822

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

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Borough of Flemington, as of December 31, 2018 and 2017, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements as listed in the 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 the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

## SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory 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 of Flemington'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 of Flemington'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 regulatory financial statements.

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

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

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Borough of Flemington on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

### ***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 the various individual funds and account group of the Borough of Flemington as of December 31, 2018 and 2017, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2018.

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

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

# SUPLEE, CLOONEY & COMPANY

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

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

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Warren M. Korecky  
Warren M. Korecky, C.P.A., R.M.A.

August 15, 2019

BOROUGH OF FLEMINGTON

CURRENT FUND

BALANCE SHEET - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>
Cash-Treasurer	\$ 3,720,313.10	\$ 2,352,368.81
Cash-Tax Collector	401,290.27	528,772.62
Change Fund	225.00	225.00
Due State of New Jersey-Chapter 20, PL 1971	500.00	250.00
	<u>\$ 4,122,328.37</u>	<u>\$ 2,881,616.43</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	\$ 253,512.07	\$ 278,424.60
Tax Title Liens	11,106.74	20,837.99
Property Acquired for Taxes - Assessed Valuation	380,000.00	380,000.00
Revenue Accounts Receivable	10,584.50	9,990.18
Interfunds Receivable	252,653.08	81,353.21
Refunds Receivable		1,888.08
Prepaid Special Improvement Tax		28,184.73
Prepaid Regional High School Tax		537.99
	<u>\$ 907,856.39</u>	<u>\$ 801,216.78</u>
	<u>\$ 5,030,184.76</u>	<u>\$ 3,682,833.21</u>
Grant Fund:		
Cash	\$ 216,077.11	\$ 260,458.49
Interfunds Receivable	34,538.01	7,491.69
	<u>\$ 250,615.12</u>	<u>\$ 267,950.18</u>
	<u>\$ 5,280,799.88</u>	<u>\$ 3,950,783.39</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



BOROUGH OF FLEMINGTON

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Liabilities:		
Appropriation Reserves	\$ 195,021.68	\$ 111,222.62
Prepaid Taxes	460,386.03	568,167.81
Tax Overpayments	29,913.19	35,305.00
Interfunds Payable	2,688,448.83	1,449,902.47
County Taxes-Payable	2,131.12	2,231.36
Special Improvement Tax Payable	1,375.17	
Reserve for Encumbrances	47,188.68	58,954.73
Reserve for Miscellaneous Deposits	2,221.15	5,050.83
Reserve for Sale of Assets	70,000.00	70,000.00
	\$ <u>3,496,685.85</u>	\$ <u>2,300,834.82</u>
Reserve for Receivables and Other Assets	907,856.39	801,216.78
Fund Balance	<u>625,642.52</u>	<u>580,781.61</u>
	\$ <u><u>5,030,184.76</u></u>	\$ <u><u>3,682,833.21</u></u>
Grant Fund:		
Encumbrances Payable	\$	\$ 843.70
Unappropriated Reserves	44,137.56	6,260.49
Appropriated Reserves	<u>206,477.56</u>	<u>260,845.99</u>
	\$ <u>250,615.12</u>	\$ <u>267,950.18</u>
	\$ <u><u>5,280,799.88</u></u>	\$ <u><u>3,950,783.39</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON

TRUST FUND

BALANCE SHEET - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>
<u>ASSETS</u>		
Assessment Trust Fund: Assessments Receivable	\$ _____	\$ <u>3,750.20</u>
Animal Control Trust Fund: Interfunds Receivable	\$ <u>7,538.99</u>	\$ <u>6,593.79</u>
Other Funds: Cash	\$ <u>1,093,615.10</u>	\$ <u>1,142,901.11</u>
	\$ <u>1,093,615.10</u>	\$ <u>1,142,901.11</u>
	\$ <u><u>1,101,154.09</u></u>	\$ <u><u>1,153,245.10</u></u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>		
Assessment Trust Fund: Interfunds Payable	\$ _____	\$ <u>3,750.20</u>
Animal Control Trust Fund: Interfunds Payable	\$ <u>1,560.99</u>	\$ _____
Reserve for Animal Control Trust Fund Expenditures	<u>5,978.00</u>	<u>6,593.79</u>
	\$ <u>7,538.99</u>	\$ <u>6,593.79</u>
Other Funds: Interfunds Payable	\$ <u>264,855.17</u>	\$ <u>88,370.89</u>
Encumbrances Payable	<u>9,371.98</u>	<u>7,687.25</u>
Reserve for: State Unemployment Insurance	<u>129,690.28</u>	<u>125,360.82</u>
Various Reserves and Deposits	<u>689,697.67</u>	<u>921,482.15</u>
	\$ <u>1,093,615.10</u>	\$ <u>1,142,901.11</u>
	\$ <u><u>1,101,154.09</u></u>	\$ <u><u>1,153,245.10</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON

GENERAL CAPITAL FUND

BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31, 2018 AND 2017

	BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
<u>ASSETS</u>		
Cash	\$ 153,143.14	\$ 274,971.43
Deferred Charges to Future Taxation:		
Funded	2,805,000.00	3,005,000.00
Unfunded	4,362,453.83	3,230,967.50
Grants Receivable	1,000,159.00	1,056,990.50
Interfunds Receivable	239,563.07	503,671.18
	<u>\$ 8,560,319.04</u>	<u>\$ 8,071,600.61</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Bond Anticipation Notes	\$ 2,531,228.00	\$ 2,603,878.00
Serial Bonds	2,805,000.00	3,005,000.00
Interfunds Payable	375,195.80	375,195.80
Improvement Authorizations:		
Funded	945,634.55	1,020,906.14
Unfunded	1,217,820.46	375,223.96
Capital Improvement Fund	445,211.81	427,832.81
Reserve For:		
Contracts Payable	90,782.30	100,216.78
Miscellaneous Deposits	61,022.31	91,022.31
Fund Balance	88,423.81	72,324.81
	<u>\$ 8,560,319.04</u>	<u>\$ 8,071,600.61</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>		
Balance, December 31, 2017	C	\$	72,324.81
Increased by:			
Premium on Sale of Notes	C-2		<u>16,099.00</u>
Balance, December 31, 2018	C	\$	<u><u>88,423.81</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON

WATER UTILITY FUND

BALANCE SHEET - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>
Operating Fund:		
Cash - Treasurer	\$ 910,298.13	\$ 127,797.74
Cash - Collector	39,227.06	63,659.94
Interfunds Receivable	<u>843,194.75</u>	<u>513,550.21</u>
	\$ <u>1,792,719.94</u>	\$ <u>705,007.89</u>
Receivables and Inventories with Full Reserves:		
Consumer Accounts Receivable	\$ 186,071.27	\$ 99,770.99
Inventory	<u>24,416.01</u>	<u>61,844.43</u>
	\$ <u>210,487.28</u>	\$ <u>161,615.42</u>
<u>Total Operating Fund</u>	\$ <u>2,003,207.22</u>	\$ <u>866,623.31</u>
Capital Fund:		
Cash	\$ 344,445.78	\$ 7,025,049.72
Fixed Capital	7,025,049.72	7,025,049.72
Fixed Capital Authorized and Uncompleted	15,696,549.00	15,241,549.00
Interfunds Receivable	1,928,132.33	11,473.45
Grants/Loans Receivable	<u>403,259.93</u>	<u>535,656.17</u>
<u>Total Capital Fund</u>	\$ <u>25,397,436.76</u>	\$ <u>22,813,728.34</u>
	\$ <u><u>27,400,643.98</u></u>	\$ <u><u>23,680,351.65</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON

WATER UTILITY FUND

BALANCE SHEET - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	\$ 50,866.23	\$ 102,884.20
Accrued Interest	98,975.06	91,752.22
Encumbrances Payable	57,083.93	50,783.56
Overpayments	3,124.45	15,589.99
Interfunds Payable	<u>1,376,405.87</u>	<u>83,748.32</u>
	\$ 1,586,455.54	\$ 344,758.29
Reserve for Receivables and Inventory	210,487.28	161,615.42
Fund Balance	<u>206,264.40</u>	<u>360,249.60</u>
<u>Total Operating Fund</u>	<u>\$ 2,003,207.22</u>	<u>\$ 866,623.31</u>
Capital Fund:		
Cash Overdraft	\$	\$ 212,331.18
Improvement Authorizations:		
Funded	613,500.28	518,551.12
Unfunded	6,440,767.70	6,389,395.14
Capital Improvement Fund	16,357.38	16,357.38
Bond Anticipation Notes	4,540,000.00	2,397,000.00
Water Utility Bonds	245,000.00	295,000.00
New Jersey Environmental Infrastructure		
Loans Payable	2,244,873.44	2,514,620.83
U.S.D.A. Loan Payable	3,369,743.05	2,196,808.09
Interfunds Payable		506,888.64
Reserve For:		
Contracts Payable	682.94	242,151.42
Amortization	4,364,867.53	4,289,493.53
Deferred Amortization	3,510,619.51	3,212,982.08
Miscellaneous Deposits	21,500.00	21,500.00
Fund Balance	<u>29,524.93</u>	<u>648.93</u>
<u>Total Capital Fund</u>	<u>\$ 25,397,436.76</u>	<u>\$ 22,813,728.34</u>
	<u>\$ 27,400,643.98</u>	<u>\$ 23,680,351.65</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON  
WATER UTILITY OPERATING FUND  
STATEMENT OF OPERATIONS  
AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER <u>31, 2018</u>	YEAR ENDED DECEMBER <u>31, 2017</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 291,000.00	\$ 159,700.00
Rents	955,599.14	1,068,571.69
Other Credits to Income:		
Miscellaneous Revenue Not Anticipated	186,882.54	83,350.91
Unexpended Balance of Appropriation Reserves	62,533.12	77,423.71
Encumbrances Payable Canceled	<u>                    </u>	<u>34,857.02</u>
<u>TOTAL INCOME</u>	<u>\$ 1,496,014.80</u>	<u>\$ 1,423,903.33</u>
<u>EXPENDITURES</u>		
Operating	\$ 819,000.00	\$ 756,500.00
Statutory Expenditures	33,000.00	30,000.00
Debt Service	<u>507,000.00</u>	<u>453,200.00</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 1,359,000.00</u>	<u>\$ 1,239,700.00</u>
Excess in Revenue	\$ 137,014.80	\$ 184,203.33
<u>Fund Balance</u>		
Balance, January 1	<u>360,249.60</u>	<u>335,746.27</u>
	\$ <u>497,264.40</u>	\$ <u>519,949.60</u>
Decreased by:		
Utilization by Water Operating Budget	<u>291,000.00</u>	<u>159,700.00</u>
Balance, December 31	<u>\$ 206,264.40</u>	<u>\$ 360,249.60</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON

SEWER UTILITY FUND

BALANCE SHEET - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
<u>ASSETS</u>		
Operating Fund:		
Cash - Treasurer	\$ 987,011.46	\$ 49,574.52
Cash - Collector		293,132.82
Interfunds Receivable	817,331.54	1,815,911.90
	<u>\$ 1,804,343.00</u>	<u>\$ 2,158,619.24</u>
Receivables With Full Reserves:		
Consumer Accounts Receivable	\$ 294,054.42	\$ 194,699.66
<u>Total Operating Fund</u>	<u>\$ 2,098,397.42</u>	<u>\$ 2,353,318.90</u>
Capital Fund:		
Cash-Treasurer	\$ 53,224.35	\$ 79,305.56
Fixed Capital	4,032,481.35	4,032,481.35
Fixed Capital Authorized and Uncompleted	3,836,123.00	3,686,123.00
Grants Receivable	274,213.24	400,000.00
Interfunds Receivable	1,642,587.11	363,722.35
<u>Total Capital Fund</u>	<u>\$ 9,838,629.05</u>	<u>\$ 8,561,632.26</u>
	<u>\$ 11,937,026.47</u>	<u>\$ 10,914,951.16</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



BOROUGH OF FLEMINGTON

SEWER UTILITY FUND

BALANCE SHEET - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018	BALANCE DECEMBER 31, 2017
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	\$ 607,271.93	\$ 336,787.53
Sewer Overpayments	38.45	0.90
Encumbrances Payable	71,457.32	507,695.87
Accrued Interest	35,610.49	34,512.01
	<u>\$ 714,378.19</u>	<u>\$ 878,996.31</u>
Reserve for Receivables	294,054.42	194,699.66
Fund Balance	<u>1,089,964.81</u>	<u>1,279,622.93</u>
<u>Total Operating Fund</u>	<u>\$ 2,098,397.42</u>	<u>\$ 2,353,318.90</u>
Capital Fund:		
Capital Improvement Fund	\$ 187,492.00	\$ 177,492.00
U.S.D.A. Loan Payable	2,746,453.41	1,624,418.00
Bond Anticipation Notes	122,256.00	390,656.00
Interfunds Payable	1,065,296.31	800,085.55
Reserve for:		
Deferred Amortization	2,157,962.59	2,146,849.00
Amortization	2,192,115.35	2,169,563.35
Debt Service	17,404.70	16,627.70
Improvement Authorizations:		
Funded	1,120,324.88	33,085.49
Unfunded	<u>229,323.81</u>	<u>1,202,855.17</u>
<u>Total Capital Fund</u>	<u>\$ 9,838,629.05</u>	<u>\$ 8,561,632.26</u>
	<u>\$ 11,937,026.47</u>	<u>\$ 10,914,951.16</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON

SEWER UTILITY FUND

STATEMENT OF OPERATIONS  
AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER <u>31, 2018</u>	YEAR ENDED DECEMBER <u>31, 2017</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 839,750.00	\$ 771,000.00
Sewer Use Charges	1,696,744.67	1,787,662.71
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	499,530.12	804,774.07
Accrued Interest Canceled		1,672.08
Miscellaneous Revenue Not Anticipated	60,353.09	15,063.75
Encumbrance Payables Canceled		3,112.30
Overpayments Canceled		118.71
	<u>3,096,377.88</u>	<u>3,383,403.62</u>
<u>TOTAL INCOME</u>	<u>\$ 3,096,377.88</u>	<u>\$ 3,383,403.62</u>
<u>EXPENDITURES</u>		
Operating	\$ 2,189,100.00	\$ 2,134,000.00
Statutory Expenditures and Deferred Charges	41,000.00	33,000.00
Capital Improvements	85,000.00	85,000.00
Debt Service	124,650.00	109,000.00
Refund of Prior Year Revenues	6,536.00	
	<u>2,446,286.00</u>	<u>2,361,000.00</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 2,446,286.00</u>	<u>\$ 2,361,000.00</u>
Excess in Revenue	\$ 650,091.88	\$ 1,022,403.62
<u>Fund Balance</u>		
Balance, January 1	1,279,622.93	1,028,219.31
	<u>\$ 1,929,714.81</u>	<u>\$ 2,050,622.93</u>
Decreased by:		
Utilization by Sewer Operating Budget	<u>839,750.00</u>	<u>771,000.00</u>
Balance, December 31	<u>\$ 1,089,964.81</u>	<u>\$ 1,279,622.93</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON  
PUBLIC ASSISTANCE TRUST FUND  
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>
<u>ASSETS</u>		
Due Trust Other Fund	\$ <u>6,224.09</u>	\$ <u>4,174.09</u>
<u>LIABILITIES AND RESERVES</u>		
Reserve for Public Assistance: Public Assistance Trust Fund I	\$ <u>6,224.09</u>	\$ <u>4,174.09</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON

GENERAL FIXED ASSETS ACCOUNT GROUP

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>
General Fixed Assets:		
Land	\$ 3,561,130.00	\$ 3,561,130.00
Buildings	3,449,494.96	3,449,494.96
Machinery and Equipment	<u>4,252,946.46</u>	<u>3,956,620.41</u>
<u>TOTAL GENERAL FIXED ASSETS</u>	\$ <u>11,263,571.42</u>	\$ <u>10,967,245.37</u>
Investment in General Fixed Assets	\$ <u>11,263,571.42</u>	\$ <u>10,967,245.37</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF FLEMINGTON

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018 AND 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Flemington is an instrumentality of the State of New Jersey, established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Flemington include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Flemington, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Flemington do not include the operations of the municipal library or the regional school districts, inasmuch as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Borough of Flemington conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Flemington are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account group:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

Trust Fund - 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

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

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Operating grants are realized as revenues when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenues when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances, at December 31, are reported as a cash liability in the financial statements and constitute part of the Borough's regulatory Appropriation Reserve balance.

Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled 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. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis, interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders, at December 31, are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets – N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$500.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on General Fixed Assets or reported in the financial statements.

The Borough has developed a fixed assets accounting and reporting system based on an inspection and valuation prepared by an independent appraisal firm. Adjustments for assets acquired/sold subsequent to this date have been recorded. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Buildings and land are stated at the assessed value contained in the Borough's most recent property revaluation.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital has not been accounted for separately.

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.



NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital - Water Utility and Sewer Utility - Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Water Utility Fund and the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the cost of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

Accounting and Financial Reporting for Pensions - The Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued)

However, N.J.A.C. 5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, municipalities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the OPEB liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 75 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 75.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general-purpose financial statements to be held in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Borough of Flemington has the following cash and cash equivalents at December 31, 2018:

<u>Fund Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>		<u>Reconciled Balance</u>
		<u>Additions</u>	<u>Deletions</u>	
Current Fund	\$ 5,360,491.13	\$ 242,081.47	\$ 1,480,744.23	\$ 4,121,828.37
Grant Fund	126,042.64	90,629.47	595.00	216,077.11
Other Trust Fund	1,191,556.42	31,344.01	129,285.33	1,093,615.10
General Capital Fund	28,910.27	145,074.17	20,841.30	153,143.14
Water Utility Operating Fund	866,909.10	131,353.63	48,737.54	949,525.19
Water Utility Capital Fund	379,549.78		35,104.00	344,445.78
Sewer Utility Operating Fund	57,941.88	982,255.12	53,185.54	987,011.46
Sewer Utility Capital Fund	57,335.35	10,000.00	14,111.00	53,224.35
<b>TOTAL DECEMBER 31, 2018</b>	<b>\$ 8,068,736.57</b>	<b>\$ 1,632,737.87</b>	<b>\$ 1,782,603.94</b>	<b>\$ 7,918,870.50</b>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2018, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank, \$250,000.00 was covered by Federal Depository Insurance and \$7,818,736.57 was covered under the provisions of NJGUDPA.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type 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 which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization;
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 date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization;

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (c.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
  - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
  - 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.17:19-41); and
  - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Flemington had no investments outstanding as of December 31, 2018.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: LONG-TERM DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, based by the full faith and credit of the Borough.

NOTE 3: LONG-TERM DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2018</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Issued:			
General:			
Bonds and Notes	\$ 5,336,228.00	\$ 5,608,878.00	\$ 5,439,628.00
Water Utility:			
Bonds, Notes and Loans	10,399,616.49	7,403,428.92	6,878,783.30
Sewer Utility:			
Loans and Notes	<u>2,868,709.41</u>	<u>2,015,074.00</u>	<u>2,046,725.00</u>
	\$ 18,604,553.90	\$ 15,027,380.92	\$ 14,365,136.30
Less: Funds Temporarily Held to Pay			
Bond and Notes - General Capital	<u>35,500.14</u>	<u>90,801.92</u>	<u>90,801.92</u>
<u>Net Debt Issued</u>	<u>\$ 18,569,053.76</u>	<u>\$ 14,936,579.00</u>	<u>\$ 14,274,334.38</u>
Authorized But Not Issued:			
General - Bonds and Notes	\$ 1,844,468.50	\$ 627,089.50	\$ 750,339.50
Sewer Utility - Bonds and Notes	649,817.00	1,382,118.00	1,382,118.00
Water Utility - Bonds and Notes	<u>4,446,495.19</u>	<u>7,359,194.19</u>	<u>3,424,194.19</u>
<u>Total Authorized But Not Issued</u>	<u>\$ 6,940,780.69</u>	<u>\$ 9,368,401.69</u>	<u>\$ 5,556,651.69</u>
<u>NET BONDS AND NOTES AUTHORIZED BUT NOT ISSUED</u>	<u>\$ 25,509,834.45</u>	<u>\$ 24,304,980.69</u>	<u>\$ 19,830,986.07</u>

SUMMARY OF REGULATORY 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 regulatory net debt of 1.587%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Regional School District Debt	\$ 2,922,813.60	\$ 2,922,813.60	\$
Water Utility Debt	14,846,111.68	14,846,111.68	
Sewer Utility Debt	3,518,526.41	3,518,526.41	
General Debt	<u>7,180,696.50</u>	<u>35,500.14</u>	<u>7,145,196.36</u>
	<u>\$ 28,468,148.19</u>	<u>\$ 21,322,951.83</u>	<u>\$ 7,145,196.36</u>

NET DEBT \$7,145,196.36 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.40A:2-2, AS AMENDED, \$450,145,208.67 EQUALS 1.587%.

NOTE 3: LONG-TERM DEBT (CONTINUED)

EQUALIZED VALUATION BASIS

2016 Equalized Valuation Basis of Real Property	\$	452,509,417.00
2017 Equalized Valuation Basis of Real Property		445,955,085.00
2018 Equalized Valuation Basis of Real Property		<u>451,971,124.00</u>
	\$	<u>450,145,208.67</u>

Equalized Valuation basis is the average of the equalized valuation of Real Estate, including improvements, and the assessed valuation of Class II Railroad Property of the Borough for the last three (3) preceding years.

BORROWING POWER UNDER N.J.S.40A:2-6 AS AMENDED

Equalized Valuation Basis* - December 31, 2018	\$	<u>450,145,208.67</u>
3-1/2% of Equalized Valuation Basis	\$	15,755,082.30
Net Debt		<u>7,145,196.36</u>
Remaining Borrowing Power	\$	<u>8,609,885.94</u>

SCHOOL DEBT DEDUCTION

School debt is deductible up to the extent of 3% of the Average Equalized Assessed Valuation of real property for the Regional and Local School District.

CALCULATION OF "SELF-LIQUIDATING PURPOSE" WATER UTILITY PER N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents of Other Charges for Year and Anticipated Surplus		\$	1,433,481.68
Deduction:			
Operating and Maintenance Cost	\$	852,000.00	
Debt Service Per Water Utility Account		<u>499,777.16</u>	
			<u>1,351,777.16</u>
Excess in Revenue - Self Liquidating	\$		<u>81,704.52</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

CALCULATION OF "SELF-LIQUIDATING PURPOSE" SEWER UTILITY  
PER N.J.S.A. 40A:2-45

Cash Receipts from Fees, Rents of Other Charges for Year and Anticipated Surplus		\$ 2,596,847.76
Deduction:		
Operating and Maintenance Cost	\$ 2,230,100.00	
Debt Service Per Sewer Utility Account	<u>123,551.52</u>	<u>2,353,651.52</u>
Excess in Revenue - Self Liquidating		<u>\$ 243,196.24</u>

Long-Term Debt

**General Capital Fund**

**General Serial Bonds:**

\$1,615,000.00 of 2014 Refunding Bonds due in annual installments of \$90,000.00 to \$330,000.00 through January 2024 at variable interest rates of 1.25 to 3.00%. \$ 565,000.00

\$2,500,000.00 of 2015 General Improvement Bonds due in annual installments of \$75,000.00 to \$150,000.00 through December 2035 at variable interest rates of 3.00 to 4.00%. 2,240,000.00

\$ 2,805,000.00

**Water Utility Capital Fund**

**Water Utility Bonds:**

\$445,000.00 of 2014 Refunding Bonds due in annual installments of \$45,000.00 to \$55,000.00 through January 2023 at variable interest rates of 1.25 to 3.00%. \$ 245,000.00



NOTE 3: LONG-TERM DEBT (CONTINUED)

Long-Term Debt (Continued)

**Water Utility Capital Fund**

**New Jersey Environmental Infrastructure Trust Loans:**

\$1,230,500.00 of 2009 Fund Loan due in semi-annual installments with annual principal payments of \$61,560.24 to \$63,604.88 through August 2028 for Principal only. \$ 631,041.85

\$1,245,000.00 of 2009 Trust Fund, with a savings credit of \$81,000 in 2018, due in semi-annual installments with annual principal payments of \$45,000.00 to \$89,000.00 through August 2028 at interest rates of 5.00% to 5.50% 719,000.00

\$160,000.00 of 2010 Fund Loan due in semi-annual installments with annual principal payments of \$8,135.58 through August 2029 for Principal only. 89,491.64

\$155,000.00 of 2010 Trust Fund, with a savings credit of \$5,000 in 2018, due in semi-annual installments with annual principal payments of \$5,000.00 to \$10,000.00 through August 2029 at interest rates of 3.00% to 5.00% 105,000.00

\$689,255.00 of 2013 Fund Loan due in semi-annual installments with annual principal payments of \$24,838.01 to \$37,257.01 through August 2032 for Principal only. 500,339.95

\$230,000.00 of 2013 Trust Fund due in semi-annual installments with annual principal payments of \$5,000.00 to \$15,000.00 through August 2032 at interest rates of 3.00% to 5.00% 200,000.00

\$ 2,244,873.44

NOTE 3: LONG-TERM DEBT (CONTINUED)

Long-Term Debt (Continued)

**United States Department of Agriculture Loans:**

\$2,007,000.00 of a 2011 loan due in semi-annual installments with annual principal payments of \$19,715.00 to \$99,410.00 through 2051 at an interest rate of 4.125%	\$ 1,849,881.00
\$351,000.00 of a 2012 loan due in semi-annual installments with annual principal payments of \$5,643.08 to \$12,762.11 through 2052 at an interest rate of 2.125%	315,280.95
\$1,212,699.00 of a 2018 loan due in semi-annual installments with annual principal payments of \$17,181.18 to \$48,506.37 through 2058 at an interest rate of 2.75%	<u>1,204,581.10</u>
	<u>\$ 3,369,743.05</u>

**Sewer Utility Capital Fund**

**United States Department of Agriculture Loans:**

\$1,742,000.00 of a 2011 loan due in semi-annual installments with annual principal payments of \$17,652.00 to \$83,535.00 through 2051 at an interest rate of 4.125%	\$ 1,601,866.00
\$1,152,301.00 of a 2018 loan due in semi-annual installments with annual principal payments of \$16,325.47 to \$46,090.53 through 2058 at an interest rate of 2.75%	<u>1,144,587.41</u>
	<u>\$ 2,746,453.41</u>

**Bonds and Notes Authorized But Not Issued**

General Capital Fund	<u>\$ 1,844,468.50</u>
Water Utility Capital Fund	<u>\$ 4,446,495.19</u>
Sewer Utility Capital Fund	<u>\$ 649,817.00</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR BONDED DEBT ISSUED AND OUTSTANDING DECEMBER 31, 2018

Calendar Year	<u>General Capital</u>		<u>Water Utility Capital</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 200,000.00	\$ 84,081.26	\$ 50,000.00	\$ 6,600.00	340,681.26
2020	210,000.00	78,156.26	50,000.00	5,100.00	343,256.26
2021	210,000.00	71,856.26	50,000.00	3,600.00	335,456.26
2022	210,000.00	65,556.26	50,000.00	2,100.00	327,656.26
2023	215,000.00	59,331.26	45,000.00	675.00	320,006.26
2024	220,000.00	54,131.26			274,131.26
2025	130,000.00	49,856.26			179,856.26
2026	130,000.00	46,931.26			176,931.26
2027	135,000.00	43,031.26			178,031.26
2028	135,000.00	38,981.26			173,981.26
2029	140,000.00	34,931.26			174,931.26
2030	140,000.00	30,731.26			170,731.26
2031	140,000.00	26,531.26			166,531.26
2032	145,000.00	22,331.26			167,331.26
2033	145,000.00	17,800.00			162,800.00
2034	150,000.00	12,000.00			162,000.00
2035	150,000.00	6,000.00			156,000.00
Total	<u>\$ 2,805,000.00</u>	<u>\$ 742,237.64</u>	<u>\$ 245,000.00</u>	<u>\$ 18,075.00</u>	<u>\$ 3,810,312.64</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL  
AND INTEREST FOR NEW JERSEY ENVIRONMENTAL  
INFRASTRUCTURE TRUST LOAN AS OF DECEMBER 31, 2018

CALENDAR YEAR	FUND PRINCIPAL	WATER UTILITY CAPITAL		TOTAL
		TRUST PRINCIPAL	TRUST INTEREST	
2019	\$ 109,958.90	\$ 79,000.00	\$ 45,980.00	\$ 234,938.90
2020	107,891.76	79,000.00	42,230.00	229,121.76
2021	108,754.96	88,000.00	38,480.00	235,234.96
2022	109,451.58	93,000.00	34,320.00	236,771.58
2023	106,952.83	92,000.00	29,920.00	228,872.83
2024	107,482.86	97,000.00	25,420.00	229,902.86
2025	108,088.62	100,000.00	20,670.00	228,758.62
2026	108,542.95	104,000.00	16,060.00	228,602.95
2027	108,845.82	110,000.00	11,650.00	230,495.82
2028	108,997.47	113,000.00	6,975.00	228,972.47
2029	45,392.85	24,000.00	2,160.00	71,552.85
2030	37,257.01	15,000.00	1,350.00	53,607.01
2031	37,257.01	15,000.00	900.00	53,157.01
2032	15,998.82	15,000.00	450.00	31,448.82
	<u>\$ 1,220,873.44</u>	<u>\$ 1,024,000.00</u>	<u>\$ 276,565.00</u>	<u>\$ 2,521,438.44</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL  
AND INTEREST FOR UNITED STATES DEPARTMENT OF  
AGRICULTURE LOAN AS OF DECEMBER 31, 2018

Calendar Year	<u>Water Utility Capital</u>		<u>Sewer Utility Capital</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 50,051.31	\$ 118,008.06	\$ 39,817.47	\$ 97,194.08	305,070.92
2020	51,799.90	116,258.81	41,249.51	95,763.00	305,071.22
2021	53,614.56	114,444.67	42,734.07	94,278.55	305,071.85
2022	55,495.78	112,563.06	44,272.49	92,738.76	305,070.09
2023	57,447.94	110,611.41	45,870.12	91,141.52	305,070.99
2024	59,472.52	108,586.92	47,528.34	89,484.55	305,072.33
2025	61,572.97	106,486.79	49,246.52	87,765.54	305,071.82
2026	63,750.77	104,308.08	51,030.05	85,982.16	305,071.06
2027	66,011.41	102,047.72	52,880.32	84,131.91	305,071.36
2028	68,357.39	99,702.45	54,799.75	82,212.20	305,071.79
2029	70,790.22	97,268.97	56,791.76	80,220.35	305,071.30
2030	73,315.43	94,743.86	58,858.77	78,153.57	305,071.63
2031	75,935.55	92,123.50	61,003.22	76,008.98	305,071.25
2032	78,655.16	89,404.09	63,228.57	73,783.54	305,071.36
2033	81,476.81	86,581.79	65,538.31	71,474.12	305,071.03
2034	84,406.11	83,652.52	67,934.88	69,077.47	305,070.98
2035	87,446.64	80,612.05	70,421.81	66,590.21	305,070.71
2036	90,603.03	77,455.98	73,002.59	64,008.83	305,070.43
2037	93,879.91	74,179.70	75,681.74	61,329.69	305,071.04
2038	97,280.92	70,778.49	78,463.82	58,548.92	305,072.15
2039	100,811.77	67,247.38	81,349.35	55,662.57	305,071.07
2040	104,478.10	63,581.24	84,345.91	52,666.58	305,071.83
2041	108,284.65	59,774.67	87,456.09	49,556.63	305,072.04
2042	112,237.13	55,822.08	90,684.48	46,328.27	305,071.96
2043	116,341.30	51,717.67	94,035.69	42,976.91	305,071.57
2044	120,603.89	47,455.41	97,514.37	39,497.74	305,071.41
2045	125,029.72	43,028.95	101,126.16	35,885.77	305,070.60
2046	129,626.58	38,431.78	104,875.71	32,135.79	305,069.86
2047	134,402.30	33,657.05	108,769.73	28,242.40	305,071.48
2048	139,360.74	28,697.61	112,811.92	24,199.94	305,070.21
2049	144,512.75	23,546.14	117,010.00	20,002.59	305,071.48
2050	149,864.25	18,194.85	121,367.71	15,644.28	305,071.09
2051	153,184.15	12,635.76	122,658.82	11,118.69	299,597.42
2052	55,076.69	8,176.95	40,207.13	7,475.23	110,936.00
2053	43,486.24	6,695.40	41,320.42	6,361.94	97,864.00
2054	44,690.33	5,491.31	42,464.55	5,217.81	97,864.00
2055	45,927.76	4,253.88	43,640.36	4,042.00	97,864.00
2056	47,199.46	2,982.18	44,848.71	2,833.65	97,864.00
2057	48,506.37	1,675.27	46,090.53	1,591.83	97,864.00
2058	24,754.54	336.28	23,521.66	319.52	48,932.00
Total	\$ <u>3,369,743.05</u>	\$ <u>2,513,220.78</u>	\$ <u>2,746,453.41</u>	\$ <u>2,081,648.09</u>	\$ <u>10,711,065.33</u>

NOTE 4: SHORT-TERM DEBT

In accordance with NJSA 40A:2-8.1, a local unit may, in anticipation of the issuance of bonds, borrow money and issue notes if the bond ordinance or subsequent resolution so provides. Any such note shall be designated as a "bond anticipation note" and shall be subject to the following provisions:

(1) every note shall contain a recital that it is issued for a period not exceeding one year and may be renewed from time to time for additional periods, none of which shall exceed one year;

(2) all such notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes; and

(3) no such notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which those notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations.

Bond Anticipation Notes

Outstanding Bond Anticipation Notes are summarized as follows:

	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
General Capital	2.500%	1/15/19	\$ <u>2,531,228.00</u>
Water Utility Capital	2.500%	1/15/19	\$ <u>4,540,000.00</u>
Sewer Utility Capital	2.500%	1/15/19	\$ <u>122,256.00</u>

In accordance with NJSA 40A:4 sections 64 through 73, in any fiscal year, in anticipation of the collection of taxes for such year, whether levied in such year, or in anticipation of other revenue for such year, the Borough may, by resolution, borrow money and issue its negotiable notes, each of which shall be designated by the fiscal year to which it pertains. The proceeds may be used to pay outstanding previous notes of same purpose, or for purposes provided for in the budget or for which taxes are levied or to be levied for in such year. The amount outstanding shall not exceed an amount certified as the gross borrowing power, and no such notes shall be authorized in excess of an amount certified as the net borrowing power. Tax anticipation notes may be renewed from time to time, but any note shall mature within 120 days after the beginning of the succeeding fiscal year, and bear an interest rate that does not exceed 6%. The Borough did not have any Tax Anticipation Notes in 2018.

NOTE 5: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2018 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2019 were as follows:

Current Fund	\$	189,139.00
Water Operating Fund	\$	210,000.00
Sewer Operating Fund	\$	879,300.00

NOTE 6: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also taxes for the County and local school district. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER <u>31, 2018</u>	BALANCE DECEMBER <u>31, 2017</u>
Prepaid Taxes	<u>\$460,386.03</u>	<u>\$568,167.81</u>

NOTE 7: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at [www.nj.gov/treasury/pensions/annrprts.shtml](http://www.nj.gov/treasury/pensions/annrprts.shtml).

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Police and Fireman's Retirement System (PFRS) - The Police and Fireman's Retirement System (PFRS) was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. to provide retirement, death, and disability benefits to its members. The PFRS is a cost-sharing multiple-employer plan. Membership is mandatory for substantially, all full-time county and municipal police or firemen or officer employees with police powers appointed after June 30, 1944.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, in which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest alter four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.



NOTE 7: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP. Employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group life insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. During 2018, PERS provides for employee contributions of 7.50% of employees' base salary.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For the fiscal year 2018, the State contributed an amount less than the actuarially determined amount. During 2018, PFRS provides for employee contributions of 10.00% of employees' base salary.

The Borough's share of pension, which is based upon the annual billings received from the state, amounted to:

<u>YEAR</u>		<u>PERS</u>		<u>PFRS</u>		<u>DCRP</u>
2018	\$	100,401.00	\$	327,621.00	\$	1,926.64
2017		98,152.00		271,061.00		1,733.78
2016		93,493.00		274,217.00		1,950.97

Certain Borough employees are also covered by Federal Insurance Contribution Act.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) of the participating municipality as of December 31, 2018. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year’s budget and no liability is accrued at December 31, 2018.

Public Employees Retirement System (PERS)

At June 30, 2018, the State reported a net pension liability of \$2,169,637.00 for the Borough of Flemington’s proportionate share of the total net pension liability. 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. 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 employers, actuarially determined. At June 30, 2018, the Borough’s proportion was 0.0110192600 percent, which was an increase of 0.0002190944 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State recognized an actuarially determined pension expense of \$122,682.00 for the Borough of Flemington’s proportionate share of the total pension expense. The pension expense recognized in the Borough’s financial statement based on the April 1, 2018 billing was \$100,052.00.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 11,187.00	\$ 41,375.00
Changes of assumptions	693,735.00	357,520.00
Net difference between projected and actual earnings on pension plan investments	20,351.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>163,147.00</u>	<u>101,330.00</u>
	<u>\$ 888,420.00</u>	<u>\$ 500,225.00</u>

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 2,694.60
2020	(33,212.40)
2021	(161,864.40)
2022	(141,953.40)
2023	<u>(53,859.40)</u>
	<u>\$ (388,195.00)</u>

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

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 rolled forward to June 30, 2018. These actuarial valuations used the following assumptions:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation	2.25 Percent	2.25 Percent
Salary Increases (based on age)		
Though 2026	1.65-4.15 Percent	1.65-4.15 Percent
Thereafter	2.65-5.15 Percent	2.65-5.15 Percent
Investment Rate of Return	7.00 Percent	7.00 Percent

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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. Postretirement 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 1 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.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation 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 Fund	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 Market Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and June 30, 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2018 and June 30, 2017 and a municipal bond rate of 3.87% and 3.58% for June 30, 2018 and June 30, 2017 respectively 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 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, 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 collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the participating employers 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 was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2018		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
Borough's proportionate share of the pension liability	\$2,728,069.00	\$2,169,637.00	\$1,701,149.00

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

Police and Firemen's Retirement System (PFRS)

At June 30, 2018, the State reported a net pension liability of \$4,582,655.00 for the Borough of Flemington's proportionate share of the total PFRS net pension liability. 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. 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 employers, actuarially determined. At June 30, 2018, the Borough's proportion was 0.0338661999 percent, which was a decrease of 0.0031523501 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the State recognized an actuarially determined pension expense of \$527,478.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2018 billing was \$327,621.00

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 18,964.00	\$ 46,623.00
Changes of assumptions	1,174,455.00	393,359.00
Net difference between projected and actual earnings on pension plan investments	25,071.00	
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>441,828.00</u>	<u>599,948.00</u>
	<u>\$ 1,660,318.00</u>	<u>\$ 1,039,930.00</u>

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	<u>Amount</u>
2019	\$ 71,035.00
2020	(101,230.00)
2021	(340,052.00)
2022	(206,966.00)
2023	<u>(43,175.00)</u>
	<u>\$ (620,388.00)</u>

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 rolled forward to June 30, 2018. This actuarial valuation used the following assumptions:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation	2.25 Percent	2.25 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent	2.10-8.98 Percent
Thereafter	3.10-9.98 Percent	3.10-9.98 Percent
Investment Rate of Return	7.00 Percent	7.00 Percent



NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Actuarial Assumptions

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 preretirement 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 the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement 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 mortality 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 Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and 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 rates of return for each major asset class included in PFRS s target asset allocation as of June 30, 2018 are summarized in the following table:

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Long-term Rate of Return (Continued)

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation 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 Fund	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 Market 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 6.51% and 6.14% as of June 30, 2018 and June 30, 2017 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2018 and June 30, 2017 and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and June 30, 2017 respectively 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.

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Discount Rate (Continued)

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 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2018		
	1% Decrease <u>5.51%</u>	At Current Discount Rate <u>6.51%</u>	1% Increase <u>7.51%</u>
Borough's proportionate share of the PFRS pension liability	\$6,133,315.00	\$4,582,655.00	\$3,303,643.00

NOTE 7: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Special Funding Situation

In accordance with 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.c. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.c. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed by the State on behalf of the Borough 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 Borough does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Borough related to this legislation.

At December 31, 2018 and 2017, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$622,478.00 and \$640,122.00 respectively.

At December 31, 2018, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$4,582,655.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>622,478.00</u>
	<u><u>\$5,205,133.00</u></u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 8: COMPENSATED ABSENCES

Under the existing policy of the Borough, employees are allowed to accumulate unused vacation and sick pay over the life of their working careers which may be taken as time off or paid at a later date. No more than five days of vacation may be accumulated in the aggregate. Unused sick pay is forfeited if the employee leaves for other than retirement. The accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented but has been estimated to be \$363,563.92. The Borough annually appropriates the amounts that are required to be paid in that year's budget.

NOTE 9: LITIGATION

The Borough Attorney's letter did not indicate any litigation, claims or contingent liabilities that are either not covered by the Borough's insurance carrier or would have a material financial impact on the Borough.

NOTE 10: TAX APPEALS

There are tax appeals filed with the County and State Tax Court of New Jersey requesting a reduction of assessments for the year 2018. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51.

NOTE 11: CONTINGENT LIABILITIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II of the 2018 audit report. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2018, the Borough does not believe that any material liabilities will result from such audits.

NOTE 12: 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. The Borough maintains commercial insurance coverage through the Statewide Insurance Fund covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**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 table is a summary of Borough contributions, employee contributions, 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>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 913.15	\$ 4,423.17	\$ 1,006.86	\$ 129,690.28
2017	428.93	4,414.81		125,360.82
2016	98.79	4,266.55		120,517.08

NOTE 13: DEFERRED COMPENSATION PLAN

The Borough offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the Plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

During March 2000 and in accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough’s Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

NOTE 13: DEFERRED COMPENSATION PLAN (CONTINUED)

The Plan is administered by Nationwide Retirement Solutions.

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities. The Borough's Deferred Compensation Plan financial statements are contained in a separate review report.

NOTE 14: 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	\$ 252,653.08	\$ 2,688,448.83
Grant Fund	34,538.01	
Animal Control Trust Fund	7,538.99	1,560.99
Trust Other Fund		264,855.17
General Capital Fund	239,563.07	375,195.80
Water Utility Operating Fund	843,194.75	1,376,405.87
Water Utility Capital Fund	1,928,132.33	
Sewer Utility Operating Fund	817,331.54	
Sewer Utility Capital Fund	1,642,587.11	1,065,296.31
Public Assistance Trust Fund	<u>6,224.09</u>	
	<u>\$ 5,771,762.97</u>	<u>\$ 5,771,762.97</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and the payment between funds were made. All balances will be liquidated within one year.

NOTE 15: LENGTH OF SERVICE AWARDS PROGRAM

During 2001, the Borough of Flemington adopted an ordinance establishing a Length of Service Awards Program for the members of the volunteer Fire Department pursuant to N.J.S.A. 40A:14-183 *et seq.*

Under this program, each volunteer of the volunteer Fire Department will have an annual amount of \$1,150.00 deposited into a tax deferred income account that will earn interest for the volunteer. The estimated annual cost of this program is \$24,000.00.

The accompanying financial statements do not include the Borough's Length of Service Awards Program's activities. The Borough's Length of Service Awards Program's financial statements are contained in a separate review report, as required by state regulation.

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

Plan Description and Benefits Provided

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.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers.

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.



NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At June 30, 2018 and 2017, the State's proportionate share of the net OPEB liability attributable to the Borough for the special funding situation is \$4,810,821.00 and \$6,560,254.00 respectively.

At June 30, 2018, the Borough's and State of New Jersey's proportionate share of the OPEB liability were as follows:

Borough's proportionate share of the OPEB Liability	\$-0-
State of New Jersey's proportionate share of OPEB Liability associated with the Borough	<u>4,810,821.00</u>
	<u><u>\$4,810,821.00</u></u>

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

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:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Inflation rate	2.50%	2.50%
Salary increases*		
Through 2026	1.65% to 8.98%	1.65% to 8.98%
Thereafter	2.65% to 9.98%	2.65% to 9.98%

\*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 the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy 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 July 1, 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 to June 30, 2014, respectively.

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

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. 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, 2018 and 2017 was 3.87% and 3.58%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 17: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through August 15, 2019 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that there are no subsequent events needed to be disclosed.

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**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION FOR THE BONDS**

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A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW  
Riverview Plaza  
10 Highway 35  
Red Bank, NJ 07701-5902  
732-268-8000  
FAX 732-345-8420

January 15, 2020

Mayor and Borough Council  
of the Borough of Flemington  
Flemington, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of \$4,495,000 aggregate principal amount of General Obligation Bonds, Series 2020, consisting of \$2,371,000 General Improvement Bonds, Series 2020A, \$2,006,000 Water Utility Bonds, Series 2020B, and \$118,000 Sewer Utility Bonds, Series 2020C (collectively, the "Bonds") of the Borough of Flemington, in the County of Hunterdon (the "Borough"), a body politic and corporate of the State of New Jersey.

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Borough Council and published and approved as required by law, and by a resolution duly adopted by the Borough Council on December 9, 2019.

The Bonds are being issued to (i) provide for the current refunding of a \$4,602,000 portion of Bond Anticipation Notes of the Borough issued in the aggregate principal amount of \$7,103,000 on January 15, 2019 and maturing on January 15, 2020; and (ii) pay for the costs associated with the issuance and sale of the Bonds.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 each or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the fifteenth day of January and July (each an "Interest Payment Date"), commencing July 15, 2020, in each year until maturity or prior redemption, as

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

General Improvement Bonds, Series 2020A

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2021	\$ 86,000	4.000%	2029	\$170,000	2.000%
2022	85,000	4.000	2030	170,000	2.000
2023	85,000	4.000	2031	170,000	2.000
2024	85,000	4.000	2032	170,000	2.000
2025	165,000	4.000	2033	170,000	2.125
2026	165,000	4.000	2034	170,000	2.125
2027	170,000	4.000	2035	170,000	2.250
2028	170,000	3.000	2036	170,000	2.250

Water Utility Bonds, Series 2020B

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2021	\$ 66,000	4.000%	2031	\$125,000	2.000%
2022	65,000	4.000	2032	125,000	2.000
2023	65,000	4.000	2033	125,000	2.125
2024	65,000	4.000	2034	125,000	2.125
2025	65,000	4.000	2035	125,000	2.250
2026	65,000	4.000	2036	125,000	2.250
2027	65,000	4.000	2037	120,000	2.250
2028	70,000	3.000	2038	120,000	2.375
2029	125,000	2.000	2039	120,000	2.375
2030	125,000	2.000	2040	120,000	2.500

Sewer Utility Bonds, Series 2020C

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2021	\$18,000	4.000%	2024	\$25,000	4.000%
2022	25,000	4.000	2025	25,000	4.000
2023	25,000	4.000			

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

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the



original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

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

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The Borough will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the Borough with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. Interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax.

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

We are further of the opinion that the Bonds constitute "qualified tax-exempt obligations" within the meaning of section 265(b)(3)(B) of the Code and, therefore, will be treated as if they were acquired on August 7, 1986 for purposes of the limitations on deductibility by financial institutions of interest expense allocable to tax-exempt interest.

Except as stated in the preceding three (3) paragraphs, we express no opinion as to any Federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

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

Mayor and Borough Council  
of the Borough of Flemington  
January 15, 2020  
Page 4

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

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

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

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

Very truly yours,

ARCHER & GREINER P.C.

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS**

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## FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of January 15, 2020 (the "Disclosure Certificate") is executed and delivered by the Borough of Flemington, in the County of Hunterdon, State of New Jersey (the "Borough" or the "Issuer") in connection with the issuance of its \$4,495,000 aggregate principal amount of General Obligation Bonds, Series 2020, consisting of \$2,371,000 General Improvement Bonds, Series 2020A, \$2,006,000 Water Utility Bonds, Series 2020B, and \$118,000 Sewer Utility Bonds, Series 2020C (collectively, the "Bonds"), all such Bonds being dated January 15, 2020. The Bonds are being issued pursuant to various bond ordinances duly adopted by the Borough Council and published as required by law, and a resolution (the "Bond Resolution"), such Bond Resolution being duly adopted by the Borough Council on December 9, 2019. The Borough covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Borough for the benefit of the Beneficial Owners of the Bonds to assist the Underwriter(s) in complying with the Rule (as defined below). The Borough acknowledges it is an "Obligated Person" under the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Resolution which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Borough pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for Federal income tax purposes.

"Dissemination Agent" shall mean, initially, the Borough or any Dissemination Agent subsequently designated in writing by the Borough which has filed with the Borough a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location where investors can obtain municipal bond information including disclosure documents. The Borough or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to [www.emma.msrb.org](http://www.emma.msrb.org).

"Financial Obligation" shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term "*Financial Obligation*" shall not include municipal securities as to which a final

official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of New Jersey.

"Underwriter(s)" shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

### SECTION 3. Provision of Annual Reports.

(a) The Borough shall provide or cause to be provided to the Dissemination Agent not later than 270 days following the end of each year, commencing with the year ending December 31, 2019, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Borough may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Borough are not available by September 1 of each year, the Borough shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Borough, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Borough.

(b) Not later than 285 days following the end of each year, commencing with the year ending December 31, 2019, the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

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

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

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

SECTION 4. Content of Annual Reports. (a) The Borough's Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Borough (as of December 31).

The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, State Department of Community Affairs (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

2. Certain financial information and operating data of the Borough consisting of (i) the Borough's indebtedness, (ii) the Borough's most current adopted budget, (iii) the Borough's property valuation information, and (iv) the Borough's tax rate, levy and collection data, as applicable.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Borough is an "Obligated Person" (as defined by the Rule), which have been filed with the MSRB, through the EMMA system, or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Borough shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds, as applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the 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 for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and



16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The Borough shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB, through the EMMA system, in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5 that require a materiality determination, the Borough may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the Borough has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the Borough shall, as soon as possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

(c) If the Borough (i) has or obtains knowledge of the occurrence of any of the Listed Events not requiring a materiality determination, or (ii) determines that the occurrence of a Listed Event requiring a materiality determination would be material to the Beneficial Owners of the Bonds, the Borough shall promptly notify the Dissemination Agent in writing (if the Borough is not the Dissemination Agent) and the Borough shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

(d) If the Borough determines that the occurrence of a Listed Event requiring a materiality determination would not be material to the Beneficial Owners of the Bonds, the Borough shall promptly notify the Dissemination Agent in writing (if the Dissemination Agent is not the Borough) and the Dissemination Agent (if the Dissemination Agent is not the Borough) shall be instructed by the Borough not to report the occurrence.

(e) If the Dissemination Agent has been instructed in writing by the Borough to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB, through the EMMA system, in a timely manner not in excess of ten (10) business days after the occurrence thereof, with a copy to the Borough (if the Dissemination Agent is not the Borough). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Bondholders of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The Borough's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the Borough is no longer an "Obligated Person" (as defined in the Rule). The Borough shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the

Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The Borough has previously entered into continuing disclosure undertakings under the Rule with respect to its own obligations. The Borough appointed Phoenix Advisors, LLC, Bordentown, New Jersey in December of 2015 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

SECTION 8. Dissemination Agent; Compensation. The Borough may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Borough. The Borough shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Borough may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Borough to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Borough, such determination being supported by an opinion of counsel expert in Federal securities laws, or by the approving vote of a majority of Beneficial Owners of the Bonds at the time of the amendment. The Borough shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Borough shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Borough. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of

the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Borough from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Borough chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Borough shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Borough to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Borough to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Borough agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Borough) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Borough further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Borough under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Borough

Mr. William J. Hance  
Chief Financial Officer  
Borough of Flemington  
38 Park Avenue  
Flemington, New Jersey 08822

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

initially: Mr. William J. Hance  
Chief Financial Officer  
Borough of Flemington  
38 Park Avenue  
Flemington, New Jersey 08822

Each party shall give notice from time to time to the other parties, in the manner specified herein, of any change of the identity or address of anyone listed herein.

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Borough and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Borough and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State, as applicable.

**BOROUGH OF FLEMINGTON**

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**WILLIAM J. HANCE,**  
**Chief Financial Officer**

**Acknowledged and Accepted by:**  
**DISSEMINATION AGENT**

**N/A**  

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**AUTHORIZED SIGNATORY**

**EXHIBIT A**

**NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Borough of Flemington, in the County of Hunterdon,  
State of New Jersey

Name of Bond Issue: \$4,495,000 aggregate principal amount of General Obligation  
Bonds, Series 2020, consisting of \$2,371,000 General  
Improvement Bonds, Series 2020A, \$2,006,000 Water Utility  
Bonds, Series 2020B, and \$118,000 Sewer Utility Bonds,  
Series 2020C (collectively, the "Bonds")  
Dated January 15, 2020  
(CUSIP Number 339261FV6)

Date of Issuance: January 15, 2020

NOTICE IS HEREBY GIVEN that the above designated Borough has not provided an  
Annual Report with respect to the above-named Bonds as required by the Bond  
Resolution and a Continuing Disclosure Certificate dated as of January 15, 2020 executed  
by the Borough.

DATED: \_\_\_\_\_

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DISSEMINATION AGENT  
(on behalf of the Borough)

cc: Borough of Flemington