

**OFFICIAL STATEMENT DATED MARCH 28, 2018**

**NEW ISSUE**

**SERIAL BONDS**

**Rating: See "RATING" herein**

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

**BOROUGH OF SOUTH PLAINFIELD,  
In the County of Middlesex, New Jersey**

**\$5,580,000 GENERAL OBLIGATION BONDS, SERIES 2018**

**Consisting of:**

**\$5,200,000 General Improvement Bonds  
and**

**\$380,000 Pool Utility Bonds  
(Book-Entry Issue)/(Callable)/(Bank-Qualified)**

**Dated Date: Date of Delivery**

**Due: April 1, as shown on the inside front cover page**

The \$5,580,000 General Obligation Bonds, Series 2018, consisting of \$5,200,000 General Improvement Bonds (the "General Improvement Bonds") and \$380,000 Pool Utility Bonds (the "Pool Utility Bonds" and, together with the General Improvement Bonds, the "Bonds") of the Borough of South Plainfield, in the County of Middlesex, New Jersey (the "Borough") will be issued in the form of one certificate for the aggregate principal amount of the Bonds of each series maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as the "securities depository". See "THE BONDS - Book-Entry Only System" herein.

Interest on the Bonds will be payable semiannually on the first day of April and October in each year until maturity or prior redemption, commencing October 1, 2018. The principal of and the interest due on the Bonds will be paid to DTC by the Borough as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds).

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

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

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

The Bonds will be offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey, is serving as Municipal Advisor to the Borough in connection with the Issuance of the Bonds. Delivery is anticipated to be at the offices of the Borough's bond counsel, McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, or at such other place as agreed to with the Underwriter on or about April 13, 2018.

**ROBERT W. BAIRD & CO., INC.**

**BOROUGH OF SOUTH PLAINFIELD,  
In the County of Middlesex, New Jersey**

**\$5,580,000 GENERAL OBLIGATION BONDS, SERIES 2018**

Consisting of:

**\$5,200,000 General Improvement Bonds  
and  
\$380,000 Pool Utility Bonds**

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

<u>Year</u>	<u>General Improvement Bonds</u>	<u>Pool Utility Bonds</u>	<u>Combined Principal Amounts</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2019	\$350,000	\$20,000	\$370,000	3.000%	1.60%	839431SY0
2020	375,000	20,000	395,000	3.000	1.70	839431SZ7
2021	400,000	20,000	420,000	3.000	1.85	839431TA1
2022	425,000	20,000	445,000	4.000	2.00	839431TB9
2023	475,000	25,000	500,000	4.000	2.10	839431TC7
2024	550,000	25,000	575,000	3.000	2.20	839431TD5
2025	600,000	25,000	625,000	3.000	2.30	839431TE3
2026	650,000	25,000	675,000	3.000	2.45	839431TF0
2027	675,000	25,000	700,000	3.000	2.60	839431TG8
2028	700,000	25,000	725,000	3.000	2.70	839431TH6
2029	--	30,000	30,000	3.000	3.00	839431TJ2
2030	--	30,000	30,000	3.000	3.10	839431TK9
2031	--	30,000	30,000	3.125	3.20	839431TL7
2032	--	30,000	30,000	3.125	3.25	839431TM5
2033	--	30,000	30,000	3.125	3.30	839431TN3

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\*"CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. 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 representations 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 specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the 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 SOUTH PLAINFIELD,  
IN THE COUNTY OF MIDDLESEX,  
NEW JERSEY**

**MAYOR**

Matthew P. Anesh

**COUNCIL MEMBERS**

Robert Bengivenga, Jr.  
Jon Dean  
Christine Faustini  
Gary Vesce  
Derryck C. White  
Joseph C. Wolak

**BOROUGH ADMINISTRATOR**

Glenn Cullen

**BOROUGH CLERK**

Amy Antonides

**CHIEF FINANCIAL OFFICER**

Glenn Cullen

**BOROUGH ATTORNEY**

DiFrancesco, Bateman, Coley, Kunzman, Davis, Lehrer & Flaum, P.C.  
Warren, New Jersey

**INDEPENDENT ACCOUNTANT**

Suplee, Clooney & Company  
Westfield, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

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

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

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

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

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

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**OFFICIAL STATEMENT  
Relating to**

**BOROUGH OF SOUTH PLAINFIELD,  
In the County of Middlesex, New Jersey**

**\$5,580,000 GENERAL OBLIGATION BONDS, SERIES 2018  
Consisting of:  
\$5,200,000 General Improvement Bonds  
and  
\$380,000 Pool Utility Bonds**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Borough of South Plainfield (the "Borough"), in the County of Middlesex (the "County"), New Jersey (the "State"), in connection with the sale and the issuance of \$5,580,000 General Obligation Bonds, Series 2018, consisting of \$5,200,000 General Improvement Bonds (the "General Improvement Bonds") and \$380,000 Pool Utility Bonds (the "Pool Utility Bonds" and, together with the General Improvement Bonds, the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

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

**THE BONDS**

**General Description**

The Bonds shall be dated their date of issuance and will mature on April 1 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date, payable semiannually on each April 1 and October 1 (each, an "Interest Payment Date"), commencing October 1, 2018, in each year until maturity or prior redemption, at the interest rates shown on the inside front cover page hereof. Interest on the Bonds shall be computed on a 30-day month/360-day year basis.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of each series of Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of any integral multiple of \$1,000 with a minimum purchase of \$5,000 required through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC.

as of each next preceding March 15 and September 15 (the "Record Dates" for the payment of interest on the Bonds). See "Book-Entry Only System" herein.

## **Redemption**

The Bonds maturing prior to April 1, 2026 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on or after April 1, 2026 are subject to redemption in whole or in part on any date on or after April 1, 2025 at the option of the Borough, at one hundred percent (100%) of the principal amount of the Bonds being redeemed (the "Redemption Price"), plus in each case accrued interest thereon to the date fixed for redemption.

## **Notice of Redemption**

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

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity



issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "DTC Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

Redemption proceeds, if applicable, and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or paying agent, on payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or its paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

## SECURITY AND SOURCE OF PAYMENT

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

## AUTHORIZATION AND PURPOSE OF THE BONDS

### *General Improvement Bonds*

The General Improvement Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "Local Bond Law"), the bond ordinances adopted by the Borough Council referred to in the chart below and by a resolution adopted by the Borough Council on March 5, 2018 (the "Bond Resolution").

<b>Bond Ordinance</b>	<b>Description of Improvement and Date of Adoption of Bond Ordinance</b>	<b>Refunding Proceeds</b>	<b>New Money Proceeds</b>	<b>Total Amount Issued</b>
#1937	Various road and storm sewer improvements, finally adopted July 25, 2011.	\$300,000		\$300,000
#1938	Road improvements for New Market Phase II, finally adopted August 15, 2011.	\$36,736		\$36,736
#1966	Various capital improvements, finally adopted June 18, 2012.	\$171,200		\$171,200
#1974	Various capital improvements, finally adopted December 17, 2012.	\$261,553		\$261,553
#1980	Road repaving, finally adopted February 19, 2013.	\$467,368		\$467,368
#1985	Various capital improvements, finally adopted March 18, 2013.	\$459,824	\$82,995	\$542,819
#1991	Various capital improvements, finally adopted August 12, 2013.	\$154,074		\$154,074
#2001	Various capital improvements, finally adopted May 5, 2014.	\$366,000		\$366,000
#2008	Acquisition of various vehicles, finally adopted December 15, 2014.	\$375,000		\$375,000
#2013	Various road improvements, finally adopted February 2, 2015.	\$985,000		\$985,000
#2020	Various road improvements, finally adopted May 4, 2015.	\$285,000		\$285,000
#2023	Acquisition of equipment, finally adopted July 13, 2015.	\$292,500		\$292,500
#2035	Various capital improvements, finally adopted September 8, 2015.	\$195,000		\$195,000
#2047	Acquisition of equipment and a fire truck, finally adopted February 1, 2016.	\$767,750		\$767,750
		\$5,117,005	\$82,995	\$5,200,000

Proceeds from the sale and issuance of the General Improvement Bonds will be used by the Borough to (i) currently refund \$2,127,750 of the Borough's \$6,135,000 Bond Anticipation Note, dated and issued on April 27, 2017 and maturing April 27, 2018 (the "April Prior BAN"), together with \$3,537,250 from the sale and issuance by the Borough of the 2018 Bond Anticipation Note (as defined herein), \$380,000 from the sale and issuance by the Borough of the Pool Utility Bonds and \$90,000 in principal reduction payments from the 2018 municipal budget, (ii) currently refund \$2,216,755 of the Borough's \$3,046,255 Bond Anticipation Note, dated and issued on July 19, 2017 and maturing on April 27, 2018 (the "July Prior BAN"), together with \$809,400 from the sale and issuance by the Borough of the 2018 Bond Anticipation Note and \$20,100 in principal reduction payments from the 2018 municipal budget, (iii) currently refund \$772,500 of the Borough's \$772,500 Bond Anticipation Note, dated and issued on October 26, 2017 and maturing on April 27, 2018 (the "October Prior BAN"), (iv) provide \$82,995 in new money to finance the projects set forth in the bond ordinance described above, and (v) pay the costs in connection with the authorization, sale and issuance of the General Improvement Bonds.

#### *Pool Utility Bonds*

The Pool Utility Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law, Bond Ordinance #2011, finally adopted by the Borough Council on January 20, 2015 and by the Bond Resolution.

Proceeds from the sale and issuance of the Pool Utility Bonds will be used by the Borough to (i) currently refund \$380,000 of the Borough's April Prior BAN, together with \$2,127,750 from the sale and issuance by the Borough of the General Improvement Bonds and \$3,627,250 from the sale and issuance by the Borough of the 2018 Bond Anticipation Note, and (ii) pay the costs in connection with the authorization, sale and issuance of the Pool Utility Bonds.

### **MARKET PROTECTION**

On or about April 17, 2018, the Borough will offer for sale a \$5,978,122 Bond Anticipation Note to be dated and issued on or about April 26, 2018 and maturing on April 26, 2019 (the "2018 Bond Anticipation Note"). Proceeds from the sale and issuance of the 2018 Bond Anticipation Note will be used by the Borough to (i) currently refund \$3,482,440 of the April Prior BAN, (ii) currently refund \$801,682 of the July Prior BAN, (iii) provide \$1,694,000 in new money to fund various capital projects and (iv) pay the costs in connection with the authorization, sale and issuance of the 2018 Bond Anticipation Note.

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

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

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

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Borough, as annually determined by the State Director of Taxation is \$3,742,541,483.67.

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

The Borough has not exceeded its statutory debt limit. As of December 31, 2017, the statutory net debt as a percentage of average equalized valuation was 0.563%. As noted above, the statutory limit is 3½%.

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

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

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

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

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

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

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

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

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

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

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

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

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation drainage map preparation for flood control purposes, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the

year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

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

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

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

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

## **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-evaluation of all property in the Borough was last completed in 1985.

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

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

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

## **Tax Appeals**

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

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

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



An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2016 for the Borough is on file with the Clerk and is available for review during business hours.

## **TAX MATTERS**

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

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

Assuming the Borough observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the Borough, is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. For corporations with tax years beginning after December 31, 2017, the corporate alternative minimum tax was repealed by federal legislation, Public Law No. 115-97 (the "Tax Cuts and Jobs Act") enacted on December 22, 2017, effective for tax years beginning after December 31, 2017. For tax years beginning before January 1, 2018, interest on the Bonds is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal alternative minimum tax for tax years beginning before January 1, 2018 because of its inclusion in the adjusted current earnings of a corporate holder.

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

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

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

### **Original Issue Discount**

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

### **Original Issue Premium**

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

premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

### **Bank Qualification**

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

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

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

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

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

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

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

### **State Taxation**

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

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

## **LITIGATION**

To the knowledge of the Borough Attorney, Paul R. Rizzo, Esq. of DiFrancesco, Bateman, Coley, Kunzman, Davis, Lehrer & Flaum, P.C., Warren, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided.

## **SECONDARY MARKET DISCLOSURE**

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

(a) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31 of the year in which the Bonds are issued, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access Data Port (the "MSRB"), annual financial information with respect to the Borough consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Borough and certain financial information and operating data consisting of (i) the Borough indebtedness including a schedule of outstanding debt issued by the Borough, (ii) the Borough's property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by State law and shall be filed electronically and accompanied by identifying information with the MSRB;

(b) in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Bonds (herein "Material Events"):

- (1) Principal and interest payment delinquencies;

- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal year ending December 31, 2012; (ii) operating data for the fiscal years ending December 31, 2012 and 2013; and (iii) the adopted budget for fiscal year ending December 31, 2013. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; (iii) adopted budgets, all as described above. Such notices of events and late filings have since been filed with the MSRB. The Borough has appointed NW Financial Group, LLC to serve as continuing disclosure agent.

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

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901, et seq., as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under said chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale, and the delivery of the Bonds are subject to the approval of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for the Borough by its Counsel, Paul R. Rizzo, Esq. of DiFrancesco, Bateman, Coley, Kunzman, Davis, Lehrer & Flaum, P.C., Warren, New Jersey.

## **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 Robert W. Baird & Co., Inc., Red Bank, New Jersey (the "Underwriter"), at a price of \$5,741,032.20 (consisting of the par amount of the Bonds plus net original issue premium in the amount of \$214,164.70 less Underwriter's discount in the amount of \$53,132.50). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields or prices set forth on the inside front cover of this Official Statement.

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

## **RATING**

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

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

## **PREPARATION OF OFFICIAL STATEMENT**

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

Suplee, Clooney & Company, assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

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

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

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Glenn Cullen, the Borough's Chief Financial Officer, at 2480 Plainfield Avenue, South Plainfield, New Jersey 07080, telephone (908) 754-9000 or by email [gcullen@southplainfieldnj.com](mailto:gcullen@southplainfieldnj.com) or the Municipal Advisor, Phoenix Advisors, LLC at 4 West Park Street, Bordentown, New Jersey, New Jersey 08505, (609) 291-0130 or by email [stracey@muniadvisors.com](mailto:stracey@muniadvisors.com).

### **MISCELLANEOUS**

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

### **BOROUGH OF SOUTH PLAINFIELD**

By: /s/ Glenn Cullen  
Glenn Cullen,  
Chief Financial Officer

Dated: March 28, 2018



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

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

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

### **General Information**

The Borough was established in 1926. The Borough encompasses 8.2 square miles and is located less than forty minutes southwest of Newark International Airport and less than one hour from New York City.

### **Form of Government**

The Governing Body consists of a six (6) member Council elected for three-year staggered terms and a Mayor who is elected for a four (4) year term. Each Councilmember serves as a chairperson of one of six (6) standing committees of the Council and acts as a liaison between the operating departments and the governing body.

#### **Standing Committees**

Public Safety  
Public Works and Engineering  
Administration and Finance  
Economic Development  
Health, Education and Welfare  
Recreation

Day to day operations are the responsibility of full-time professional staff, coordinated by an appointed full-time Borough Administrator. Most department heads are full-time employees.

Many of the Borough’s employees are members of one of five (5) collective bargaining with the contract expiration dates set forth below:

<b><u>Collective Bargaining Unit</u></b>	<b><u>Contract Expiration</u></b>
Professional Managers	12/31/18
AFSCME	12/31/18
Teamsters Local	12/31/18
Superior Officers	12/31/20
PBA 100	12/31/20

### **Water and Sewer Utilities**

Borough residents receive water from the New Jersey American Water Company, a major water supplier to northern and western New Jersey, and the Middlesex Water Company.

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

A municipal utility exists in the Borough for the treatment and disposal of wastewater. The utility conducts the functions of billing and collection and conveyance of sewerage to a separate facility for treatment and filtration. The Middlesex County Utilities Authority (MCUA) provides the treatment services.

The collection system is part of the infrastructure owned and operated by the Borough. A separate sewer budget is funded by a sewer user fee structure with rates established by municipal ordinance. Wastewater is conveyed to the MCUA treatment plant via interceptor lines currently owned and operated by the Borough, the City of Plainfield and the Plainfield Area Regional Sewerage Authority (PARSA).

### **Public Safety**

The Borough of South Plainfield has a paid police department consisting of sworn officers, 9-1-1 dispatchers and civilian employees. The Police department is headed by a Chief of Police and consists of three (3) major divisions. The Operations division contains the majority of the uniformed personnel and is usually the initial contact point with the public. It consists of the patrol function and traffic safety function. The Service division is responsible for conducting follow-up investigations and is staffed by detectives. The Staff services division is an administrative support unit that consists of training, special problems unit, community-oriented policing and records.

The Borough's volunteer fire department was established in 1907 to provide fire protection to the citizens and property owners of the Borough. The fire department responds to various calls including fires, fire alarms, vehicle extractions, industrial accidents and industrial extractions. The members meet or exceed all mandatory education and training requirements of the State accomplished through classes, seminars, in-house training and continuing education classes. If needed, the Borough participates in mutual aid agreements with fire departments in nearby and adjoining communities to provide on scene assistance and coverage to ensure that adequate fire protection is always available.

The Borough's rescue squad was formed in 1944 and continues to serve the community as an all volunteer organization. Active members are certified in CPR and are required to maintain current EMT-A certifications or first responder certifications. Some members are EMT-D certified in the use of AEDs (Automatic External Defibrillation) units carried in each ambulance. Members of the rescue squad maintain their high level of qualification through continuing education seminars and readiness drills.

### **Emergency Management**

The Mayor and Borough Council created an emergency management program in 1985. The Emergency Management department is responsible for all emergency planning and coordination of all emergency services. It is also responsible for emergency planning for the public and private schools in the Borough.

## **Recreation and Library**

The Borough offers outstanding year-round recreation opportunities and programs. It has numerous parks, many with lighting, a Senior Citizens' Activity Center, a community swimming pool complex (operated as a utility) and the PAL Community Center. The Recreation department offers leisure programs for residents of all ages and serves thousands of individuals each year. Youth sports are a vital part of family life in the Borough. Businesses participate together with residents in adult softball, basketball and volleyball leagues. The Community Pool amenities include a full-service bath house, concession stand, picnic area, grills, sand volleyball, horseshoe pits, tee ball, basketball court, playground, wading pool and 500,000 gallon swimming pool. The Community center houses the recreation offices, a basketball court with hi-tech flooring and breakaway rims, a community meeting room, kitchen and a well-equipped weight and fitness room. The Borough is also home to Spring Lake Park, a 120+ acre County owned recreational facility that includes a full range of active and passive recreational opportunities and a five-acre fishing lake.

The Borough library operates from a 6,630 square foot building. It offers video and DVD rentals, senior citizen and youth programs and special activities, including programs for the home bound.

## **Planning and Development**

Industrial and commercially zoned areas are available in the Borough, primarily in the southern portion. A master plan guides development and is strictly followed to preserve the quality of life. Proposed development applications are closely scrutinized to ensure that quality construction results and that potential impacts on municipal facilities and services are carefully evaluated prior to approval.

## **Transportation**

The major transportation arteries of the Northeast Corridor pass in close proximity to the Borough. These include the main line tracks of the Conrail and Amtrak rail systems, Interstate 95 (the NJ Turnpike), the Garden State Parkway, US Route 1, US Route 22, State Highway 27 all serve the Borough as effective feeder arteries. Interstate 287 provides direct access running along the southern border of the Borough. A well-established network of local and county roads interconnects these transportation facilities.

The area is also easily accessible to the Ports of Newark and Elizabeth, New York, and Philadelphia.

## **General Information – Local School District**

The Borough's public school system serves pre-kindergarten through twelfth grade students. The District is managed by a Superintendent of Schools, an Assistant Superintendent of Schools, a Business Administrator/Board Secretary and seven (7) building principals.

The District operates four (4) elementary schools, a central Grade 5/6 school, a Middle School, a High School and an administrative building. The administration building also houses the preschool inclusion and preschool disabled programs. The District also provides a Latchkey program through grade 6.

### **Retirement Systems**

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

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

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough’s share of pension costs in 2017, which is based upon the annual billings received from the State, amounted to \$561,304 for PERS and \$1,410,155 for PFRS.

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

## **Employment and Unemployment Comparisons**

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

	<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>				
2016	13,596	13,014	582	4.3%
2015	13,498	12,836	662	4.9%
2014	13,282	12,466	816	6.1%
2013	13,112	12,164	948	7.2%
2012	13,183	12,055	1,128	8.6%
<b><u>County</u></b>				
2016	442,447	422,948	19,499	4.4%
2015	439,830	417,157	22,673	5.2%
2014	435,088	408,592	26,496	6.1%
2013	430,600	398,234	32,366	7.5%
2012	431,453	394,290	37,163	8.6%
<b><u>State</u></b>				
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%
2013	4,528,500	4,157,600	370,800	8.2%
2012	4,585,300	4,158,600	426,800	9.3%

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 2016)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$91,957	\$80,716	\$72,093
Median Family Income	103,365	95,823	88,335
Per Capita Income	36,062	35,209	36,582

Source: US Bureau of the Census, 2016 American Community Survey 5-Year Estimates

## **Population**

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

<b><u>Year</u></b>	<b><u>Borough</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2016 Estimate	24,221	3.57%	837,073	3.36%	8,944,469	1.74%
2010	23,385	7.22	809,858	7.96	8,791,894	4.49
2000	21,810	6.45	750,162	11.67	8,414,350	8.85
1990	20,489	-0.11	671,780	12.74	7,730,188	4.96
1980	20,512	-2.98	595,893	2.07	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:

<b><u>Taxpayers</u></b>	<b><u>2017</u></b>	<b><u>% of Total</u></b>
	<b><u>Assessed Valuation</u></b>	<b><u>Assessed Valuation</u></b>
Jayne Enterprises	\$18,268,400	1.30%
Office Two Limited/o Ntl Tlt Devl	13,772,700	0.98%
Nakash 200 Helen	12,500,000	0.89%
EQR- South Plainfield LLP*	12,000,000	0.86%
AG-WP Oak Park Owner, LLC	12,052,800	0.86%
Harris Realty LLC	11,124,200	0.79%
JSM Tingley	11,088,477	0.79%
GBR Middlesex LLC	10,238,100	0.73%
Home Depot	9,249,500	0.66%
Plainfield Associates	<u>8,618,000</u>	<u>0.62%</u>
<b>Total</b>	<b><u>\$118,912,177</u></b>	<b><u>8.49%</u></b>

\*2017 Assessed Valuation was adjusted to \$13,000,000 following appeal by Borough

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



### **Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year % of Collection</u></b>
2017U	\$82,762,609	\$81,721,089	98.74%
2016	81,379,884	80,354,188	98.74%
2015	79,750,525	78,842,738	98.86%
2014	77,328,448	76,454,716	98.87%
2013	75,765,284	74,424,222	98.23%

U: Unaudited

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>
2017U	\$121,784	\$945,908	\$1,067,693	1.29%
2016	116,362	1,013,062	1,129,424	1.39%
2015	110,994	893,720	1,004,714	1.26%
2014	105,718	733,853	839,572	1.09%
2013	100,595	1,216,550	1,317,145	1.74%

U: Unaudited

Source: Annual Audit Reports of the Borough

### **Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2017U	\$4,714,000
2016	4,714,000
2015	4,714,000
2014	4,714,000
2013	4,714,000

U: Unaudited

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Municipal Library</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2017	\$1.280	\$0.087	\$3.431	\$1.058	\$5.856
2016	1.287	0.089	3.358	1.063	5.797
2015	1.255	0.091	3.272	1.079	5.697
2014	1.214	0.088	3.177	1.054	5.533
2013	1.222	0.087	3.083	0.995	5.387

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

## **Valuation of Property**

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2017	\$1,398,546,364	\$3,774,754,019	37.05%	\$1,935,287	\$3,776,689,306
2016	1,394,741,030	3,683,943,555	37.86	1,870,885	3,685,814,440
2015	1,389,226,447	3,768,926,877	36.86	1,850,510	3,770,777,387
2014	1,392,307,218	3,811,407,659	36.53	1,889,444	3,813,297,103
2013	1,397,192,611	3,697,254,858	37.79	2,055,443	3,699,310,301

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

## **Classification of Ratables**

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017	\$15,510,654	\$893,214,696	\$82,500	\$164,793,981	\$306,666,733	\$18,277,800	\$1,398,546,364
2016	16,852,580	886,609,859	82,500	164,065,081	308,853,210	18,277,800	1,394,741,030
2015	18,131,100	880,542,206	82,500	165,745,351	306,447,490	18,277,800	1,389,226,447
2014	20,464,300	877,602,216	82,500	165,384,618	310,495,784	18,277,800	1,392,307,218
2013	16,255,800	875,415,360	82,500	165,630,900	321,530,251	18,277,800	1,397,192,611

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

## **Financial Operations**

The following table summarizes the Borough's Current Fund budget for the past five (5) 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**

<b><u>Anticipated Revenues</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Fund Balance Utilized	\$880,000	\$1,382,407	\$1,585,000	\$1,740,000	\$1,816,200
Miscellaneous Revenues	6,590,972	7,081,432	6,818,333	6,691,535	6,750,551
Receipts from Delinquent Taxes	1,025,000	1,155,000	760,000	865,000	1,002,928
Amount to be Raised by Taxation	<u>18,319,230</u>	<u>18,167,110</u>	<u>18,739,117</u>	<u>19,234,724</u>	<u>19,166,177</u>
Total Revenue:	<u>\$26,815,202</u>	<u>\$27,785,949</u>	<u>\$27,902,450</u>	<u>\$28,531,259</u>	<u>\$28,735,856</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$18,677,322	\$19,545,887	\$19,571,452	\$19,776,451	\$20,571,404
Operations (Excluded from CAPS)	2,955,418	2,960,741	2,814,807	3,117,737	2,905,023
Deferred Charges and Statutory Expenditures	2,316,291	2,386,500	2,258,520	2,356,320	2,414,791
Judgments	30,000	30,000	30,000	30,000	0
Capital Improvement Fund	57,500	60,000	100,000	150,000	62,000
Municipal Debt Service	1,199,271	1,203,421	1,523,671	1,484,251	1,162,638
Reserve for Uncollected Taxes	<u>1,579,400</u>	<u>1,599,400</u>	<u>1,604,000</u>	<u>1,616,500</u>	<u>1,620,000</u>
Total Appropriations:	<u>\$26,815,202</u>	<u>\$27,785,949</u>	<u>\$27,902,450</u>	<u>\$28,531,259</u>	<u>\$28,735,856</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.

<b><u>Fund Balance - Current Fund</u></b>		
	<b><u>Balance</u></b>	<b><u>Utilized in Budget</u></b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2017U	\$2,398,997	N/A
2016	2,045,870	1,816,200
2015	2,004,104	1,740,000
2014	1,860,923	1,585,000
2013	1,637,633	1,382,407

U: Unaudited

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>Balance</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2017U	\$1,288,617	N/A
2016	882,579	75,305
2015	905,096	95,000
2014	942,663	275,000
2013	1,055,059	380,000

U: Unaudited

Source: Annual Audit Reports of the Borough

Swimming Pool Utility Operating Fund

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

<b><u>Fund Balance</u></b>		
<b><u>Swimming Pool Utility Operating Fund</u></b>		
	<b>Balance</b>	<b>Utilized in Budget</b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2017U	\$1,000	N/A
2016	1,000	0
2015	1,000	0
2014	2,000	1,000
2013	3,000	1,000

U: Unaudited

Source: Annual Audit Reports of the Borough

**Borough Indebtedness as of December 31, 2017\***

**General Purpose Debt**

Serial Bonds	\$20,748,178
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$20,748,178

**Local School District Debt**

Serial Bonds	\$4,460,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$4,460,000

**Self-Liquidating Debt**

Serial Bonds	\$610,523
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$610,523

**TOTAL GROSS DEBT**

**\$25,818,701**

Less: Statutory Deductions	
General Purpose Debt	\$23,195
Local School District Debt	4,460,000
Self-Liquidating Debt	<u>259,523</u>
Total:	\$4,742,718

**TOTAL NET DEBT**

**\$21,075,983**

\* Does not include the \$28,094,000 School Bonds sold on February 6, 2018  
Source: Annual Debt Statement of the Borough

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**Overlapping Debt (as of December 31, 2017)<sup>3</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>
Local School District	\$4,460,000	100.00%	\$4,460,000
County	690,097,707	3.58%	<u>24,733,052</u>
Net Indirect Debt			\$29,193,052
Net Direct Debt			<u>21,075,983</u>
Total Net Direct and Indirect Debt			<b><u>\$50,269,035</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2015, 2016, 2017)	\$3,742,541,484
Permitted Debt Limitation (3 1/2%)	130,988,952
Less: Net Debt	<u>21,075,983</u>
Remaining Borrowing Power	<u>\$109,912,969</u>
Percentage of Net Debt to Average Equalized Valuation	0.563%
 Gross Debt Per Capita based on 2010 population of 23,385	 \$1,104
Net Debt Per Capita based on 2010 population of 23,385	\$901

Source: Annual Debt Statement of the Borough

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

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED  
DECEMBER 31, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

**ACCOUNTANT'S COMPILATION REPORT**

**AUDITED AND UNAUDITED FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**

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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of South Plainfield  
County of Middlesex  
South Plainfield, New Jersey 07080

### ***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 South Plainfield, as of December 31, 2016 and 2015, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and the statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2016, 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 standards 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's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 South Plainfield 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 South Plainfield as of December 31, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2016.

### ***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, 2016 and 2015, 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, 2016 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 June 30, 2017 on our consideration of the Borough of South Plainfield'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 South Plainfield's internal control over financial reporting and compliance.

SUPLEE CLOONEY AND COMPANY  
Certified Public Accountants

/s/ Robert W. Swisher  
Robert W. Swisher, C.P.A., R.M.A

June 30, 2017



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

## **ACCOUNTANT'S COMPILATION REPORT**

The Honorable Mayor and Members  
of the Borough Council  
Borough of South Plainfield  
County of Middlesex  
South Plainfield, New Jersey 07080

We have compiled the accompanying balance sheets - regulatory basis of the individual funds from the 2017 Annual Financial Statement (AFS) of the Borough of South Plainfield, County of Middlesex, New Jersey as of December 31, 2017 and the related statements of operations and changes in fund balances - regulatory basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements - regulatory basis have been prepared on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements and schedules information that is the representation of management of the Borough of South Plainfield. We have not audited or reviewed the accompanying financial statements - regulatory basis and, accordingly, do not express an opinion or any other form of assurance on them.

Management of the Borough of South Plainfield has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Borough of South Plainfield's financial position - regulatory basis and the results of its operations and changes in its fund balance - regulatory basis. Accordingly, these financial statements are not designed for those who are not informed about such matters.

SUPLEE, CLOONEY & COMPANY  
Certified Public Accountants

/s/ Robert W. Swisher  
Robert W. Swisher, C.P.A., R.M.A.

March 8, 2018

BOROUGH OF SOUTH PLAINFIELD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2017 (UNAUDITED)	BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
<u>ASSETS</u>			
Cash	\$ 6,751,453.65	\$ 4,366,375.91	\$ 4,766,414.99
Change Fund	675.00	675.00	675.00
	<u>\$ 6,752,128.65</u>	<u>\$ 4,367,050.91</u>	<u>\$ 4,767,089.99</u>
Receivables and other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	\$ 945,908.48	\$ 1,013,061.82	\$ 893,720.00
Tax Title Liens Receivable	121,784.35	116,361.69	110,993.67
Revenue Accounts Receivable	68,465.42	68,465.42	55,462.15
Interfunds Receivable	26,848.99	53,866.91	30,066.30
Property Acquired for Taxes	4,714,000.00	4,714,000.00	4,714,000.00
Sales Contracts Receivable	319,500.00	319,500.00	319,500.00
	<u>\$ 6,196,507.24</u>	<u>\$ 6,285,255.84</u>	<u>\$ 6,123,742.12</u>
Deferred Charges	<u>\$ 6,900.00</u>	<u>\$ 9,200.00</u>	<u>\$ 11,500.00</u>
	<u>\$ 12,955,535.89</u>	<u>\$ 10,661,506.75</u>	<u>\$ 10,902,332.11</u>
Grant Fund:			
Cash	\$ 276,444.11	\$ 205,634.53	\$ 207,776.14
Interfunds Receivable	19,705.69		
Grants Receivable	85,411.56	100,901.20	138,952.06
	<u>\$ 381,561.36</u>	<u>\$ 306,535.73</u>	<u>\$ 346,728.20</u>
	<u>\$ 13,337,097.25</u>	<u>\$ 10,968,042.48</u>	<u>\$ 11,249,060.31</u>

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

BOROUGH OF SOUTH PLAINFIELD

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2017 (UNAUDITED)	BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Appropriation Reserves	\$ 1,515,573.99	\$ 959,835.37	\$ 965,180.78
Prepaid Taxes	2,332,515.90	871,582.87	677,833.84
Accounts Payable	235,089.67	241,362.12	242,083.43
Tax Overpayments	38,067.42	39,118.79	18,502.55
Due State of New Jersey - Senior Citizens and Veterans	10,079.09	16,837.10	27,565.80
Interfunds Payable	23,805.84	13,444.16	15,129.97
School Taxes Payable			645,543.98
County Taxes Payable			1,382.26
Reserve For:			
Tax Appeals		119,965.49	15,103.38
FEMA	95,810.88		
Revision of Planning/Zoning Code	4,159.24	6,831.51	6,831.51
Sale of Municipal Assets		3,000.00	108,000.00
Accumulated Absences	16,500.00	16,500.00	16,500.00
Length of Service Awards Program	58,510.04	1.00	1.00
	<u>\$ 4,330,112.07</u>	<u>\$ 2,288,478.41</u>	<u>\$ 2,739,658.50</u>
Reserve for Receivables and other Assets	6,196,507.24	6,285,255.84	6,123,742.12
Fund Balance	<u>2,428,916.58</u>	<u>2,045,870.46</u>	<u>2,004,104.34</u>
	<u>\$ 12,955,535.89</u>	<u>\$ 10,619,604.71</u>	<u>\$ 10,867,504.96</u>
Grant Fund:			
Reserve for Grants - Unappropriated	\$ 184,370.05	\$ 32,989.49	\$ 15,307.10
Reserve for Grants - Appropriated	192,204.29	248,961.98	324,789.21
Due General Capital Fund		19,705.69	
Reserve for Accounts Payable	<u>4,987.02</u>	<u>4,878.57</u>	<u>6,631.89</u>
	<u>\$ 381,561.36</u>	<u>\$ 306,535.73</u>	<u>\$ 346,728.20</u>
	<u>\$ 13,337,097.25</u>	<u>\$ 10,926,140.44</u>	<u>\$ 11,214,233.16</u>

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



BOROUGH OF SOUTH PLAINFIELD

CURRENT FUND

STATEMENTS OF OPERATIONS AND  
CHANGE IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	\$ 1,816,200.00	\$ 1,740,000.00	\$ 1,585,000.00
Miscellaneous Revenue Anticipated	7,152,856.76	7,089,749.58	7,115,915.24
Receipts From Delinquent Taxes	1,012,721.99	893,720.00	733,390.62
Receipts From Current Taxes	81,721,089.45	80,354,188.12	78,842,737.76
Non-Budget Revenue	206,563.84	72,298.94	94,361.27
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	347,673.42	380,763.03	275,431.45
Other Cancellations and Additions to Income	27,071.02	6,477.41	
<u>TOTAL REVENUE AND OTHER INCOME</u>	<u>\$ 92,284,176.48</u>	<u>\$ 90,537,197.08</u>	<u>\$ 88,646,836.34</u>
<u>EXPENDITURES</u>			
Budget and Emergency Appropriations:			
Operations within "CAPS"	\$ 20,509,404.00	\$ 19,725,451.00	\$ 19,441,952.00
Deferred Charges and Regulatory Expenditures	2,424,466.90	2,333,020.00	2,253,520.00
Other Operations Excluded from "CAPS"	2,964,745.27	3,207,519.06	2,995,982.45
Judgments		35,000.00	30,000.00
Municipal Debt Service	1,113,833.42	1,475,211.83	1,459,886.45
Capital Improvements	95,000.00	155,000.00	100,000.00
Deferred Charges	7,300.00	7,300.00	5,000.00
County Tax	14,797,266.69	14,824,111.49	14,990,432.38
County Share of Added Taxes	130,293.08	72,002.97	94,889.26
Local District School Tax	48,042,621.00	46,897,014.00	45,515,106.00
Prior Accounts Payable			22,498.85
Interfunds Advanced		23,800.61	20,887.83
<u>TOTAL EXPENDITURES</u>	<u>\$ 90,084,930.36</u>	<u>\$ 88,755,430.96</u>	<u>\$ 86,930,155.22</u>
Excess in Revenue	\$ 2,199,246.12	\$ 1,781,766.12	\$ 1,716,681.12
Adjustments to Income before Fund Balance:			
Expenditures Included above which are by Statute			
Deferred Charges to Budget of Succeeding Year	\$	\$	\$ 11,500.00
Statutory Excess to Fund Balance	\$ 2,199,246.12	\$ 1,781,766.12	\$ 1,728,181.12
Fund Balance, January 1	\$ 2,045,870.46	\$ 2,004,104.34	\$ 1,860,923.22
	\$ 4,245,116.58	\$ 3,785,870.46	\$ 3,589,104.34
Decreased by:			
Utilization as Anticipated Revenue	1,816,200.00	1,740,000.00	1,585,000.00
Fund Balance, December 31	<u>\$ 2,428,916.58</u>	<u>\$ 2,045,870.46</u>	<u>\$ 2,004,104.34</u>

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

BOROUGH OF SOUTH PLAINFIELD

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS

YEAR ENDED DECEMBER 31, 2016

	<u>ANTICIPATED</u>		<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
	<u>BUDGET</u>	<u>NJS 40A: 4-87</u>		
Fund Balance Anticipated	\$ 1,740,000.00		\$ 1,740,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	\$ 48,000.00	\$	\$ 45,459.00	\$ (2,541.00)
Other	77,356.00		94,115.00	16,759.00
Fees and Permits:				
Construction Code Official	846,500.00		992,334.00	145,834.00
Other	102,000.00		83,771.20	(18,228.80)
Municipal Court:				
Fines and Costs	649,500.00		742,164.74	92,664.74
Interest and Costs on Taxes	160,000.00		171,700.89	11,700.89
Interest on Investments and Deposits	8,000.00		26,527.33	18,527.33
Consolidated Municipal Property Tax Relief Aid	142,500.00		142,500.00	
Energy Receipts Tax	2,572,791.00		2,572,791.00	
SP Urban Renewal Pilot	37,000.00		43,992.45	6,992.45
Office on Aging Building Rental	16,000.00		20,975.00	4,975.00
Reserve for Parade Contributions	7,500.00		7,500.00	
General Capital Fund Surplus	15,000.00		15,000.00	
Police Off-Duty Admin Fee	95,000.00		95,000.00	
State Hotel Tax	300,000.00		317,592.81	17,592.81
Uniform Fire Safety Act	320,000.00		325,557.73	5,557.73
Utility Operating Surplus	660,000.00		660,000.00	
Host Benefits-Recycling Tonnage	82,000.00		113,461.86	31,461.86
Cable TV Fees	294,000.00		300,044.51	6,044.51
Bail Forfeitures	15,000.00		13,092.00	(1,908.00)
Sale of Land	105,000.00		105,000.00	
Senior Title IIIB Grant	6,617.00		6,617.00	
Senior Citizens Coordinator	12,500.00		12,500.00	
Senior Assistance Grant	2,222.00		2,222.00	
Improvements to Senior Center		6,325.00	6,325.00	
Body Armor Grant	4,878.10		4,878.10	
Recycling Tonnage Grant	106,811.21		106,811.21	
Drunk Driving Enforcement Fund	2,035.00		2,035.00	
Clean Communities		56,456.75	56,456.75	
Click It or Ticket	3,325.00		3,325.00	
<u>Total Miscellaneous Revenues</u>	<u>\$ 6,691,535.31</u>	<u>\$ 62,781.75</u>	<u>\$ 7,089,749.58</u>	<u>\$ 335,432.52</u>
Receipts From Delinquent Taxes	\$ 865,000.00		\$ 893,720.00	\$ 28,720.00
Amount to be Raised by Taxes for Support of Municipal Budget:				
Local Tax for Municipal Purposes	\$ 17,977,795.52	\$	\$ 18,920,631.66	\$ 942,836.14
Local Tax for Municipal Library	1,256,928.00		1,256,928.00	
<u>BUDGET TOTALS</u>	<u>\$ 28,531,258.83</u>	<u>\$ 62,781.75</u>	<u>\$ 29,901,029.24</u>	<u>\$ 1,369,770.41</u>
Non-Budget Revenues	\$	\$	\$ 72,298.94	\$ 72,298.94
	<u>\$ 28,531,258.83</u>	<u>\$ 62,781.75</u>	<u>\$ 29,973,328.18</u>	<u>\$ 1,442,069.35</u>

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

BOROUGH OF SOUTH PLAINFIELD  
CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

ANALYSIS OF REALIZED REVENUE

Allocation of Current Tax Collections:		
Revenue From Collections	\$	80,354,188.12
Allocated To:		
County Taxes	\$	14,896,114.46
Local District School Taxes		46,897,014.00
Minimum Library Tax		<u>1,256,928.00</u>
Balance for Support of Municipal Budget Appropriations	\$	17,304,131.66
Add: Appropriation "Reserve for Uncollected Taxes"		<u>1,616,500.00</u>
Amount for Support of Municipal Budget Appropriations	\$	<u><u>18,920,631.66</u></u>
Licenses - Other:		
Registrar and Board of Health	\$	82,750.00
Clerk		<u>11,365.00</u>
	\$	<u><u>94,115.00</u></u>
Other - Fees and Permits:		
Clerk	\$	5,169.00
Board of Adjustment/Planning/Zoning		40,531.40
Board of Health/Registrar		15,200.00
Police Records/Burglar Alarm Permits		<u>22,870.80</u>
	\$	<u><u>83,771.20</u></u>

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

BOROUGH OF SOUTH PLAINFIELD  
CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

REF.

ANALYSIS OF NON-BUDGET REVENUE

Miscellaneous Revenue Not Anticipated:		
Inspection Fines	\$	11,150.00
Miscellaneous		32,749.79
Restitution		500.00
Auction and Scrap		2,656.75
Zumba		7,745.00
Court		1,151.01
Senior Citizens and Veterans Administrative Fee		4,005.04
Tax Collector		6,548.22
Swim Pool Operating-Appropriation Reserves Lapsed		4,912.13
Clerk		651.00
Zoning Administration		230.00
		<hr/>
<u>Total Non-Budget Revenue</u>	A-1:A-2:A-4	\$ <u><u>72,298.94</u></u>

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

BOROUGH OF SOUTH PLAINFIELD  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>RESERVED</u>	<u>BALANCE</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>		<u>CANCELED</u>
<u>GENERAL GOVERNMENT:</u>					
Administrative and Purchasing:					
Salaries and Wages	\$ 166,360.00	\$ 164,360.00	\$ 157,740.68	\$ 6,619.32	\$
Other Expenses	3,000.00	3,000.00	1,330.11	1,669.89	
Mayor & Council					
Salaries and Wages	55,719.00	55,719.00	51,454.07	4,264.93	
Other Expenses	3,500.00	4,500.00	2,136.44	2,363.56	
Borough Clerk:					
Salaries and Wages	120,033.00	120,033.00	116,898.68	3,134.32	
Other Expenses	21,500.00	21,500.00	20,020.46	1,479.54	
Financial Administration:					
Salaries and Wages	76,543.00	79,543.00	78,381.25	1,161.75	
Other Expenses	40,000.00	40,000.00	36,629.86	3,370.14	
Annual Audit	62,000.00	62,000.00		62,000.00	
Computer:					
Salaries and Wages	54,058.00	54,058.00	49,118.01	4,939.99	
Other Expenses	125,000.00	135,000.00	124,446.38	10,553.62	
Data Processing:					
Other Expenses	4,500.00	4,500.00	32.83	4,467.17	
Collection of Taxes:					
Salaries and Wages	56,854.00	61,854.00	61,404.11	449.89	
Other Expenses	18,500.00	18,500.00	16,959.96	1,540.04	
Assessment of Taxes:					
Salaries and Wages	109,955.00	114,955.00	114,955.00		
Other Expenses	68,000.00	53,000.00	24,504.50	28,495.50	
Legal Services and Costs:					
Salaries and Wages	45,006.00	47,006.00	41,606.00	5,400.00	
Other Expenses	150,000.00	140,000.00	131,608.39	8,391.61	
Engineering Services:					
Salaries and Wages	60,000.00	60,000.00	60,000.00		
Other Expenses	86,000.00	76,000.00	56,403.49	19,596.51	
Economic Development:					
Other Expenses	1,000.00	1,000.00		1,000.00	
Planning Board:					
Salaries and Wages					
Other Expenses	8,000.00	8,000.00	5,348.24	2,651.76	
Zoning Board of Adjustment:					
Salaries and Wages					
Other Expenses	8,000.00	8,000.00	3,152.77	4,847.23	
Environmental Commission:					
Salaries and Wages	72,000.00	72,000.00	71,658.64	341.36	
Other Expenses	1,200.00	1,200.00	505.99	694.01	
Green Brook Flood Committee:					
Other Expenses	2,000.00	2,000.00	1,654.81	345.19	
Municipal Court:					
Salaries and Wages	310,650.00	313,650.00	309,504.06	4,145.94	
Other Expenses	145,000.00	145,000.00	143,589.83	1,410.17	
Municipal Support:					
Other Expenses	45,000.00	50,000.00	49,756.63	243.37	
Insurance:					
Other	515,000.00	535,000.00	504,455.81	30,544.19	
Health Benefits	4,230,000.00	3,960,000.00	3,858,041.38	71,958.62	30,000.00
Health Benefit Waiver	45,000.00	45,000.00		45,000.00	
<u>PUBLIC SAFETY:</u>					
Police:					
Salaries and Wages	6,653,688.00	6,624,688.00	6,597,011.17	27,676.83	
Other Expenses	195,000.00	241,000.00	240,895.60	104.40	
Traffic Safety:					
Salaries and Wages	750.00	750.00	687.50	62.50	
Other Expenses	200.00	200.00		200.00	

BOROUGH OF SOUTH PLAINFIELD  
CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER</u>	<u>PAID OR</u>	<u>RESERVED</u>	<u>BALANCE</u>
		<u>MODIFICATION</u>	<u>CHARGED</u>		<u>CANCELED</u>
<u>PUBLIC SAFETY (CONTINUED):</u>					
School Crossing Guards:					
Other Expenses	\$ 299,000.00	\$ 299,000.00	\$ 281,209.43	\$ 17,790.57	\$
Emergency Management Services:					
Salaries and Wages	17,500.00	17,500.00	16,216.75	1,283.25	
Other Expenses	25,000.00	25,000.00	15,051.72	9,948.28	
First Aid Org. and Maint. Contract:					
Salaries and Wages	25,000.00	25,000.00	23,999.58	1,000.42	
Other Expenses	27,500.00	42,500.00	16,638.65	25,861.35	
Fire Department:					
Salaries and Wages	42,000.00	45,000.00	43,830.00	1,170.00	
Other Expenses	146,000.00	149,000.00	142,396.05	6,603.95	
Fire Official:					
Salaries and Wages	419,974.00	429,974.00	424,389.52	5,584.48	
Other Expenses	167,875.00	167,875.00	157,980.03	9,894.97	
Fire Service Charge	599,500.00	599,500.00	597,268.11	2,231.89	
Juvenile Conference:					
Salaries and Wages	750.00	750.00		750.00	
<u>STREETS AND ROADS:</u>					
Public Works Director:					
Salaries and Wages	221,090.00	178,090.00	171,840.86	6,249.14	
Other Expenses	5,000.00	8,000.00	6,714.23	1,285.77	
Road Repairs and Maintenance:					
Salaries and Wages	346,338.00	407,338.00	405,799.52	1,538.48	
Other Expenses	200,000.00	200,000.00	151,920.15	48,079.85	
Snow Removal:					
Salaries and Wages	55,000.00	57,000.00	43,566.54	13,433.46	
Other Expenses	81,000.00	91,000.00	71,830.31	19,169.69	
Solid Waste:					
Salaries and Wages	500.00	500.00		500.00	
Other Expenses	1,500.00	1,500.00	992.94	507.06	
Recycling:					
Salaries and Wages	121,039.00	125,039.00	123,595.46	1,443.54	
Other Expenses	203,000.00	216,000.00	183,124.39	32,875.61	
Compactor:					
Salaries and Wages	1,500.00	1,500.00		1,500.00	
Other Expenses	1,500.00	1,500.00		1,500.00	
Public Building and Grounds:					
Salaries and Wages	383,335.00	383,335.00	376,078.67	7,256.33	
Other Expenses	65,000.00	84,000.00	77,383.64	6,616.36	
Vehicle Maintenance:					
Salaries and Wages	155,496.00	135,496.00	131,006.87	4,489.13	
Other Expenses	115,000.00	123,000.00	115,810.44	7,189.56	
<u>HEALTH AND WELFARE:</u>					
Board of Health:					
Salaries and Wages	71,972.00	71,972.00	70,381.37	1,590.63	
Other Expenses	125,000.00	125,000.00	121,280.18	3,719.82	
Youth Aid:					
Salaries and Wages	12,000.00	12,000.00	11,506.58	493.42	
Other Expenses	1,250.00	1,250.00	394.79	855.21	
Public Assistance:					
Salaries and Wages	10,000.00	10,000.00	9,615.94	384.06	
Other Expenses	1,000.00	1,000.00	288.49	711.51	
United Cerebral Palsy:					
Other Expenses	400.00	400.00	400.00		
Kiddie Keepwell:					
Other Expenses	500.00	500.00	500.00		
<u>RECREATION AND EDUCATION:</u>					
Board of Recreation Commissioners:					
Salaries and Wages	299,700.00	311,700.00	308,462.10	3,237.90	
Other Expenses	40,000.00	56,000.00	50,084.90	5,915.10	
<u>RECREATION AND EDUCATION (CONTINUED):</u>					
Office of Aging:					

BOROUGH OF SOUTH PLAINFIELD

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

YEAR ENDED DECEMBER 31, 2016

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	
Salaries and Wages	\$ 212,181.00	\$ 219,181.00	\$ 213,144.15	\$ 6,036.85	\$
Other Expenses	20,000.00	25,000.00	21,547.06	3,452.94	
Cultural Arts:					
Salaries and Wages	750.00	750.00	687.50	62.50	
Other Expenses	7,500.00	7,500.00	3,558.75	3,941.25	
Celebration of Public Events:					
Other Expenses	32,000.00	32,000.00	23,751.55	8,248.45	
<u>UNIFORM CONSTRUCTION CODE:</u>					
Construction Code Official:					
Salaries and Wages	353,285.00	357,285.00	351,958.03	5,326.97	
Other Expenses	165,000.00	170,000.00	166,132.97	3,867.03	
<u>UNCLASSIFIED:</u>					
Utilities:					
Electricity	221,000.00	220,000.00	189,874.65	30,125.35	
Salary and Wage Adjustment	10,000.00				
Street Lights	440,500.00	446,500.00	364,412.43	82,087.57	
Telephones	119,000.00	132,000.00	127,187.56	4,812.44	
Water	45,000.00	47,000.00	45,007.43	1,992.57	
Gas	3,000.00	3,000.00		3,000.00	
Fuel Oil	5,000.00	5,000.00		5,000.00	
Telecommunications	2,000.00	2,000.00		2,000.00	
Gasoline	107,000.00	107,000.00	96,838.20	10,161.80	
Landfill Costs	82,000.00	104,000.00	86,219.11	17,780.89	
Accumulated Leave Compensation	99,000.00	145,000.00	117,436.93	27,563.07	
TOTAL OPERATIONS WITHIN "CAPS"	\$ 19,771,451.00	\$ 19,750,451.00	\$ 18,891,207.18	\$ 829,243.82	\$ 30,000.00
Contingent	\$ 5,000.00	\$ 5,000.00	\$ 2,497.50	\$ 2,502.50	
TOTAL OPERATIONS INCL. CONTINGENT WITHIN "CAPS"	\$ 19,776,451.00	\$ 19,755,451.00	\$ 18,893,704.68	\$ 831,746.32	\$ 30,000.00
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL - WITHIN "CAPS":</u>					
Statutory Expenditures:					
Anticipated Deficit in Pool Utility Budget	\$ 130,000.00	\$ 130,000.00	\$ 130,000.00		\$
Contribution to:					
Social Security System (O.A.S.I)	368,000.00	352,000.00	351,739.72	260.28	
Police and Firemen's Retirement System of NJ	1,350,410.00	1,350,410.00	1,350,000.00	410.00	
Public Employees' Retirement System	500,610.00	500,610.00	495,000.00	5,610.00	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL - WITHIN "CAPS"	\$ 2,349,020.00	\$ 2,333,020.00	\$ 2,326,739.72	\$ 6,280.28	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSE WITHIN 'CAPS'	\$ 22,125,471.00	\$ 22,088,471.00	\$ 21,220,444.40	\$ 838,026.60	\$ 30,000.00
<u>MANDATED EXPENDITURES PER N.J.S. 40A: 4-45.3g EXCLUDED FROM "CAPS":</u>					
Public Library: Direct Maintenance	\$ 1,256,928.00	\$ 1,256,928.00	\$ 1,256,928.00		\$
Police System 911: Salaries	666,921.00	669,921.00	657,355.56	12,565.44	
Police System 911: OE	365,000.00	379,000.00	376,034.62	2,965.38	
LOSAP: Deferred Contributions	64,000.00	69,000.00		69,000.00	
Tax Appeals	620,500.00	625,500.00	604,080.05	21,419.95	
<u>STATE AND FEDERAL PROGRAMS OFFSET BY REVENUES:</u>					
Local / Match Grants	6,000.00	6,000.00		6,000.00	
Senior Title 111 B Grant	6,617.00	6,617.00	6,617.00		
Senior Citizens Coordinator	12,500.00	12,500.00	12,500.00		

BOROUGH OF SOUTH PLAINFIELD

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

YEAR ENDED DECEMBER 31, 2016

	APPROPRIATIONS		EXPENDED		UNEXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	BALANCE CANCELED
STATE AND FEDERAL PROGRAMS OFFSET BY REVENUES (CONTINUED):					
Senior Citizens Assistance	\$ 2,222.00	\$ 2,222.00	\$ 2,222.00	\$	\$
Improvements to Senior Center (40A:4-87 + \$6,325.00)		6,325.00	6,325.00		
Recycling Tonnage Grant	106,811.21	106,811.21	106,811.21		
Drunk Driving Enforcement	2,035.00	2,035.00	2,035.00		
Body Armor Grant	4,878.10	4,878.10	4,878.10		
Clean Communities (40A:4-87 + \$56,456.75)		56,456.75	56,456.75		
Click It or Ticket	3,325.00	3,325.00	3,325.00		
TOTAL OPERATIONS - EXCLUDED FROM "CAPS"					
	\$ 3,117,737.31	\$ 3,207,519.06	\$ 3,095,568.29	\$ 111,950.77	\$
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS":					
Capital Improvement Fund	\$ 150,000.00	\$ 155,000.00	\$ 155,000.00	\$	\$
TOTAL CAPITAL IMPROVEMENTS - EXCL. FROM "CAPS"					
	\$ 150,000.00	\$ 155,000.00	\$ 155,000.00	\$	\$
MUNICIPAL DEBT SERVICES - EXCLUDED FROM "CAPS":					
Payment of Bond Principal	\$ 432,300.00	\$ 432,300.00	\$ 432,300.00	\$	\$
Payment of Bond Anticipation Notes and Capital Notes	585,000.00	585,000.00	577,918.00		7,082.00
Interest on Bonds	420,279.52	420,279.52	420,279.52		
Interest on Notes	36,000.00	36,000.00	34,043.51		1,956.49
Green Trust Loan Program	10,671.00	10,671.00	10,670.80		0.20
TOTAL DEBT SERVICE					
	\$ 1,484,250.52	\$ 1,484,250.52	\$ 1,475,211.83	\$	\$ 9,038.69
DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS":					
Deferred Charges to Future Taxation Unfunded:					
Special Emergency Authorization - 5 Years	\$ 2,300.00	\$ 2,300.00	\$ 2,300.00	\$	\$
Ordinance 1324	5,000.00	5,000.00	5,000.00		
TOTAL DEFERRED CHARGES-MUNICIPAL- EXCLUDED FROM "CAPS"					
	\$ 7,300.00	\$ 7,300.00	\$ 7,300.00	\$	\$
JUDGEMENTS	\$ 30,000.00	\$ 35,000.00	\$ 25,142.00	\$ 9,858.00	\$
SUBTOTAL GENERAL APPROPRIATIONS	\$ 26,914,758.83	\$ 26,977,540.58	\$ 25,978,666.52	\$ 959,835.37	\$ 39,038.69
RESERVE FOR UNCOLLECTED TAXES	1,616,500.00	1,616,500.00	1,616,500.00		
TOTAL GENERAL APPROPRIATIONS	\$ 28,531,258.83	\$ 28,594,040.58	\$ 27,595,166.52	\$ 959,835.37	\$ 39,038.69
Budget					
Amendment - NJSA 40A: 4-87		\$ 28,531,258.83			
		62,781.75			
		\$ 28,594,040.58			
Reserve for Accounts Payable					
Reserve for Grants Appropriated			\$ 201,723.94		
Deferred Charges			201,170.06		
Reserve for Uncollected Taxes			2,300.00		
Refunds			1,616,500.00		
Disbursement			(1,544,250.94)		
			27,117,723.46		
			\$ 27,595,166.52		



"B"

BOROUGH OF SOUTH PLAINFIELD

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER 31, 2017 (UNAUDITED)	BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
Assessment Fund:			
Cash	\$ 286.10	\$ 285.94	\$ 285.94
Assessments Receivable		3,121.04	3,121.04
Prospective Assessments Funded		152,170.08	152,170.08
	<u>\$ 286.10</u>	<u>\$ 155,577.06</u>	<u>\$ 155,577.06</u>
Animal Control Fund:			
Due Trust Other Fund	<u>\$ 7,927.89</u>	<u>\$ 12,207.82</u>	<u>\$ 5,292.34</u>
	<u>\$ 7,927.89</u>	<u>\$ 12,207.82</u>	<u>\$ 5,292.34</u>
Other Funds:			
Cash	\$ 5,842,877.86	\$ 5,405,927.04	\$ 4,665,308.98
Due Federal Forfeiture Trust-Intrafund		1,358.17	1,358.17
	<u>\$ 5,842,877.86</u>	<u>\$ 5,407,285.21</u>	<u>\$ 4,666,667.15</u>
	<u>\$ 5,851,091.85</u>	<u>\$ 5,575,070.09</u>	<u>\$ 4,827,536.55</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Reserve for Assessments	\$	\$ 155,291.12	\$ 155,291.12
Fund Balance	<u>286.10</u>	<u>285.94</u>	<u>285.94</u>
	<u>\$ 286.10</u>	<u>\$ 155,577.06</u>	<u>\$ 155,577.06</u>
Animal Control Fund:			
Due State of New Jersey	\$ 6.60	\$ 2.40	\$ 1.20
Interfunds Payable	267.00		
Reserve for Animal Control Expenditures	<u>7,654.29</u>	<u>12,205.42</u>	<u>5,291.14</u>
	<u>\$ 7,927.89</u>	<u>\$ 12,207.82</u>	<u>\$ 5,292.34</u>
Other Funds:			
Due Animal Control Trust Fund	\$ 7,927.89	\$ 12,207.82	\$ 5,292.34
Due Treasurers Trust-Intrafund		1,358.17	1,358.17
Due Current Fund	25,706.33	53,190.28	9,783.78
Due Swimming Pool Capital Fund		2,000.00	2,000.00
Reserve For:			
Accounts Payable			44,676.49
State Unemployment Insurance	161,990.11	169,384.40	195,248.91
Federal Forfeiture	341.53	339.72	338.99
Various Deposits	1,120,809.85	1,069,168.11	922,318.04
Law Enforcement	40,033.56	38,652.28	36,503.19
Recreation	4,674.42	23,598.93	24,335.95
Health Benefits	77,222.54	2,659.06	224,889.12
Escrow Deposits	2,811,189.00	2,524,987.47	1,996,431.23
Affordable Housing	440,918.17	242,328.09	165,648.43
Payroll	142,648.35	124,497.71	131,841.19
Tax Redemptions	<u>1,009,416.11</u>	<u>1,142,913.17</u>	<u>906,001.32</u>
	<u>\$ 5,842,877.86</u>	<u>\$ 5,407,285.21</u>	<u>\$ 4,666,667.15</u>
	<u>\$ 5,851,091.85</u>	<u>\$ 5,575,070.09</u>	<u>\$ 4,827,536.55</u>

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

BOROUGH OF SOUTH PLAINFIELD

TRUST FUND

SCHEDULE OF ASSESSMENT FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, <u>2017</u> (UNAUDITED)	YEAR ENDED DECEMBER 31, <u>2016</u>	YEAR ENDED DECEMBER 31, <u>2015</u>
Balance, January 1	285.94	\$ 285.94	\$ 285.94
Increased by Intersect Earned	<u>0.16</u>	<u></u>	<u></u>
Balance, December 31	<u><u>286.10</u></u>	<u><u>\$ 285.94</u></u>	<u><u>\$ 285.94</u></u>

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

BOROUGH OF SOUTH PLAINFIELD

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2017 (UNAUDITED)	BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
<u>A S S E T S</u>			
Cash	\$ 958,779.19	\$ 2,587,302.32	\$ 1,147,700.71
Accounts Receivable	712,739.07	693,406.81	306,945.37
Interfunds	3,800.00	30,075.98	33,664.28
Deferred Charges to Future Taxation:			
Funded	9,958,070.00	10,390,370.00	10,833,182.85
Unfunded	10,726,913.04	8,563,413.04	5,516,331.57
	<u>\$ 22,360,301.30</u>	<u>\$ 22,264,568.15</u>	<u>\$ 17,837,824.78</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	\$ 9,958,070.00	\$ 10,390,370.00	\$ 10,822,670.00
Bond Anticipation Notes Payable	9,573,755.00	8,339,200.00	5,287,118.00
Green Acres Loans Payable			10,512.85
Due to South Plainfield Senior Citizens Housing Project		148,124.34	148,124.34
Capital Improvement Fund	26,531.77	57,058.77	30,058.77
Interfunds Payable	20,581.35		
Improvement Authorizations:			
Funded	357,848.26	451,774.60	452,056.17
Unfunded	1,282,309.24	937,930.23	819,734.58
Reserve for:			
Various Reserves	358,944.72	140,369.38	100,394.38
Contracts Payable	771,310.72	1,780,100.59	138,538.81
Fund Balance	10,950.24	19,640.24	28,616.88
	<u>\$ 22,360,301.30</u>	<u>\$ 22,264,568.15</u>	<u>\$ 17,837,824.78</u>

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

BOROUGH OF SOUTH PLAINFIELD

GENERAL CAPITAL FUND

STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, <u>2017</u> (UNAUDITED)	YEAR ENDED DECEMBER 31, <u>2016</u>	YEAR ENDED DECEMBER 31, <u>2015</u>
Balance, January 1	\$ 19,640.24	\$ 28,616.88	\$ 153,616.88
Increased by:			
Premuim on Sale of Notes	1,310.00		
Improvement Authorizations Canceled		66,023.36	
	<u>\$ 20,950.24</u>	<u>\$ 94,640.24</u>	<u>\$ 153,616.88</u>
Decreased by:			
Funding for Improvement Authorizations		60,000.00	
Disbursed-Current Fund MRA	<u>10,000.00</u>	<u>15,000.00</u>	<u>125,000.00</u>
Balance, December 31	<u><u>\$ 10,950.24</u></u>	<u><u>\$ 19,640.24</u></u>	<u><u>\$ 28,616.88</u></u>

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

BOROUGH OF SOUTH PLAINFIELD

SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

<u>A S S E T S</u>	BALANCE DECEMBER 31, <u>2017</u> (UNAUDITED)	BALANCE DECEMBER 31, <u>2016</u>	BALANCE DECEMBER 31, <u>2015</u>
<u>OPERATING FUND:</u>			
Cash and Investments	\$ 1,894,932.95	\$ 1,187,782.55	\$ 1,109,733.45
Cash- Change Fund		150.00	150.00
	<u>\$ 1,894,932.95</u>	<u>\$ 1,187,932.55</u>	<u>\$ 1,109,883.45</u>
Receivables with Full Reserves:			
Sewer Use Charges Receivable	\$ 1,187.36	\$ 226,021.67	\$ 236,629.83
Due Sewer Capital Fund	221,789.03		
Consumer Accounts Receivable	4,128.30	3,953.30	3,778.30
Sewer Use Liens Receivable			
	<u>\$ 227,104.69</u>	<u>\$ 229,974.97</u>	<u>\$ 240,408.13</u>
<u>TOTAL OPERATING FUND</u>	<u>\$ 2,122,037.64</u>	<u>\$ 1,417,907.52</u>	<u>\$ 1,350,291.58</u>
<u>CAPITAL FUND:</u>			
Cash and Investments	\$ 749,528.47	\$ 653,431.91	\$ 555,450.18
Fixed Capital	13,557,821.21	13,557,821.21	13,557,821.21
Fixed Capital Authorized and Uncompleted	808,200.00	742,200.00	725,000.00
Interfunds Receivable			44.00
<u>TOTAL CAPITAL FUND</u>	<u>\$ 15,115,549.68</u>	<u>\$ 14,953,453.12</u>	<u>\$ 14,838,315.39</u>
	<u>\$ 17,237,587.32</u>	<u>\$ 16,371,360.64</u>	<u>\$ 16,188,606.97</u>

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

BOROUGH OF SOUTH PLAINFIELD

SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, <u>2017</u> (UNAUDITED)	BALANCE DECEMBER 31, <u>2016</u>	BALANCE DECEMBER 31, <u>2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
<u>OPERATING FUND:</u>			
Liabilities:			
Appropriation Reserves	\$ 583,075.51	\$ 216,372.60	\$ 131,788.84
Interfunds Payable		638.90	44.00
Reserve for Accounts Payable	7,389.45	49,943.67	40,198.08
Sewer Overpayments	17,038.24	18,027.08	13,785.99
Accrued Interest Payable		20,371.00	18,971.00
	<u>\$ 607,503.20</u>	<u>\$ 305,353.25</u>	<u>\$ 204,787.91</u>
Reserve for Receivables	225,917.33	229,974.97	240,408.13
Fund Balance	<u>1,288,617.11</u>	<u>882,579.30</u>	<u>905,095.54</u>
<u>TOTAL OPERATING FUND</u>	<u>\$ 2,122,037.64</u>	<u>\$ 1,417,907.52</u>	<u>\$ 1,350,291.58</u>
<u>CAPITAL FUND:</u>			
Serial Bonds Payable	\$	\$ 60,000.00	\$ 120,000.00
Improvement Authorizations:			
Funded	87,972.11	14,811.18	3,275.42
Unfunded	51,393.00	58,607.00	70,042.76
Interfunds Payable	1,187.36	37.73	
Capital Improvement Fund	655,369.00	666,369.00	608,569.00
Reserve for Amortization	13,557,821.21	13,497,821.21	13,437,821.21
Deferred Reserve for Amortization	<u>756,807.00</u>	<u>650,807.00</u>	<u>593,607.00</u>
	<u>\$ 15,110,549.68</u>	<u>\$ 14,948,453.12</u>	<u>\$ 14,833,315.39</u>
Fund Balance	<u>5,000.00</u>	<u>5,000.00</u>	<u>5,000.00</u>
<u>TOTAL CAPITAL FUND</u>	<u>\$ 15,115,549.68</u>	<u>\$ 14,953,453.12</u>	<u>\$ 14,838,315.39</u>
	<u>\$ 17,237,587.32</u>	<u>\$ 16,371,360.64</u>	<u>\$ 16,188,606.97</u>

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

BOROUGH OF SOUTH PLAINFIELD  
SEWER UTILITY CAPITAL FUND  
STATEMENT OF CAPITAL FUND BALANCE-REGULATORY BASIS

REF.

Balance, December 31, 2015,	D	
December 31, 2016 and December 31, 2017 ( Unaudited)		\$ <u>5,000.00</u>

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

BOROUGH OF SOUTH PLAINFIELD

SEWER UTILITY FUND

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, <u>2017</u> (UNAUDITED)	YEAR ENDED DECEMBER 31, <u>2016</u>	YEAR ENDED DECEMBER 31, <u>2015</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	\$ 75,305.00	\$ 95,000.00	\$ 275,000.00
Sewer Use Charges	7,136,266.51	6,663,404.71	6,670,936.49
Sewer Connection Fees	97,500.00	147,500.00	107,500.00
Interest and Costs	53,578.67	45,751.87	49,851.59
Interest on Investments and Deposits	10,503.16	3,939.11	1,607.39
Other Credits to Income:			
Accrued Interest Canceled	19,171.00		
Unexpended Balance of Appropriation Reserves	<u>188,323.47</u>	<u>89,888.07</u>	<u>185,351.64</u>
<u>TOTAL INCOME</u>	<u>\$ 7,580,647.81</u>	<u>\$ 7,045,483.76</u>	<u>\$ 7,290,247.11</u>
<u>EXPENDITURES</u>			
Operating	\$ 6,284,305.00	\$ 5,987,000.00	\$ 5,882,708.00
Capital Improvement Fund	55,000.00	75,000.00	250,000.00
Debt Service	60,000.00	65,000.00	70,000.00
Deferred Charges and Statutory Expenditures	<u>40,000.00</u>	<u>186,000.00</u>	<u>185,107.00</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 6,439,305.00</u>	<u>\$ 6,313,000.00</u>	<u>\$ 6,387,815.00</u>
Excess in Revenue	\$ 1,141,342.81	\$ 732,483.76	\$ 902,432.11
Fund Balance, Beginning	<u>882,579.30</u>	<u>905,095.54</u>	<u>942,663.43</u>
	\$ 2,023,922.11	\$ 1,637,579.30	\$ 1,845,095.54
Decreased by:			
Utilization as Anticipated Revenue:			
Sewer Utility Operating Budget	75,305.00	95,000.00	275,000.00
Current Fund Budget	<u>660,000.00</u>	<u>660,000.00</u>	<u>665,000.00</u>
Fund Balance, Ending	<u>\$ 1,288,617.11</u>	<u>\$ 882,579.30</u>	<u>\$ 905,095.54</u>

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



BOROUGH OF SOUTH PLAINFIELD  
SEWER UTILITY FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

	<u>ANTICIPATED</u>	<u>REALIZED</u>	<u>EXCESS (OR DEFICIT)</u>
Fund Balance Utilized	\$ 95,000.00	\$ 95,000.00	\$
Sewer Use Charges	6,125,000.00	6,663,404.71	538,404.71
Connection Fees	95,000.00	147,500.00	52,500.00
Interest and Costs on Sewer Charges	47,000.00	45,751.87	(1,248.13)
Interest on Investments and Deposits	1,000.00	3,939.11	2,939.11
<u>BUDGET TOTALS</u>	<u>\$ 6,363,000.00</u>	<u>\$ 6,955,595.69</u>	<u>\$ 592,595.69</u>

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

BOROUGH OF SOUTH PLAINFIELD

SEWER UTILITY FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

YEAR ENDED DECEMBER 31, 2016

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		<u>UNEXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>BALANCE CANCELED</u>
<u>OPERATING:</u>					
Salaries and Wages	\$ 692,030.00	\$ 701,030.00	\$ 688,221.30	\$ 12,808.70	\$
Other Expenses	5,350,970.00	5,335,970.00	5,093,106.10	192,863.90	50,000.00
	<u>\$ 6,043,000.00</u>	<u>\$ 6,037,000.00</u>	<u>\$ 5,781,327.40</u>	<u>\$ 205,672.60</u>	<u>\$ 50,000.00</u>
<u>CAPITAL IMPROVEMENTS:</u>					
Capital Improvement Fund	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$	\$
	<u>\$ 75,000.00</u>	<u>\$ 75,000.00</u>	<u>\$ 75,000.00</u>	<u>\$</u>	<u>\$</u>
<u>DEBT SERVICE:</u>					
Payment of Bond Principal	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$	\$
Interest on Bonds	5,000.00	5,000.00	5,000.00		
	<u>\$ 65,000.00</u>	<u>\$ 65,000.00</u>	<u>\$ 65,000.00</u>	<u>\$</u>	<u>\$</u>
<u>DEFERRED CHARGES:</u>					
Paydown Deferred Charges-Unfunded	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$	\$
	<u>\$ 40,000.00</u>	<u>\$ 40,000.00</u>	<u>\$ 40,000.00</u>	<u>\$</u>	<u>\$</u>
<u>STATUTORY EXPENDITURES:</u>					
Public Employee Retirement System	\$ 75,000.00	\$ 75,000.00	\$ 68,300.00	\$ 6,700.00	
Social Security System (O.A.S.I.)	65,000.00	71,000.00	67,000.00	4,000.00	\$
	<u>\$ 140,000.00</u>	<u>\$ 146,000.00</u>	<u>\$ 135,300.00</u>	<u>\$ 10,700.00</u>	<u>\$</u>
	<u><u>\$ 6,363,000.00</u></u>	<u><u>\$ 6,363,000.00</u></u>	<u><u>\$ 6,096,627.40</u></u>	<u><u>\$ 216,372.60</u></u>	<u><u>\$ 50,000.00</u></u>
Disbursements		\$	\$ 6,041,683.73		
Accrued Interest			5,000.00		
Reserve for Accounts Payable			49,943.67		
			<u><u>\$ 6,096,627.40</u></u>		

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

BOROUGH OF SOUTH PLAINFIELDSWIMMING POOL UTILITY FUNDBALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER 31, 2017 (UNAUDITED)	BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
<u>OPERATING FUND:</u>			
Cash and Investments	\$ 1,950.56	\$ 4,701.11	\$ 11,814.59
Interfunds Receivable		5,087.87	1,500.00
Due Current Fund	23,805.84		
Deferred Charges		4,721.88	18,218.57
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL OPERATING FUND</u>	<u>\$ 25,756.40</u>	<u>\$ 14,510.86</u>	<u>\$ 31,533.16</u>
 <u>CAPITAL FUND:</u>			
Cash and Investments	\$ 22,392.68	\$ 28,466.68	\$ 31,486.99
Fixed Capital	773,173.14	773,173.14	773,173.14
Fixed Capital Authorized and Uncompleted	500,000.00	489,000.00	489,000.00
Interfunds Receivable		2,000.00	2,000.00
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL CAPITAL FUND</u>	<u>\$ 1,295,565.82</u>	<u>\$ 1,292,639.82</u>	<u>\$ 1,295,660.13</u>
	<u>\$ 1,321,322.22</u>	<u>\$ 1,307,150.68</u>	<u>\$ 1,327,193.29</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
<u>OPERATING FUND:</u>			
Liabilities:			
Appropriation Reserves	\$ 22,710.86	\$ 10,352.84	\$ 7,862.13
Interfunds Payable			20,042.53
Accrued Interest Payable	2,045.54	3,158.02	2,628.50
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fund Balance	<u>\$ 24,756.40</u>	<u>\$ 13,510.86</u>	<u>\$ 30,533.16</u>
	<u>1,000.00</u>	<u>1,000.00</u>	<u>1,000.00</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL OPERATING FUND</u>	<u>\$ 25,756.40</u>	<u>\$ 14,510.86</u>	<u>\$ 31,533.16</u>
 <u>CAPITAL FUND:</u>			
Improvement Authorizations:			
Funded	\$ 745.00	\$ 605.00	\$ 605.00
Unfunded	547.68	547.68	547.68
Interfunds Payable	3,800.00	2,014.00	20,034.31
Bonds Payable	176,930.00	184,630.00	192,330.00
Bond Anticipation Notes Payable	380,000.00	380,000.00	380,000.00
Capital Improvement Fund	19,500.00	29,500.00	14,500.00
Reserve for Amortization	668,467.74	664,001.74	659,535.74
Deferred Reserve for Amortization	45,575.40	31,341.40	28,107.40
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>TOTAL CAPITAL FUND</u>	<u>\$ 1,295,565.82</u>	<u>\$ 1,292,639.82</u>	<u>\$ 1,295,660.13</u>
	<u>\$ 1,321,322.22</u>	<u>\$ 1,307,150.68</u>	<u>\$ 1,327,193.29</u>

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

BOROUGH OF SOUTH PLAINFIELD

SWIMMING POOL UTILITY FUND

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2016	YEAR ENDED DECEMBER 31, 2015
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	\$	\$	\$
Membership Fees	159,319.00	154,356.00	162,673.00
Miscellaneous	9,105.49	10,439.69	7,608.43
	<u>\$ 168,424.49</u>	<u>\$ 164,795.69</u>	<u>\$ 171,281.43</u>
<u>EXPENDITURES</u>			
Operating	\$ 267,167.43	\$ 244,085.00	\$ 238,050.00
Capital Improvement Fund	1,000.00	15,000.00	32,500.00
Debt Service	17,550.00	17,214.00	13,450.00
Deferred Charges and Regulatory Expenditures	<u>4,721.88</u>	<u>23,218.57</u>	<u>2,000.00</u>
	<u>\$ 290,439.31</u>	<u>\$ 299,517.57</u>	<u>\$ 286,000.00</u>
Adjustment to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			
Operating Deficit	\$	\$ 4,721.88	\$ 13,218.57
Realized from General Budget for Anticipated Deficit	<u>122,014.82</u>	<u>130,000.00</u>	<u>101,500.00</u>
	<u>\$ 122,014.82</u>	<u>\$ 134,721.88</u>	<u>\$ 114,718.57</u>
Excess in Revenue	\$ - 0 -	\$ - 0 -	\$ - 0 -
Fund Balance, January 1	<u>1,000.00</u>	<u>1,000.00</u>	<u>2,000.00</u>
	\$ 1,000.00	\$ 1,000.00	\$ 2,000.00
Decreased by:			
Utilization as Anticipated Revenue:			
Swimming Pool Utility Operating Budget	<u></u>	<u></u>	<u>1,000.00</u>
Fund Balance, December 31	<u>\$ 1,000.00</u>	<u>\$ 1,000.00</u>	<u>\$ 1,000.00</u>

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

BOROUGH OF SOUTH PLAINFIELD  
SWIMMING POOL UTILITY OPERATING FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

	<u>ANTICIPATED</u>	<u>REALIZED</u>	<u>EXCESS/ (DEFICIT)</u>
Membership Fees	\$ 162,000.00	\$ 154,356.00	\$ (7,644.00)
Miscellaneous	7,600.00	10,439.69	2,839.69
Deficit (General Budget)	<u>130,000.00</u>	<u>130,000.00</u>	<u></u>
	<u>\$ 299,600.00</u>	<u>\$ 294,795.69</u>	<u>\$ (4,804.31)</u>

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

BOROUGH OF SOUTH PLAINFIELD  
SWIMMING POOL UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
YEAR ENDED DECEMBER 31, 2016

	<u>APPROPRIATIONS</u>		<u>EXPENDED</u>		
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATIONS</u>	<u>PAID OR CHARGED</u>	<u>RESERVED</u>	<u>CANCELED</u>
<u>OPERATING:</u>					
Salaries and Wages	\$ 186,099.00	\$ 179,099.00	\$ 178,280.00	\$ 819.00	\$
Other Expenses	57,986.00	64,986.00	60,452.16	4,533.84	
<u>CAPITAL OUTLAY:</u>					
Capital Improvement Fund	15,000.00	15,000.00	15,000.00		
<u>DEBT SERVICE:</u>					
Bond Principal	7,282.00	7,282.00	7,200.00		82.00
Interest	10,014.00	10,014.00	10,014.00		
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</u>					
Deferred Charges - Prior Emergency & Deficit	18,219.00	18,219.00	18,218.57	0.00	0.43
Statutory Expenditures:					
Social Security System (O.A.S.I.)	5,000.00	5,000.00		5,000.00	
	<u>\$ 299,600.00</u>	<u>\$ 299,600.00</u>	<u>\$ 289,164.73</u>	<u>\$ 10,352.84</u>	<u>\$ 82.43</u>
Disbursements			\$ 260,932.16		
Deferred Charges			18,218.57		
Accrued Interest Payable			10,014.00		
			<u>\$ 289,164.73</u>		

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

BOROUGH OF SOUTH PLAINFIELD  
PUBLIC ASSISTANCE TRUST FUND  
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2017 (UNAUDITED)	BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
<u>ASSETS</u>			
Cash:			
Public Assistance Trust Fund I	\$ 21,170.33	\$ 19,808.69	\$ 19,355.71
	<u>\$ 21,170.33</u>	<u>\$ 19,808.69</u>	<u>\$ 19,355.71</u>
<u>LIABILITIES</u>			
Reserve for Public Assistance Trust Fund I	\$ 21,170.33	\$ 19,808.69	\$ 19,355.71
	<u>\$ 21,170.33</u>	<u>\$ 19,808.69</u>	<u>\$ 19,355.71</u>

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

BOROUGH OF SOUTH PLAINFIELD  
STATEMENT OF GENERAL FIXED ASSETS  
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2017 (UNAUDITED)	BALANCE DECEMBER 31, 2016	BALANCE DECEMBER 31, 2015
<u>FIXED ASSETS:</u>			
Land	\$ 17,058,200.00	\$ 17,058,200.00	\$ 17,058,200.00
Buildings	9,001,500.00	9,001,500.00	9,001,500.00
Machinery and Equipment	<u>11,717,008.00</u>	<u>11,717,008.00</u>	<u>11,592,160.00</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 37,776,708.00</u>	<u>\$ 37,776,708.00</u>	<u>\$ 37,651,860.00</u>
 <u>RESERVE:</u>			
Investments in General Fixed Assets	<u>\$ 37,776,708.00</u>	<u>\$ 37,776,708.00</u>	<u>\$ 37,651,860.00</u>

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



BOROUGH OF SOUTH PLAINFIELD  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of South Plainfield 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 South Plainfield include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of South Plainfield, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of South Plainfield do not include the operations of the municipal library, first aid organization, volunteer fire companies, or the local school district, 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 South Plainfield 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 South Plainfield 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 governmental 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 disbursements of funds in accordance with the purpose of 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.

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

Swimming Pool Operating and Capital Funds - account for resources and expenditures for the operations and acquisition of capital facilities of the municipally-owned swimming pool 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 governmental 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. Federal and state grants are realized as revenue 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 revenue 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 31st, 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 31st, 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, 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 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. 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. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Land is stated at the assessed value contained in the Borough's most recent property revaluation. Buildings are stated at the most recent insurance replacement value. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Assets Account Group rather than in a governmental fund.

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 have 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 - 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 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 account in the utility capital fund represent charges to operations for the cost of acquisitions 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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

In November of 2013, GASB approved Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued)

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.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events.

At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued)

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. 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.

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 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, and short-term investments with original maturities of three months or less as cash and cash equivalents. Investments are stated at cost, which approximates market.

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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits (Continued)

Under GUDPA, if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental until.

The Borough of South Plainfield had the following cash and cash equivalents at December 31, 2016:

<u>Fund</u>	<u>Cash In Bank</u>	<u>Reconciling Items</u>	<u>Total</u>
Current Fund	\$4,458,074.58	(\$91,698.67)	\$4,366,375.91
Grant Fund	205,634.53		205,634.53
Assessment Trust Fund	285.94		285.94
Trust Other Fund	6,761,576.63	(1,355,649.59)	5,405,927.04
General Capital Fund	2,587,302.32		2,587,302.32
Sewer Operating Fund	1,187,782.55		1,187,782.55
Sewer Capital Fund	653,431.91		653,431.91
Pool Operating Fund	4,701.11		4,701.11
Pool Capital Fund	28,466.68		28,466.68
Public Assistance Trust Fund	19,808.69		19,808.69
	<u>\$15,907,064.94</u>	<u>(\$1,447,348.26)</u>	<u>\$14,459,716.68</u>

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 for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2016, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash balance in the bank, \$750,000.00 was covered by Federal Depository Insurance and \$15,157,064.94 was covered by NJGUDPA.

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;



NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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 Local Government Services of the Department of Community Affairs 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.
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

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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.

Based upon the limitation set forth by New Jersey Statutes 40A:55.1 and existing investment practices, the Borough is generally not exposed to credit risks and interest rate risks for its investments, nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL 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 regulatory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough.

SUMMARY OF STATUTORY DEBT CONDITION ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.514%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$ 5,455,000.00	\$ 5,455,000.00	\$
Utility Debt	718,223.00	373,943.00	344,280.00
General Debt	<u>18,976,977.71</u>	<u>23,194.67</u>	<u>18,953,783.04</u>
	<u>\$ 25,150,200.71</u>	<u>\$ 5,852,137.67</u>	<u>\$ 19,298,063.04</u>

NET DEBT \$19,298,063.04 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2, \$3,754,759,363.67 EQUALS 0.514%.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

Issued:	<u>2016</u>	<u>2015</u>	<u>2014</u>
Bonds, Loans, and Notes:			
General	\$ 18,734,570.00	\$ 16,120,300.85	\$ 15,687,196.27
Sewer Utility	60,000.00	120,000.00	180,000.00
Swimming Pool Utility	<u>564,630.00</u>	<u>572,330.00</u>	<u>198,280.00</u>
Total Issued	<u>\$ 19,359,200.00</u>	<u>\$ 16,812,630.85</u>	<u>\$ 16,065,476.27</u>
Authorized But Not Issued:			
Bonds, Loans, and Notes:			
General	\$ 242,407.71	\$ 252,407.71	\$ 642,407.71
Sewer Utility	91,393.00	131,393.00	190,000.00
Swimming Pool Utility	<u>2,200.00</u>	<u>2,200.00</u>	<u>2,200.00</u>
	<u>\$ 336,000.71</u>	<u>\$ 386,000.71</u>	<u>\$ 834,607.71</u>
Bonds and Notes Issued and Authorized But Not Issued	<u><u>\$ 19,695,200.71</u></u>	<u><u>\$ 17,198,631.56</u></u>	<u><u>\$ 16,900,083.98</u></u>

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

Equalized Valuation Basis* - December 31, 2016	\$ <u><u>3,754,759,363.67</u></u>
3-1/2 of Equalized Valuation Basis (Municipal)	\$ 131,416,577.73
Net Debt	<u>19,298,063.04</u>
Remaining Borrowing Power	\$ <u><u>112,118,514.69</u></u>

\*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Rail Road Property of the Borough of South Plainfield for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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

Revenue from Fees, Rents, and Other Charges for Year and Fund Balance	\$6,960,595.69
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Deductions:	
Operating and Maintenance Cost	\$5,987,000.00
Debt Service per Sewer Account	<u>65,000.00</u>
Total Deductions	<u>6,052,000.00</u>

Excess in Revenue - Self-Liquidating	<u>\$ 908,595.69</u>
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CALCULATION OF "SELF-LIQUIDATING PURPOSE"  
SWIMMING POOL UTILITY PER N.J.S.A. 40A:2-45

Revenue from Fees, Rents, and Other Charges for Year and Fund Balance	\$ 164,795.69
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Deductions:	
Operating and Maintenance Cost	\$249,085.00
Debt Service per Swimming Account	<u>17,214.00</u>
Total Deductions	<u>266,299.00</u>

Deficit in Revenues (Not Self-Liquidating)	<u>\$ (101,503.31)</u>
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LONG-TERM DEBT

General Capital - Bonds:

\$11,438,700.00 Bonds of 2012 due in annual installments of \$140,500.00 to \$771,695.00 at a variable interest rate	<u>\$10,390,370.00</u>
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Sewer Utility Capital – Bonds:

\$300,000.00 Bonds of 2012 due in annual installments of \$60,000.00 at a variable interest rate	<u>\$ 60,000.00</u>
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Pool Utility Capital – Bonds:

\$203,300 Bonds of 2012 due in annual installments of \$2,500.00 to \$13,305.00 at a variable interest rate	<u>\$ 184,630.00</u>
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NOTE 3: MUNICIPAL DEBT (CONTINUED)

Bonds and Notes Authorized But Not Issued

At December 31, 2016, the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund	\$ 247,407.71
Sewer Utility Capital Fund	91,393.00
Swimming Pool Utility Capital Fund	<u>2,200.00</u>
	<u>\$ 336,000.71</u>

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST  
FOR BONDED DEBT ISSUED AND OUTSTANDING DECEMBER 31, 2016

Year	General		Sewer Utility		Swimming Pool Utility	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$432,300.00	\$402,987.52	\$60,000.00	\$1,200.00	\$7,700.00	\$7,162.48
2018	540,375.00	380,832.14			9,625.00	6,767.86
2019	540,375.00	353,813.39			9,625.00	6,286.61
2020	589,500.00	325,566.52			10,500.00	5,783.48
2021	589,500.00	296,091.52			10,500.00	5,258.48
2022	638,625.00	265,388.39			11,375.00	4,711.61
2023	638,625.00	233,457.14			11,375.00	4,142.86
2024	638,625.00	201,525.89			11,375.00	3,574.11
2025	687,750.00	175,243.01			12,250.00	3,105.99
2026	687,750.00	154,610.51			12,250.00	2,738.49
2027	687,750.00	133,549.17			12,250.00	2,363.33
2028	736,875.00	111,289.41			13,125.00	1,966.84
2029	736,875.00	87,801.52			13,125.00	1,548.48
2030	736,875.00	63,853.08			13,125.00	1,121.92
2031	736,875.00	39,444.09			13,125.00	687.16
2032	771,695.00	13,504.66			13,305.00	232.84
	<u>\$10,390,370.00</u>	<u>\$3,238,957.96</u>	<u>\$60,000.00</u>	<u>\$1,200.00</u>	<u>\$184,630.00</u>	<u>\$57,452.54</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

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.

The Borough had the following outstanding note(s) at year end:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
General Capital	1.21%	10/27/17	\$ 772,500.00
	0.95%	7/21/17	2,936,700.00
	1.00%	4/28/17	<u>4,630,000.00</u>
			\$ <u>8,339,200.00</u>
Swimming Pool Capital	1.00%	4/28/17	\$ <u>380,000.00</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016, which were appropriated and included as anticipated revenue in their own respective funds for the budget year ending December 31, 2017, were as follows:

Current Fund	\$ 1,816,200.00
Sewer Utility Operating Fund	\$ 75,305.00
Swimming Pool Utility Operating Fund	\$ - 0 -

NOTE 5: 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 the taxes for the County and the 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, 2016</u>	BALANCE DECEMBER <u>31, 2015</u>
Prepaid Taxes	\$ <u>871,582.87</u>	\$ <u>677,833.84</u>

NOTE 6: 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/annrpts.shtml](http://www.nj.gov/treasury/pensions/annrpts.shtml).

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.

NOTE 6: PENSION PLANS (CONTINUED)

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 after 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.

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 is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. Effective July 2016 PERS provides for employee contributions of 7.20% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.



NOTE 6: PENSION PLANS (CONTINUED)

The contribution policy for PFRS is set by N.J.S.A. 43: 16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2016, members contributed at a uniform rate of 10.00% of base salary.

Certain Borough employees are also covered by the Federal Insurance Contribution Act. The Borough's share of pension costs, which is based upon the annual billings received from the State, amounted to \$1,913,000.00 for 2016, \$1,795,020.00 for 2015 and \$1,672,365.65 for 2014.

All contributions were equal to the required contributions for each of the three years, respectively.

NOTE 6: 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” and is effective for fiscal years beginning after June 15, 2014. This statement 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, 2016. 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, 2016.

Public Employees Retirement System (PERS)

At June 30, 2016, the State reported a net pension liability of \$18,712,834.00 for the Borough of South Plainfield’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the Borough’s proportion was 0.0631824658 percent, which was an decrease of 0.0029899146 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of \$1,868,392.00 for the Borough of South Plainfield’s proportionate share of the total pension expense. The pension expense recognized in the Borough’s financial statement based on the April 1, 2016 billing was \$568,905.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2016, 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	-	\$348,002.00
Changes of assumptions		3,876,300.00
Net difference between projected and actual earnings on pension plan investments		713,537.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>\$487,256.00</u>	<u>663,618.00</u>
	<u>\$487,256.00</u>	<u>\$5,601,457.00</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:

Year Ended June 30,	<u>Amount</u>
2017	\$1,195,262.00
2018	1,195,262.00
2019	1,375,309.00
2020	1,073,393.00
2021	<u>274,975.00</u>
	<u>\$5,114,201.00</u>

NOTE 6: 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, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. These actuarial valuations used the following assumptions:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Inflation	3.04 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	2.15-4.40 Percent	1.65-4.15 Percent
Thereafter	3.15-5.40 Percent	2.65-5.15 Percent
Investment Rate of Return	7.90 Percent	7.65 percent

Pre-retirement 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 plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. 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, 2015 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 6: 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 (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

NOTE 6: 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 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 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 30% 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 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, 2016 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, 2016		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Borough's proportionate share of the pension liability	\$22,930,394.00	\$18,712,834.00	\$15,230,873.00

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>

NOTE 6: PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (PFRS)

At June 30, 2016, the State reported a net pension liability of \$33,038,423.00 for the Borough of South Plainfield's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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, 2016, the Borough's proportion was 0.1729528754 percent, which was an increase of 0.0068928891 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of \$3,706,937.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2016 billing was \$1,349,820.00

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Inflow of <u>Resources</u>	Deferred Outflow of <u>Resources</u>
Differences between expected and actual experience	\$216,572.00	
Changes of assumptions		\$4,576,093.00
Net difference between projected and actual earnings on pension plan investments		2,314,936.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>600,444.00</u>	<u>1,328,341.00</u>
	<u>\$817,016.00</u>	<u>\$8,219,370.00</u>

NOTE 6: 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>
2017	\$1,760,539.00
2018	1,760,539.00
2019	2,315,990.00
2020	1,391,600.00
2021	<u>173,685.00</u>
	<u>\$7,402,353.00</u>

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. This actuarial valuation used the following assumptions:

	<u>2016</u>	<u>2015</u>
Inflation	3.08 Percent	3.04 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent	2.60-9.48 Percent
Thereafter	3.10-9.98 Percent	3.60-10.48 Percent
Investment Rate of Return	7.65 Percent	7.90 Percent

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post- retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales.



NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

Disability mortality rates were based on special mortality tables used for the period after disability retirement. The actuarial assumptions used in the July 1, 2015 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 (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond

Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, 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, 2016 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:

	1% Decrease <u>4.55%</u>	At Current Discount Rate <u>5.55%</u>	1% Increase <u>6.55%</u>
Borough's proportionate share of the PFRS pension liability	\$42,600,624.00	\$33,038,423.00	\$25,241,024.00

NOTE 6: 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, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,774,408.00 and \$2,425,672.00 respectively.

At December 31, 2016, 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	\$33,038,423.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>2,774,408.00</u>
	<u>\$35,812,831.00</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 7: COMPENSATED ABSENCES

Under the existing policy of the Borough, employees are allowed to accumulate unused sick pay over the life of their working careers which may be taken as time off at a later date. The balance of the liability accrued in the Trust Fund at December 31, 2016 is \$262,511.86 and \$16,500.00 in the Current Fund.

NOTE 8: LITIGATION

The Borough is involved in several pending legal proceedings, the impact on the financial statements of which, either individually or in the aggregate, in the opinion of the Borough's legal counsel would not be material.

NOTE 9: 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 expenditures of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2016, the Borough does not believe that any material liabilities will result from such audits.

NOTE 10: TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for the years 2016 and prior. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of a reserve or by the issuance of refunding bonds per N.J.S. 40A:2-51. In addition, the Borough has a reserved balance of \$119,965.49 at December 31, 2016 to assist in the payment of these claims.

NOTE 11: 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 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. Below 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>Year</u>	<u>Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 453.57	\$ 26,318.08	\$ 169,384.40
2015	488.67	2,349.85	195,248.91
2014	487.44	2,080.42	197,110.09

NOTE 12: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 53,866.91	\$ 13,444.16
Grant Fund		19,705.69
Animal Control Trust Fund	12,207.82	
Trust Other Fund		67,398.10
General Capital Fund	30,075.98	
Sewer Utility Operating Fund	37.73	676.63
Sewer Utility Capital Fund		37.73
Swimming Pool Operating Fund	5,087.87	
Swimming Pool Capital Fund	2,000.00	2,014.00
	<u>\$ 103,276.31</u>	<u>\$ 103,276.31</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were made.

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.

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. The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities.

NOTE 14: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2016, the following deferred charges are shown:

	Balance December 31, <u>2016</u>	Raised 2017 <u>Budget</u>
Current Fund	\$ 9,200.00	\$ 2,300.00
Swimming Pool Operating Fund	\$ 4,721.88	\$ 4,721.88

NOTE 15: LENGTH OF SERVICE AWARDS PROGRAM

The Borough of South Plainfield adopted an ordinance establishing a Length of Service Awards Program effective for 2000 for the members of the South Plainfield Volunteer Fire Department and Volunteer Rescue Squad pursuant to N.J.S.A. 40A:14-183 et seq. Under this program, each volunteer that performs the minimum amount of service will have an annual amount up to \$1,300.00 deposited into a tax deferred account. The Borough budgeted \$64,000.00 for the program in 2016.

NOTE 16: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension." This statement requires the municipality to disclose in the notes to the financial statements the present value of the estimated future cost of the other post employment benefits (OPEB). 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 required 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 balance sheets; however, OPEB obligations are required to be disclosed in the notes.

Plan Description

The Borough of South Plainfield provides Post-Retirement Benefits to eligible employees in accordance with terms of their various labor agreements:

Summary Of Retiree Welfare Benefits

A. Eligibility for Postemployment Welfare Benefits

South Plainfield PBA Local #100 (effective January 1, 2015 through December 31, 2018):

- Retire with at least 25 years of creditable service in the New Jersey Police and Firemen's Retirement System (NJPFERS); or
- Retire under a disability retirement from the NJPFERS: Ordinary – 4 years of service; Accidental – no service requirement

NOTE 16: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Summary of Retiree Welfare Benefits (Continued)

PBA Local #100 Superior Officers (effective January 1, 2016 through December 31, 2016):

- Retire with at least 25 years of creditable service in the New Jersey Police and Firemen's Retirement System (NJPFERS); or
- Retire under a disability retirement from the NJPFERS: Ordinary – 4 years of service; Accidental – no service requirement

South Plainfield Professional Managers Association (effective January 1, 2015 through December 31, 2018):

- Retire with at least 25 years of service in New Jersey Public Employees' Retirement System (NJPERS); or
- Retire with a disability retirement from NJPERS: Ordinary – 10 years of service; Accidental – no service requirement; or

American Federation of State, County and Municipal Employees AFL-CIO, Council 73 (effective January 1, 2015 through December 31, 2018):

- Retire with at least 25 years of service in New Jersey Public Employees' Retirement System (NJPERS); or
- Retire with a disability retirement from NJPERS: Ordinary – 10 years of service; Accidental – no service requirement

Teamsters Local Union No. 469 (effective January 1, 2015 through December 31, 2018):

- Retire with at least 25 years of service in New Jersey Public Employees' Retirement System (NJPERS); or
- Retire with a disability retirement from NJPERS: Ordinary – 10 years of service; Accidental – no service requirement

B. Retiree Medical Benefits

Two Medical plans are offered to eligible retirees and their dependents: a Traditional plan and an EPO plan. These plans are self-insured through Horizon Blue Cross/Blue Shield.



NOTE 16: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Summary Of Retiree Welfare Benefits (Continued)

C. Retiree Prescription Drug Benefits

Prescription drug benefits are provided to eligible retirees and their dependents and self-insured through Express Scripts.

Copayment schedules depend on date of retirement and union as outlined below:

Retirees Prior to 1999:

<u>Retail</u>	
34 day supply	20% (up to \$100 maximum) per generic/brand

<u>Mail Order</u>	
90 day supply	20% (up to \$100 maximum) per generic/brand

Retirees during or after 1999:

All PBA Local 100 & Teamsters Local:

	<u>Teamsters</u>	<u>PBA</u>
<u>Retail</u>		
34 day supply	\$8 generic/\$20 brand	\$8 generic/\$15 brand
<u>Mail Order</u>		
90 day supply	\$20 generic/\$30 brand	\$15 generic/\$25 brand
<u>All Others:</u>		

Professional Managers prior to 2015

<u>Retail</u>	
34 day supply	\$2 generic/\$5 brand

<u>Mail Order</u>	
90 day supply	\$0 generic/\$0 brand

Professional Managers beginning 1/1/15

<u>Retail</u>	
34 day supply	\$8 generic/\$15 brand

<u>Mail Order</u>	
90 day supply	\$25 generic/\$25 brand

AFSCME prior to 2015

<u>Retail</u>	
34 day supply	\$8 generic/\$20 brand

NOTE 16: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Summary Of Retiree Welfare Benefits (Continued)

D. Life Insurance or Death Benefits

No postemployment death benefits are paid by the Borough.

E. Dental Benefits

Dental benefits are offered on a reimbursement basis by the Borough.

All South Plainfield Professional Managers Association retirees, all Teamsters Local Union No. 469 retirees, all AFSCME retirees and all PBA Local #100 members retiring on or after January 1, 2003 are eligible for the following Dental Plan benefits.

The Dental Plan provides 100% of coverage on preventative and diagnostic services with no deductible. All other care has 80% coinsurance with a \$25 deductible per person (limited to \$75 per family) with an annual maximum of \$2,000 per teamsters local individuals, and \$2,200 for PBA 100 and Professional Managers individuals. The lifetime orthodontic maximum is \$1,200 per teamsters and AFSCME individuals and \$1,500 for PBA 100 individuals.

F. Vision Benefits

Vision benefits are offered on a reimbursement basis by the Borough. All South Plainfield Professional Managers Association retirees, all Teamsters Local Union No. 469 retirees and all AFSCME retirees are eligible for the following Optical Plan benefits:

The combined cost to the Borough for an annual eye examination and prescription eye glasses shall not exceed \$400 for every alternate year. The employee can use the allotment for a family member if the employee so chooses.

South Plainfield PBA Local #100 Policemen retiring on or after January 1, 1999 and PBA Local #100 Superior Officers retiring on or after January 1, 2000 are entitled to the following Optical Plan benefits.

The cost to the Borough for an annual eye examination will be no more than \$75 and the cost to the Borough for prescription eye glasses shall not exceed \$300 every alternate year. In the event the eye prescription changes in an off year, the Borough will still provide the coverage. Vision benefits are transferable to a family member.

NOTE 16: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Summary Of Retiree Welfare Benefits (Continued)

G. Medicare

Medical benefits coordinate with Medicare and retirees and their dependents are required to participate in Medicare A and B upon eligibility for these programs. Retirees and their dependents are reimbursed the Part B premium by the Borough. The Medicare Part D prescription drug subsidy has not been considered in this valuation pursuant to the GASB statement.

H. Dependent Coverage

Eligible dependents of retirees are provided medical, prescription drug, dental and vision benefits for their lifetime as described above.

I. Retiree Contributions

Retirees and their dependents are not required to contribute toward the cost of the post retirement medical, prescription drug, dental and vision coverage. All costs are paid 100% by the Borough except for retiree contribution required under Chapter 78. An employee who retires after satisfying the eligibility requirements who had less than 20 years of PERS or PFRS service as of June 28, 2011, shall be required to contribute toward the cost of postretirement healthcare benefits. The retirement contributions are based on a percentage of the postretirement healthcare cost and vary based on coverage tier and amount of PERS or PFRS pension amounts based on tables presented in the Borough's plan document, ranging from 3.5% to 35%.

Assumptions and Actuarial Methods

The actuarial assumptions used to value the postretirement medical liabilities can be categorized into three groups:

- Economic Assumptions – the discount rate and health care cost trend rates.
- Benefit assumptions – the initial per capita cost rates for medical and prescription drug coverage.
- Demographic assumptions – including the probabilities of retiring, dying, terminating (without a benefit), becoming disabled, recovery from disability, election (participating rates) and coverage levels.

NOTE 16: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Assumptions and Actuarial Methods (Continued)

Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphasis on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions. In accordance with local Finance Notice 2007-15 issued by the New Jersey Department of Community Affairs, we used demographic and health care assumptions consistent with the assumptions used by the New Jersey Division of Pensions and Benefits and the State Health Benefits Plan (SHBP) as reported in their December 31, 2016 Actuarial Valuation to value the GASB obligations.

Economic Assumptions

The two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

Discount Rate

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that are being partially funded. We assumed a discount rate of 4.5% for purposes of developing the liabilities and Annual Required Contribution on the basis that the Plan would not be funded. This rate is derived from the historical performance of the New Jersey State Cash Management Fund. Other factors include the assumptions of salary increases of 3% per year, social security taxable wage base increases of 3% per year, and CPI inflation rate of 2.5% per year.

Benefit Assumptions

The valuation projects the cost to the Borough of providing medical benefits to employees who remain in the medical plan after retirement (postemployment coverage). Future retirees are assumed to remain in the same medical plan they were covered under while active. Under the rules set out in GASB 45, both the direct contribution and any implicit subsidy must be considered in measuring post-retirement medical benefit obligation.

Following actuarial standards, specifically ASOP 6, we have developed incurred claims costs for the benefits based on current costs for the plans adjusted to age-specific health care cost estimates.

NOTE 16: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Assumptions and Actuarial Methods (Continued)

Demographic Assumptions

Mortality

Sex-distinct RP-2014 Employees, Healthy Annuitant and Disabled Retiree Tables (headcount-weighted) and projected with scale MP-2016. This assumption differs from that used in the July 1, 2015 SHBP valuation to reflect the updated mortality projection scales published by the Society of Actuaries in 2016.

Retirement Rates

Police Officers with 25 or more years of service are assumed to retire at varying rates as stated in the Borough's December 31, 2016 report on file. 100% of Police Officers are assumed to retire at age 65 (which is mandated under New Jersey State law), regardless of service. Civilians with 25 or more years of service are assumed to retire according at varying rates as stated in the Borough's December 31, 2016 report on file. 100% of Civilians are assumed to retire at age 70, regardless of service.

Other Factors

Turnover rates vary by age and service as illustrated in the Borough's December 31, 2016 report on file. 100% of future retirees will participate in the retiree medical plan upon retirement. 75% of future retirees are assumed to have spousal/dependent coverage upon retirement. Current retiree spousal/dependent coverage information was provided by the Borough. Decrement timing is mid-year. The Cadillac tax determination is based on retiree premium-equivalent rates for medical and prescription drug coverage.

Methods

Actuarial Cost Method

There are several acceptable actuarial methods listed in the GASB standard. The actuarial cost method used to determine the plan's cost is the Projected Unit Credit method, the same method used in State of New Jersey Postemployment Benefits Other Than Pension July 1, 2015 Actuarial Valuation. Under this method, an actuarial accrued liability is determined as the actuarial present value of the portion of projected benefits which is allocated to service before the current plan year. In addition, a normal cost is determined as the actuarial present value of the portion of projected benefits which is allocated to service in the current plan year for each active participant under the assumed retirement age.

NOTE 16: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Methods (Continued)

Asset Valuation Method

The plan is currently unfunded.

Amortization Method and Period

The unfunded actuarial accrued liability is amortized as a level dollar amount using an open period of 30 years.

Summary of Valuation Results

The Present Value of Future Benefits ("PVFB") as of December 31, 2016 is \$113,386,000 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2016.

The Actuarial Accrued Liability ("AAL") as of December 31, 2016 is \$85,770,000 based upon a discount rate of 4.50% per annum and the plan provisions in effect on December 31, 2016.

The Unfunded Actuarial Accrued Liability is \$86,136,000 as of December 31, 2016, which is calculated by subtracting the Assets and Normal Cost and adding Benefit Payments with interest to the Actuarial Accrued Liability to account for the end of year valuation date.

NOTE 17: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through June 30, 2017 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.

## **APPENDIX C**

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

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\_\_\_\_\_, 2018

Borough Council of the  
Borough of South Plainfield, in the  
County of Middlesex, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of South Plainfield, in the County of Middlesex, New Jersey (the "Borough") in connection with the issuance by the Borough of \$5,580,000 General Obligation Bonds, Series 2018, consisting of \$5,200,000 General Improvement Bonds and \$380,000 Pool Utility Bonds (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Borough adopted March 5, 2018 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Note is a valid and legally binding obligation of the Borough, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the Borough without limitation as to rate or amount.

On the date hereof, the Borough has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Note in order to preserve the tax-exempt status of the Note pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note. In the event that the Borough continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Borough in the Certificate, it is our opinion that, under existing law, interest on the Note is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Note held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. We express no opinion regarding other federal tax consequences arising with respect to the Note. Further, in our opinion, based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,

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