

OFFICIAL STATEMENT DATED JUNE 19, 2018

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: See "RATINGS" herein

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

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

**\$4,714,000
GENERAL OBLIGATION BONDS, SERIES 2018**

**DATED: DATE OF DELIVERY
DUE: JUNE 15, AS SHOWN ON THE
INSIDE FRONT COVER**

CALLABLE

The \$4,714,000 General Obligation Bonds, Series 2018 (the "Bonds") are general obligations of the City of Rahway, in the County of Union, State of New Jersey (the "City") and are secured by the full faith and credit of the City for the payment of principal thereof and interest thereon. The Bonds, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the City for the payment of the principal thereof and the interest thereon without limitation as to rate or amount.

The Bonds will be issued in the form of one certificate for the aggregate principal amount thereof maturing in each year and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 each or any integral multiple thereof, except that any bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. See "BOOK-ENTRY ONLY SYSTEM" herein. So long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants, which will in turn remit such payments to the owners of beneficial interest in the Bonds.

Principal of the Bonds is payable on June 15 in each of the years set forth on the inside front cover page hereof. Interest on the Bonds is payable on June 15 and December 15, commencing December 15, 2018 in each year until maturity or prior redemption, as applicable.

The Bonds are subject to redemption prior to their stated maturities as set forth herein.

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

The Bonds are being issued to: (i) refund, on a current basis, a \$4,713,721 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$4,714,000 on June 28, 2017 and maturing June 28, 2018 (the "Prior Notes"); (ii) temporarily finance \$279 of various capital improvements and purposes in and by the City; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

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

The Bonds are offered when, as and if issued and subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality by the law firm of Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City, and certain other conditions described herein. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about June 27, 2018.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

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

\$4,714,000 GENERAL OBLIGATION BONDS, SERIES 2018

MATURITY SCHEDULE, INTEREST RATES AND YIELDS

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rates</u>	<u>Yields</u>
2019	\$140,000	2.000%	1.50%	2029	\$275,000	3.000%	2.90%
2020	145,000	3.000	1.70	2030	275,000	3.000	3.00
2021	150,000	4.000	1.85	2031	275,000	3.000	3.10
2022	155,000	5.000	2.00	2032	280,000	3.000	3.15
2023	160,000	5.000	2.15	2033	280,000	3.125	3.20
2024	170,000	5.000	2.30	2034	280,000	3.125	3.25
2025	185,000	5.000	2.45	2035	280,000	3.250	3.30
2026	275,000	2.500	2.60	2036	280,000	3.250	3.35
2027	275,000	2.625	2.70	2037	280,000	3.250	3.40
2028	275,000	3.000	2.80	2038	279,000	3.375	3.45

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

MAYOR

Raymond A. Giacobbe, Jr.

CITY COUNCIL

James Baker
Robert Bresenhan, Jr.
David Brown
Michael Cox
Rodney Farrar
Joseph D. Gibilisco
Joanna Miles
Jeremy E. Mojica
Jennifer Wenson-Maier

CITY CLERK

Rayna E. Harris

CHIEF FINANCIAL OFFICER

Frank C. Ruggiero

DIRECTOR OF LAW

Louis N. Rainone, Esq.
Iselin, New Jersey

INDEPENDENT AUDITORS

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

BOND COUNSEL

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

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

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

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

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

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

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

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OFFICIAL STATEMENT
of
CITY OF RAHWAY
IN THE COUNTY OF UNION, STATE OF NEW JERSEY
\$4,714,000 GENERAL OBLIGATION BONDS, SERIES 2018

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the City of Rahway (the "City"), in the County of Union (the "County"), State of New Jersey (the "State") in connection with the sale and issuance of its \$4,714,000 General Obligation Bonds, Series 2018 (the "Bonds"). This Official Statement (the "Official Statement"), which includes the cover page and the Appendices attached hereto, has been authorized by the City Council to be distributed in connection with the sale of the Bonds and has been executed by and on behalf of the City by the Chief Financial Officer.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to the sale, issuance and delivery of the Bonds. This Official Statement should be read in its entirety.

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

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

THE BONDS

General Description of the Bonds

The Bonds shall be dated the date of delivery and will mature on June 15 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from the date of delivery and shall be payable on each June 15 and December 15 (each, an "Interest Payment Date") in each year until maturity or earlier redemption, if applicable, commencing December 15, 2018, at the rates shown on the inside front cover page hereof. The Bonds are issuable as fully registered book-entry only bonds in the form of one certificate for each year of maturity of the Bonds in the aggregate principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of \$5,000, except that any bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof, through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC") and its participants. So long as DTC or its nominee, Cede & Co., or any successor or assign, is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City directly to Cede & Co. or any successor or assign, as nominee for DTC. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be credited to the participants of DTC as listed on the records of DTC as of the close of business on June 1 and December 1 (the "Record Dates" for the payment of interest on the Bonds). See "BOOK-ENTRY ONLY SYSTEM" herein.

Optional Redemption

The Bonds of this issue maturing prior to June 15, 2026 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after June 15, 2026 are subject to redemption at the option of the City, in whole or in part, on any date on or after June 15, 2025, upon notice as required herein at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

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

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

Authorization for the Issuance of the Bonds

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the City Council on the dates set forth in the chart below and on the following page and published and approved as required by law, and by a resolution duly adopted by the City Council on June 11, 2018.

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

Purpose of the Bonds

The Bonds are being issued to: (i) refund, on a current basis, a \$4,713,721 portion of prior bond anticipation notes of the City issued in the aggregate principal amount of \$4,714,000 on June 28, 2017 and maturing June 28, 2018 (the "Prior Notes"); (ii) temporarily finance \$279 of various capital improvements and purposes in and by the City; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

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

Ordinance Number	Description and Date of Final Adoption	Amount of Prior Notes Being Refunded with the Bonds	New Money
O-24-06	Various 2006 Capital Improvements, Finally Adopted 7/10/06	\$855,828	N/A
O-34-07	Various Water System Improvements, Finally Adopted 9/10/07	\$1,092,841	N/A
O-28-14	Various Water Utility Capital Improvements, Finally Adopted 8/11/14	\$274,272	N/A
O-34-13, As Amended By, O-39-14	Preliminary Costs Associated With An Upgrade to the Water Treatment Plan, Finally Adopted 8/28/13	\$1,210,107	N/A
O-10-15	Various 2015 Water Utility Capital Improvements, Finally Adopted 6/16/15	\$880,952	N/A
O-28-16	Various Improvements to Water Treatment Plant, Finally Adopted 11/21/16	\$399,721	\$279
TOTAL		\$4,713,721	\$279

Payment of Bonds

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

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City 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 nor its nominee, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

THE CITY OR THE 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.

Discontinuation of Book-Entry Only System

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

SECURITY AND SOURCE OF PAYMENT

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

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

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

NO DEFAULT

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

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

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

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

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

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

Short Term Financing

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

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

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

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

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

There are statutory requirements which limit the amount of debt which the City is permitted to authorize. The authorized bonded indebtedness of a City is limited by the Local Bond Law and other laws to an amount equal to three and one half percent (3½%) of its stated average equalized valuation basis, subject to certain

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

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

The debt limit of the City may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the Bonds are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the City and that the proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district. The City has not exceeded its debt limit.

DEBT INFORMATION OF THE CITY

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

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

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

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

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

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

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

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

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

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

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

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the City shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the City may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the City for such year be increased by a percentage rate that is greater than the Cost-Of-Living

Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "CAP" banking to the Local Budget Law. Municipalities are permitted to appropriate available "CAP Bank" in either of the next two (2) succeeding years' final appropriations. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

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

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

Deferral of Current Expenses

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

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

Budget Transfers

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

Anticipation of Real Estate Taxes

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

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

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

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

Anticipation of Miscellaneous Revenues

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

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

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

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years.

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

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

in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from accounting principals generally accepted in the United States of America.

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

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

Investment of Municipal Funds

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

CAPITAL IMPROVEMENT PROGRAM

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

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a “like” basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners. Because of the escalation of property resale values, annual adjustments could not keep pace with the rising values.

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

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

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

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

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

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

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

Tax Appeals

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

TAX MATTERS

Exclusion of Interest on the Bonds 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 City 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 City will make certain representations in its tax certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The City has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel will rely upon the representations made in the tax certificate and will assume continuing compliance by the City 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 City observes its covenants with respect to compliance with the Code, Archer & Greiner P.C., Bond Counsel to the City, is of the opinion that, under existing law, interest on the 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 (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City 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 City 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.

Additional Federal Income Tax Consequences of Holding the Bonds

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

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

Changes in Federal Tax Law Regarding the Bonds

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

State Taxation

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

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

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

Other Tax Consequences

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

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

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

LITIGATION

To the knowledge of the Director of Law, Louis N. Rainone, Esq., Iselin, New Jersey (the "Director of Law"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of 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 to pay the principal of or the interest on the Bonds, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the Director of Law, no litigation is presently pending or threatened that, in the opinion of the Director of Law, would have a material adverse impact on the financial condition of the City if adversely decided. A Certificate to such effect will be executed by the Director of Law and delivered to the Underwriter at the closing.

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 Archer & Greiner P.C., Red Bank, New Jersey, Bond Counsel to the City, whose approving legal opinion will be delivered with the Bonds substantially in the forms set forth as Appendix C. Certain legal matters will be passed on for the City by its Director of Law.

MUNICIPAL BANKRUPTCY

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

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such code.

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

The City has not authorized the filing of a bankruptcy petition. This reference to the Bankruptcy Code or the State statute should not create any implication that the City expects to utilize the benefits of their provisions, or that if utilized, such action would be approved by the Local Finance Board, or that any proposed plan would include a dilution of the source of payment of and security for the Bonds, or that the Bankruptcy Code could not be amended after the date hereof.

SECONDARY MARKET DISCLOSURE FOR THE BONDS

The City has covenanted for the benefit of bondholders to provide certain financial information and operating data on the City and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Bond Disclosure Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix E hereto, such Bond Disclosure Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the City to assist the purchaser of the Bonds in complying with the Rule.

The City has filed operating and financial data for some, but not all, of its outstanding obligations (and other entities for which it guarantees debt) and certain of the filings were late. In addition, the City failed to file with EMMA (i) audited financial information for the fiscal years ending December 31, 2012 and 2013, (ii) annual debt statements for fiscal years ending December 31, 2012 and 2013; and (iii) certain operating and financial data for fiscal years ending December 31, 2012 and 2013. While the City acknowledges that it previously failed to file notices in connection with those items in (i) to (iii) and (iv) certain bond insurer rating changes, and (v) its rating changes, such filing and material event notices, along with the financial information indicated in (i) to (iii), have been filed. The City has retained Phoenix Advisors, LLC as dissemination agent for purposes of on-going secondary market disclosure compliance.

The City changed its fiscal year in 2011 from a June 30 year end to a December 31 year end and has filed the above material event notice in connection therewith. The City is in the process of amending prior continuing disclosure obligations to change filing deadlines to 270 days from December 31 of each year to ensure future compliance with its new fiscal year. These amendments to prior continuing disclosure obligations to reflect new and uniform filing deadlines brought about by its new December 31 fiscal year end, along with retaining Phoenix Advisors, LLC as dissemination agent for purposes of on-going secondary market disclosure compliance, will ensure future compliance by the City with its continuing disclosure obligations.

LEGALITY FOR INVESTMENT

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

UNDERWRITING

The Bonds have been purchased from the City at a public sale for resale by Roosevelt & Cross, Inc. and Associates, New York, New York (the "Bond Underwriter"), at a purchase price of \$4,721,885.53. The purchase price of the Bonds reflects the par amount of the Bonds equal to \$4,714,000.00; minus a Bond Underwriter's discount of \$72,878.44, plus a net original issue premium in the amount of \$80,763.97.

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P") has assigned the Bonds the rating of "AA" (Stable).

An explanation of the significance of each such ratings may be obtained from S&P at Public Finance Department, 55 Water Street, New York, New York 10041. The City furnished to S&P certain information and materials concerning the Bonds and the City. There can be no assurance that the ratings will be maintained for any given period of time or that either of the ratings may not be lowered or withdrawn entirely, if in S&P's judgment, circumstances so warrant. Any downward change in, or withdrawal of any such ratings, may have an adverse effect on the marketability or market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

FINANCIAL STATEMENTS

The financial statements of the City as of December 31, 2017 (Unaudited), 2016 and 2015 have been prepared by Lerch, Vinci & Higgins, LLP (the "Auditor"). Accordingly, the Auditor takes responsibility for their Accountant's Compilation Report and Independent Auditor's Report appearing and set forth in Appendix B attached hereto.

PREPARATION OF OFFICIAL STATEMENT

The firm of Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, Certified Public Accountants and Registered Municipal Accountants, assisted in the preparation of information contained in this Official Statement, and takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report.

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

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

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including requests for information additional to that contained herein, may be directed to the City of Rahway, 1 City Hall Plaza, Rahway, New Jersey, Frank C. Ruggiero, Chief Financial Officer, (732) 827-2019.

MISCELLANEOUS

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

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

/s/ Frank C. Ruggiero
Frank C. Ruggiero
Chief Financial Officer

Dated: June 19, 2018

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APPENDIX A

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

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DEMOGRAPHIC AND ECONOMIC FACTORS

Size and Geographical Location

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

Form of Government

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

Transportation

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

Protection

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

Sewer and Sanitation

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

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

Utilities

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

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

Recreation

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

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

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

Education

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

Employment and Unemployment Comparisons

For the years 2013 to 2017, the New Jersey Department of Labor reported the following annual average employment information for the City, the County and the State:

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
<u>City of Rahway</u>				
2017	14,796	14,015	781	5.3%
2016	14,827	14,001	826	5.6%
2015	14,600	13,600	1,000	6.6%
2014	14,612	13,509	1,103	7.5%
2013	14,469	13,162	1,307	9.0%
<u>County of Union</u>				
2017	276,968	263,748	13,220	4.8%
2016	277,400	263,100	14,300	5.2%
2015	279,900	263,500	16,400	5.9%
2014	279,108	260,112	18,996	6.8%
2013	276,035	253,066	22,969	8.3%
<u>State of New Jersey</u>				
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,524,300	4,299,900	224,400	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,518,700	4,218,400	300,300	6.6%
2013	4,537,800	4,166,000	371,800	8.2%

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

Population

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

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016</u>
City of Rahway	26,723	25,325	26,500	27,346	29,451
County of Union	504,094	493,819	522,541	536,499	555,630
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,944,469

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

Income as of 2016

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
City of Rahway	\$ 66,457	\$ 75,882	\$ 31,460
County of Union	70,476	83,259	36,374
State of New Jersey	73,702	90,757	37,538

Source: U.S. Census Bureau, 2012-2016 American Community Survey - 5 Year Estimates.

SUMMARY OF MUNICIPAL BUDGETS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Anticipated Revenues					
Fund Balance	\$ 2,200,000	\$ 2,300,000	\$ 2,500,000	\$ 3,000,000	\$ 1,500,000
Miscellaneous Revenues	13,541,346	13,234,286	12,781,662	13,110,270	14,300,424
Receipts from Delinquent Taxes	1,000,000	930,000	750,000	500,000	500,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>37,441,621</u>	<u>36,709,714</u>	<u>36,078,364</u>	<u>34,781,960</u>	<u>34,441,829</u>
	<u>\$ 54,182,967</u>	<u>\$ 53,174,000</u>	<u>\$ 52,110,026</u>	<u>\$ 51,392,230</u>	<u>\$ 50,742,253</u>
Appropriations					
Salaries and Wages	\$ 22,172,000	\$ 21,739,000	\$ 21,722,000	\$ 21,900,000	\$ 21,727,000
Other Expenses	18,302,477	17,782,967	17,222,226	16,540,214	16,162,537
Deferred Charges and Statutory Expenditures	5,259,567	5,206,956	5,081,785	5,087,874	5,954,274
Capital Improvement Fund	150,000	160,000	165,000	300,000	200,000
Municipal Debt Service	6,248,923	6,235,077	6,119,015	5,864,142	5,198,442
Reserve for Uncollected Taxes	<u>2,050,000</u>	<u>2,050,000</u>	<u>1,800,000</u>	<u>1,700,000</u>	<u>1,500,000</u>
	<u>\$ 54,182,967</u>	<u>\$ 53,174,000</u>	<u>\$ 52,110,026</u>	<u>\$ 51,392,230</u>	<u>\$ 50,742,253</u>

Source: Adopted Municipal Budgets

DEBT INFORMATION OF THE CITY

**Debt Incurring Capacity
as of December 31, 2017 (Unaudited)**

Municipal		
Equalized Valuation Basis (2016, 2015, and 2014)	\$	2,538,492,785
3 1/2% Borrowing Margin		88,847,247
Net Debt Issued, Outstanding and Authorized		54,311,589
Excess School Borrowing		-
Total Charge to Borrowing Margin		54,311,589
Remaining Municipal Borrowing Capacity		34,535,658
Local School		
4% Borrowing Margin		101,539,711
Debt, Issued, Outstanding and Authorized		16,825,000
Remaining School Borrowing Capacity		84,714,711

Source: City of Rahway's Annual Debt Statement

Gross and Statutory Net Debt

<u>December 31,</u>	<u>Gross Debt</u> <u>Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2017	\$ 118,236,930	\$ 54,311,589	2.14%
2016	119,903,239	52,869,328	2.11%
2015	123,994,609	54,269,135	2.12%
2014	108,432,233	62,376,761	2.33%
2013	106,936,676	56,287,771	1.94%

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

Source: City of Rahway's Annual Audit Reports and 2017 Annual Debt Statement.

Statement of Indebtedness
As of December 31, 2017 (Unaudited)

GENERAL PURPOSES

Bonds, Notes and Loans Issued and Outstanding		
Bonds	44,281,368	
Notes	4,999,278	
Loans	465,582	
Bonds and Notes Authorized But Not Issued	4,072,335	
		\$ 53,818,563

CITY GUARANTEED DEBT

Rahway Parking Authority	3,895,000	
Rahway Redevelopment Agency	7,250,000	
		11,145,000

WATER UTILITY

Bonds, Notes and Loans Issued and Outstanding		
Bonds	2,125,000	
Notes	21,164,467	
Loans	2,375,023	
Bonds and Notes Authorized But Not Issued	6,326,848	
		31,991,338

SEWER UTILITY

Bonds, Notes and Loans Issued and Outstanding		
Bonds	870,632	
Notes	2,569,557	
Loans	816,840	
Bonds and Notes Authorized But Not Issued	200,000	
		4,457,029

LOCAL SCHOOL

Bonds and Notes Authorized But Not Issued		16,825,000
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		118,236,930
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STATUTORY DEDUCTIONS

General Purposes	377,606	
City Guaranteed	11,145,000	
Utility Debt	35,577,735	
Local School	16,825,000	
		63,925,341

		\$ 54,311,589
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Statement of Indebtedness
As of December 31, 2017 (Unaudited)
(Continued)

OVERLAPPING DEBT

County of Union (1)	24,068,282
Rahway Valley Sewerage Authority (2)	22,366,188

TOTAL OVERLAPPING DEBT \$ 46,434,470

GROSS DEBT

Per Capita (2016 - 29,451)	\$4,015
Percent of Net Valuation Taxable (2017 - \$1,450,963,757)	8.15%
Percent of Estimated True Value of Real Property (2017 - \$2,543,223,255)	4.65%

NET MUNICIPAL DEBT

Per Capita (2016 - 29,451)	\$1,844
Percent of Net Valuation Taxable (2017 - \$1,450,963,757)	3.74%
Percent of Estimated True Value of Real Property (2017 - \$2,543,223,255)	2.14%

OVERALL DEBT (Net and Overlapping Debt)

Per Capita (2016 - 29,451)	\$3,421
Percent of Net Valuation Taxable (2017 - \$1,450,963,757)	6.94%
Percent of Estimated True Value of Real Property (2017 - \$2,543,223,255)	3.96%

Note (1) Union County Treasurer's Office. The County Debt was apportioned to Rahway City by dividing the City's 201 equalized value by the total 2015 equalized value for Union County.

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

Source: City of Rahway's 2017 Annual Debt Statement

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

<u>December 31,</u>	<u>Fund Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2017 (Unaudited)	\$ 5,330,264	(1)
2016	6,030,986	\$ 2,200,000
2015	5,758,676	2,300,000
2014	6,342,661	2,500,000
2013	6,687,249	3,000,000

(1) The 2018 Budget had not been introduced as of the date of this official statement.

Source: City of Rahway's Annual Audit Reports and 2017 Annual Financial Statement.

TAX INFORMATION OF THE CITY

Current Tax Collections

<u>December 31,</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2017 (Unaudited)	\$ 94,935,013	\$ 93,034,904	97.99%
2016	93,350,313	91,842,321	98.38%
2015	92,427,947	90,496,121	97.90%
2014	90,555,835	89,054,640	98.34%
2013	88,206,982	86,556,610	98.12%

Source: City of Rahway’s Annual Audit Reports and 2017 Annual Financial Statement.

Delinquent Taxes and Tax Title Liens

<u>December 31,</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2016	\$ 452,502	\$ 1,815,306	\$ 2,267,808	2.39%
2016	422,273	1,431,810	1,854,083	1.99%
2015	395,011	1,786,381	2,181,392	2.36%
2014	224,678	1,400,586	1,625,264	1.79%
2013	196,216	1,511,682	1,707,898	1.93%

Source: City of Rahway’s Annual Audit Reports and 2017 Annual Financial Statement.

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

<u>Year</u>	<u>Amount</u>
2017 (Unaudited)	\$ 2,644,300
2016	2,644,300
2015	2,644,300
2014	2,644,300
2013	2,644,300

Source: City of Rahway’s Annual Audit Reports and 2017 Annual Financial Statement.

Ten Largest Taxpayers

The 10 largest taxpayers in the City and their 2018 assessed valuations are listed below:

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

Source: City of Rahway Tax Assessor.

Assessed Valuations Land and Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Industrial</u>	<u>Total</u>
2018	\$ 13,442,400	\$ 968,768,800	\$ 128,482,600	\$ 67,738,510	\$ 249,791,200	\$ 1,428,223,510
2017	9,758,100	966,655,600	130,209,200	72,236,600	272,104,200	1,450,963,700
2016	9,648,500	967,400,100	132,439,900	72,261,000	272,162,800	1,453,912,300
2015	11,693,800	965,379,100	128,395,100	51,824,500	288,458,100	1,445,750,600
2014	11,552,100	969,683,500	125,353,600	51,914,900	288,210,100	1,446,714,200

Source: City of Rahway - Tax List District Summary.

Assessed Valuations Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2018	\$ 1,428,223,510	\$ 55	\$ 1,428,223,565	55.79%	\$ 2,582,162,059
2017	1,450,963,700	57	1,450,963,757	57.56%	2,543,223,255
2016	1,453,912,300	3,542,314	1,457,454,614	58.09%	2,529,176,515
2015	1,445,750,600	3,442,157	1,449,192,757	57.89%	2,525,811,497
2014	1,446,714,200	3,097,847	1,449,812,047	53.78%	2,719,883,294

Source: Union County Abstract of Ratables and 2017 Equalization Table.

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

<u>Year</u>	<u>Total</u>	<u>Municipal*</u>	<u>Local School</u>	<u>County</u>
2017 (Unaudited)	\$ 94,935,013	\$ 37,648,526	\$ 43,569,355	\$ 13,717,132
2016	93,350,313	36,941,787	42,753,589	13,654,937
2015	92,427,947	36,950,134	41,959,236	13,518,577
2014	90,555,835	35,338,830	40,924,076	14,292,929
2013	88,206,982	34,644,632	39,365,157	14,197,193

* Includes Special Improvement District.

Source: City of Rahway's Annual Audit Reports and 2017 Annual Financial Statement.

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2017	\$ 6.528	\$ 2.581	\$ 3.003	\$ 0.944
2016	6.389	2.519	2.935	0.935
2015	6.317	2.490	2.896	0.931
2014	6.204	2.399	2.823	0.982
2013	6.047	2.367	2.706	0.974

* Does not include Special Improvement District.

Source: City of Rahway Tax Collector

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APPENDIX B

**UNAUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017 AND
AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016 AND 2015**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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MARK SACO, CPA
SHERYL M. NICOLOSI, CPA

ACCOUNTANT’S COMPILATION REPORT

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

Management is responsible for the accompanying balance sheets – regulatory basis of the various funds and account group of the City of Rahway, as of December 31, 2017 and the related statements of operations and changes in fund balances – regulatory basis, the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year then ended and the related notes to financial statements in accordance with the regulatory basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements – regulatory basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements – regulatory basis.

As described more fully in Note 1, the City of Rahway has prepared these financial statements in accordance with the financial and accounting reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. The effect on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

By/s/

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

Fair Lawn, New Jersey
May 9, 2018



LERCH, VINCI & HIGGINS, LLP

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Rahway, as of 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Rahway as of 2016 and 2015, or changes in financial position, or, where applicable, cash flows for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the City of Rahway as of December 31, 2016 and 2015, and the results of operations and changes in fund balance – regulatory basis of such funds, the respective statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the years then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 20, 2017 on our consideration of the City of Rahway’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Rahway’s internal control over financial reporting and compliance.

By/s/

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

Fair Lawn, New Jersey
June 20, 2017

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
ASSETS			
Cash	\$ 15,488,052	\$ 14,927,210	\$ 14,146,039
Cash - Change Funds	1,295	1,395	1,295
Grants Receivable	634,977	370,644	391,820
Due from State of New Jersey - Senior Citizen and Veterans Deductions	<u>52,520</u>	<u>53,931</u>	<u>51,725</u>
	<u>16,176,844</u>	<u>15,353,180</u>	<u>14,590,879</u>
Receivables with Full Reserves			
Taxes Receivable	1,815,306	1,431,810	1,786,381
Tax Title Liens Receivable	452,502	422,273	395,011
Property Acquired for Taxes (Assessed Value)	2,644,300	2,644,300	2,644,300
Revenue Accounts Receivable		48,259	45,139
Other Liens Receivable		9,938	36,679
Due from Rahway Redevelopment Agency		149,300	20,866
Due from Animal Control Fund	10,730	10,717	12,394
Due from Self Insurance Trust Fund	166		
Due from CDBG Trust Fund	65,800	65,845	65,845
Due from General Capital Fund	1,884,675		
Due from Water Utility Operating Fund	1,237,451		928,520
Due from Water Utility Capital Fund		320,418	
Due from Sewer Utility Operating Fund	<u>-</u>	<u>142,989</u>	<u>-</u>
	<u>8,110,930</u>	<u>5,245,849</u>	<u>5,935,135</u>
Deferred Charges			
Special Emergency Appropriation	<u>-</u>	<u>224,000</u>	<u>448,000</u>
	<u>-</u>	<u>224,000</u>	<u>448,000</u>
Total Assets	<u>\$ 24,287,774</u>	<u>\$ 20,823,029</u>	<u>\$ 20,974,014</u>

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - CURRENT FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	\$ 1,328,684	\$ 1,737,105	\$ 905,229
Encumbrances Payable	1,417,787	840,853	731,446
Accounts Payable	33,204	127,093	38,370
Tax Overpayments	129,312	93,496	154,500
Prepaid Taxes	1,327,175	323,989	285,972
Local School Taxes Payable	149,089	110,510	70,860
County Taxes Payable	12,422	15,113	20,759
Due to Other Trust Fund	2,244,447	605,362	1,184,969
Due to Self Insurance Trust Fund		17,376	17,564
Due to General Capital Fund		734,619	937,090
Due to Water Utility Operating Fund		687,725	
Due to Sewer Utility Operating Fund			8,172
Due to Sewer Utility Capital Fund			351,434
Reserve for Special Improvement District Taxes	675,000	675,000	675,000
Reserve for Federal and State Grants - Unappropriated	128,069	198,602	247,967
Reserve for Federal and State Grants - Appropriated	2,001,391	1,780,249	1,679,456
Reserve for Tax Appeals	1,400,000	1,400,000	1,400,000
Reserve for FEMA Reimbursements		199,102	461,605
Reserve for Host Community Fees	-	-	109,810
	<u>10,846,580</u>	<u>9,546,194</u>	<u>9,280,203</u>
Reserve for Receivables	8,110,930	5,245,849	5,935,135
Fund Balance	<u>5,330,264</u>	<u>6,030,986</u>	<u>5,758,676</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 24,287,774</u>	 <u>\$ 20,823,029</u>	 <u>\$ 20,974,014</u>

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS- CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 (UNAUDITED) 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Anticipated	\$ 2,200,000	\$ 2,300,000	\$ 2,500,000
Miscellaneous Revenue Anticipated	14,927,583	13,560,225	13,653,946
Receipts from Delinquent Taxes	1,448,753	1,809,776	1,202,752
Receipts from Current Taxes	93,034,904	91,842,321	90,496,121
Non-Budget Revenues	487,410	369,941	246,493
Other Credits to Income	144,441		
Unexpended Balance of Appropriation Reserves	1,282,457	404,751	896,239
Redemption of Other Liens	9,938	26,741	11,456
Interfunds Liquidated	689,269	961,780	737,713
Statutory Excess - Animal Control Trust fund	-	10,711	4,918
Cancellation of Prior Year Accounts Payable	127,093	-	101,039
	<u>114,351,848</u>	<u>111,286,246</u>	<u>109,850,677</u>
Total Income			
EXPENDITURES			
Budget Appropriations			
Salaries and Wages	22,170,600	21,598,900	21,117,300
Other Expenses	18,344,196	18,030,665	18,027,313
Deferred Charges and Statutory Expenditures	5,259,567	5,207,956	5,031,885
Capital Improvements	150,000	160,000	165,000
Municipal Debt Service	6,249,660	6,253,104	6,046,380
County Taxes	13,704,710	13,639,824	13,497,818
Amount Due County for Added and Omitted Taxes	12,422	15,113	20,759
Local District School Tax	43,569,355	42,753,589	41,959,236
Special Improvement District Tax	130,000	130,000	740,000
Interfunds Advanced	3,198,822	623,424	1,027,625
Senior Citizens and Veterans Deductions Disallowed - Prior Year			130
Cancellation of Grants Receivable			77,385
Refund of Prior Year Revenue and Taxes	63,238	301,361	223,831
	<u>112,852,570</u>	<u>108,713,936</u>	<u>107,934,662</u>
Total Expenditures			
Excess in Revenue	1,499,278	2,572,310	1,916,015
Fund Balance, Beginning of Year	<u>6,030,986</u>	<u>5,758,676</u>	<u>6,342,661</u>
	7,530,264	8,330,986	8,258,676
Decreased by:			
Utilized as Anticipated Revenue	<u>2,200,000</u>	<u>2,300,000</u>	<u>2,500,000</u>
Fund Balance, End of Year	<u>\$ 5,330,264</u>	<u>\$ 6,030,986</u>	<u>\$ 5,758,676</u>

CITY OF RAHWAY
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017 (Unaudited)</u>		<u>2016</u>		<u>2015</u>	
	<u>Budget After</u> <u>Modification</u>	<u>Actual</u>	<u>Budget After</u> <u>Modification</u>	<u>Actual</u>	<u>Budget After</u> <u>Modification</u>	<u>Actual</u>
Surplus Anticipated	\$ 2,200,000	\$ 2,200,000	\$ 2,300,000	\$ 2,300,000	\$ 2,500,000	\$ 2,500,000
Miscellaneous Revenues						
Licenses						
Alcoholic Beverages	57,000	57,650	57,000	60,700	57,000	57,500
Other	5,000	5,656	5,000	7,525	5,000	7,030
Fees and Permits	100,000	119,414	100,000	127,284	100,000	112,093
Fines and Costs						
Municipal Court	585,000	667,326	685,000	587,883	600,000	864,810
Interest and Costs on Taxes	250,000	335,139	200,000	376,798	185,000	260,077
Interest on Investments and Deposits	48,000	63,176	48,000	65,413	50,000	61,547
Anticipated Utility Operating Surplus- Water	1,303,319	1,237,451	334,739	334,739	167,385	167,385
Anticipated Utility Operating Surplus- Sewer	165,847	165,847	342,815	114,174	387,612	387,612
Police Department Fees	95,000	88,923	95,000	95,399	100,000	97,470
Payments in Lieu of Taxes (PILOT)						
Lower Essex St. - Denholtz Management	460,000	472,488	460,000	476,902	460,000	464,173
Landmark - Block 157 Lot 1			571,377	571,377	400,000	
Rahway Parking Authority	170,000	184,167	170,000	170,000	170,000	170,000
Rosegate	18,000	25,000	18,000	27,036	18,000	25,000
Housing Authority	48,000	63,544	48,000	53,932	48,000	45,374
Senior Citizen Housing	250,000	274,121	250,000	269,735	250,000	263,984
Meyers Sr. Residence	55,000	28,269	55,000	72,052		
Metro	265,000	160,169	100,000	231,015		
Waters Edge	215,000	184,487	212,000	421,005		
Cellular Phone Tower Fees	400,000	407,630	425,000	401,588	450,000	434,420
Vacant/Foreclosure House Registration	350,000	606,815	325,000	403,500	40,000	322,500
Police Security - Administrative Fees	175,000	286,378	150,000	236,813	150,000	311,169
Planning Board Application Fees	5,000	10,950	35,000	5,745	25,000	50,334
Street Open Permits	60,000	73,988	40,000	62,526	30,000	44,418
Motor Vehicle Fines	3,000	19,478	3,000	3,375	11,000	3,760
UCC Penalties	15,000	17,665	15,000	15,770	28,000	15,820
Comcast Cable Franchise Fee	90,000	98,353	90,000	92,836	155,000	232,873
Uniform Construction Code Fees	435,000	731,286	465,000	436,464	450,000	599,372
State Aid Without Offsetting Appropriations						
Consolidated Municipal Property Tax Relief Aid	824,141	824,141	846,232	846,232	846,232	846,232
Energy Receipts Taxes	3,184,832	3,184,832	3,162,741	3,162,741	3,162,741	3,162,741
Interlocal Service Agreement Offset with Appropriations						
Berkeley Heights Health Services Contract	67,000	72,555	67,000	71,837	67,000	70,152
Public and Private Revenues Offset with Appropriations						
Clean Communities	58,394	58,394	51,064	51,064	41,990	41,990
NJ Wayfinding System					75,000	75,000
Recycling Tonnage Grant	34,970	34,970	62,670	62,670		
Drunk Driving Enforcement Fund	5,423	5,423	6,702	6,702		
Multiple Housing Inspections	10,612	10,612	11,094	11,094	13,760	13,760
State Forestry Services					3,000	3,000
Body Armor Replacement Program	6,355	6,355	6,624	6,624		
Drug Free Communities	125,000	125,000	125,000	125,000	250,000	250,000
Kids Recreation Trust	24,980	24,980	425	425	129,966	129,966

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF RAHWAY
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017 (Unaudited)</u>		<u>2016</u>		<u>2015</u>	
	<u>Budget After</u> <u>Modification</u>	<u>Actual</u>	<u>Budget After</u> <u>Modification</u>	<u>Actual</u>	<u>Budget After</u> <u>Modification</u>	<u>Actual</u>
Public and Private Revenues Offset with Appropriations (Continued)						
Recreation Heart Grant			\$ 1,250	\$ 1,250	\$ 500	\$ 500
Green the Streets					6,466	6,466
RWJ Foundation			500	500		
UC History			1,125	1,125		
Municipal Alliance on Alcoholism and Drug Abuse	\$ 25,487	\$ 25,487	11,097	11,097	25,487	25,487
Highway Safety Grant	16,532	16,532	87,041	87,041	94,544	94,544
Downtown Retail Study					20,000	20,000
Union County Recreation Grant	54,180	54,180				
Anti-Gang Strategies	234,191	234,191				
Grahill Charitable Trust	30,000	30,000	10,000	10,000	10,000	10,000
County of Union - Police Body Cameras			30,000	30,000		
Other Special Items of Revenue						
U.C.U.A. - Host Community Fees	2,350,000	2,363,693	2,650,000	2,350,000	2,650,000	2,650,000
U.C.U.A. - Host Community Fees - Excess Tonnage	350,000	878,225	109,810	109,810	148,025	148,025
Solid Waste Fees						
Rahway Housing Authority	18,000	27,750	18,000	37,000	26,000	18,500
Rahway Board of Education	40,000	40,000	40,000	40,000	40,000	40,000
Bulky Waste Fees						
Kenilworth	60,000	38,113	60,000	75,080	60,000	70,704
Outside Health Services						
Scotch Plains	66,000	70,000	66,000	68,328	66,000	66,655
Hillside	20,000	23,465	20,000	22,047	20,000	21,215
Winfield	5,000	9,065	5,000	8,975	5,000	8,778
Reserve for Insurance Recoveries					553,574	553,574
Reserve for FEMA Reimbursements	199,102	199,102	461,605	461,605	144,970	144,970
Assesment Trust Fund Balance					9,897	9,897
Hotel Fees	<u>150,000</u>	<u>185,148</u>	<u>150,000</u>	<u>180,392</u>	<u>125,000</u>	<u>173,069</u>
Total Miscellaneous Revenues	<u>13,583,365</u>	<u>14,927,583</u>	<u>13,360,911</u>	<u>13,560,225</u>	<u>12,932,149</u>	<u>13,653,946</u>
Receipts from Delinquent Taxes	<u>1,000,000</u>	<u>1,448,753</u>	<u>930,000</u>	<u>1,809,776</u>	<u>750,000</u>	<u>1,202,752</u>
Amount to be Raised by Taxes for Municipal Budget						
Local Tax for Municipal Purposes	36,598,472	36,825,268	35,878,964	36,523,045	35,244,307	35,244,251
Minimum Library Tax	<u>843,149</u>	<u>843,149</u>	<u>830,750</u>	<u>830,750</u>	<u>834,057</u>	<u>834,057</u>
Total Amount to be Raised by Taxes	<u>37,441,621</u>	<u>37,668,417</u>	<u>36,709,714</u>	<u>37,353,795</u>	<u>36,078,364</u>	<u>36,078,308</u>
Budget Totals	<u>\$ 54,224,986</u>	<u>\$ 56,244,753</u>	<u>\$ 53,300,625</u>	<u>\$ 55,023,796</u>	<u>\$ 52,260,513</u>	<u>\$ 53,435,006</u>

2017 (UNAUDITED) STATEMENT OF EXPENDITURES

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
General Government					
Department of Administration					
Salaries and Wages	\$ 334,000	\$ 347,000	\$ 346,503	\$ 497	
Other Expenses	389,000	389,000	300,033	88,967	
Mayor's Office					
Salaries and Wages	72,000	72,000	72,000		
Municipal Council					
Salaries and Wages	75,000	75,000	74,021	979	
Other Expenses	1,000	1,000	214	786	
Environmental Commission					
Salaries and Wages	4,000	4,000	1,772	2,228	
Other Expenses	1,000	1,000	1,000	-	
City Clerk					
Salaries and Wages	191,000	155,000	153,262	1,738	
Other Expenses	34,000	41,000	39,940	1,060	
Department of Revenue and Finance					
Salaries and Wages	448,000	448,000	436,947	11,053	
Other Expenses	637,000	707,000	673,889	33,111	
Municipal Audit	60,000	60,000	60,000	-	
Revenue Administration (Tax Collection)					
Salaries and Wages	177,000	177,000	99,980	77,020	
Other Expenses	72,000	72,000	57,157	14,843	
Department of Assessment					
Salaries and Wages	117,000	117,000	114,503	2,497	
Other Expenses	80,000	80,000	41,171	38,829	
Department of Law					
Salaries and Wages	85,000	85,000	78,418	6,582	
Other Expenses	600,000	600,000	507,875	92,125	
Division of Engineering					
Salaries and Wages	133,000	-	-		
Other Expenses	330,000	435,000	407,488	27,512	
Department of Building, Planning & Economic Development					
Salaries and Wages	177,000	127,000	124,930	2,070	
Other Expenses	19,000	19,000	5,682	13,318	
Planning Board					
Salaries and Wages	4,000	4,100	4,040	60	
Other Expenses	1,000	6,000	2,752	3,248	
Zoning Board of Adjustment					
Salaries and Wages	4,000	4,100	4,040	60	
Other Expenses	1,000	6,000	4,208	1,792	
Uniform Construction Code Enforcement (NJS A 52:27D-120 etc.)					
Salaries and Wages	416,000	449,800	445,400	4,400	
Other Expenses	35,000	35,000	12,153	22,847	
Municipal A.B.C. Board					
Salaries and Wages	4,000	4,000	2,906	1,094	
Other Expenses	1,000	1,000	566	434	
Insurance					
Other Insurance	1,430,000	1,268,000	1,135,944	132,056	
Employee Group Insurance	7,850,000	7,673,700	7,628,387	45,313	
Police Department					
Salaries and Wages	8,681,000	9,097,000	9,094,987	2,013	
Other Expenses	308,000	308,000	307,125	875	

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
Office of Emergency Management					
Salaries and Wages	\$ 60,000	\$ 60,000	\$ 55,457	\$ 4,543	
Other Expenses	28,000	28,000	27,732	268	
Fire Department					
Salaries and Wages	5,511,000	5,703,000	5,702,697	303	
Other Expenses	175,000	189,000	185,193	3,807	
Department of Public Works					
Salaries and Wages	2,728,000	2,253,000	2,249,719	3,281	
Other Expenses	1,277,000	1,277,000	1,088,679	188,321	
Solid Waste and Recycling					
Salaries and Wages	1,096,000	1,152,000	1,148,697	3,303	
Other Expenses	1,231,000	1,231,000	1,142,402	88,598	
Department of Health and Welfare					
Salaries and Wages	372,000	510,600	510,520	80	
Other Expenses	144,000	164,000	161,344	2,656	
Community Services - Senior Services					
Salaries and Wages	182,000	158,000	157,904	96	
Other Expenses	38,000	38,000	33,516	4,484	
Recreation Department					
Salaries and Wages	494,000	488,000	499,816	(11,816)	
Other Expenses	200,000	202,000	199,788	2,212	
Municipal Court					
Salaries and Wages	492,000	432,000	427,875	4,125	
Other Expenses	30,000	38,000	37,820	180	
Unclassified					
Electricity	395,000	395,000	265,689	129,311	
Heating Fuels	143,000	143,000	72,938	70,062	
Telephone	150,000	185,000	174,961	10,039	
Street Lighting	548,000	548,000	382,871	165,129	-
Total Operations Within "CAPS"	<u>38,065,000</u>	<u>38,063,300</u>	<u>36,764,911</u>	<u>1,298,389</u>	<u>-</u>
Contingent	-	-	-	-	-
Total Operations Including Contingent - Within "CAPS"	<u>38,065,000</u>	<u>38,063,300</u>	<u>36,764,911</u>	<u>1,298,389</u>	<u>-</u>
Detail:					
Salaries & Wages	21,724,000	21,922,600	21,806,394	116,206	-
Other Expenses (Including Contingent)	16,341,000	16,140,700	14,958,517	1,182,183	-

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS" STATUTORY EXPENDITURES					
Contribution to:					
Public Employees' Retirement System	\$ 880,909	\$ 880,909	\$ 880,909		
Police and Firemen's Retirement System	3,324,658	3,324,658	3,324,658		
Pension Adjustment Fund	20,000	20,000	18,044	\$ 1,956	
Social Security	800,000	800,000	794,277	5,723	
DCRP Contribution	<u>10,000</u>	<u>10,000</u>	<u>9,721</u>	<u>279</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>5,035,567</u>	<u>5,035,567</u>	<u>5,027,609</u>	<u>7,958</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>43,100,567</u>	<u>43,098,867</u>	<u>41,792,520</u>	<u>1,306,347</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (Chapter 82, P.L. 1985)					
Other Expenses	1,414,000	1,414,000	1,414,000		
Police Dispatch 9-1-1 System					
Salaries and Wages	248,000	248,000	229,268	18,732	
Other Expenses	90,000	90,000	89,780	220	
Employee Group Insurance					
Interlocal Service Agreements					
PHPF Berkeley Heights Direct	67,000	67,000	67,000		
Public and Private Programs Offset with Revenues					
Clean Communities Program	58,394	58,394	58,394		
Recycling Tonnage Grant	34,970	34,970	34,970		
Multiple Housing Inspections	10,612	10,612	10,612		
Alcohol Education & Ed					
Police Body Armor	6,355	6,355	6,355		
NJ DOT Safe Highway Grant					
Drug Free Communities	125,000	125,000	125,000		
Drunk Driving Enforcement Fund	5,423	5,423	5,423		
Municipal Alliance on Alcoholism and Drug Abuse		25,487	25,487		
Highway Safety Grant		16,532	16,532		
UC History Grant					
UC Recreation Grant	54,180				
UC Kids Recreation Grant	24,980	79,160	79,160		
Anti Gang Grant	234,191	234,191	234,191		
Muni Alliance Matching	6,372	6,372	-	6,372	
DWI	-	-	2,987	(2,987)	
Grahill Charitable Trust	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Total Operations - Excluded from "CAPS"	<u>2,409,477</u>	<u>2,451,496</u>	<u>2,429,159</u>	<u>22,337</u>	<u>-</u>
Detail:					
Salaries and Wages	248,000	248,000	229,268	18,732	
Other Expenses	<u>2,161,477</u>	<u>2,203,496</u>	<u>2,199,891</u>	<u>3,605</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 150,000	\$ 150,000	\$ 150,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	3,330,602	3,330,602	3,330,602		
Payment of Note Principal	-	-	-		
Interest on Bonds	1,652,832	1,652,832	1,652,832		
Interest in Notes	28,000	28,000	27,113		887
Green Acres Loan					
Repayment of Principal and Interest	82,701	84,401	84,325		76
NJ DCA Loan Repayment	20,000	20,000	20,000		
Capital Grant Agreement - Rahway Redevelopment Agency					
Library Project/Arts Center Project	1,134,788	1,134,788	1,134,788		
Tax Appeal Refunding Note					
Principal					
Interest	-	-	-	-	-
Total Municipal Debt Service					
Excluded from "CAPS"	<u>6,248,923</u>	<u>6,250,623</u>	<u>6,249,660</u>	-	<u>963</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - EXCLUDED FROM "CAPS"					
Special Emergency Authorizations	<u>224,000</u>	<u>224,000</u>	<u>224,000</u>	-	-
Total Deferred Charges and Statutory Expenditures					
Excluded from "CAPS"	<u>224,000</u>	<u>224,000</u>	<u>224,000</u>	-	-
Total General Appropriations - Excluded from "CAPS"	<u>9,032,400</u>	<u>9,076,119</u>	<u>9,052,819</u>	\$ 22,337	<u>963</u>
Subtotal General Appropriations	52,132,967	52,174,986	50,845,339	1,328,684	963
Reserve for Uncollected Taxes	<u>2,050,000</u>	<u>2,050,000</u>	<u>2,050,000</u>	-	-
Total General Appropriations	<u>\$ 54,182,967</u>	<u>\$ 54,224,986</u>	<u>\$ 52,895,339</u>	<u>\$ 1,328,684</u>	<u>\$ 963</u>
Budget as Adopted		\$ 54,182,967			
Added by N.J.S. 40A:4-87		<u>42,019</u>			
		<u>\$ 54,224,986</u>			

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2016 STATEMENT OF EXPENDITURES

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
General Government					
Department of Administration					
Salaries and Wages	\$ 344,000	\$ 344,000	\$ 341,830	\$ 2,170	
Other Expenses	389,000	389,000	362,006	26,994	
Mayor's Office					
Salaries and Wages	72,000	72,000	72,000		
Municipal Council					
Salaries and Wages	75,000	75,000	74,021	979	
Other Expenses	1,000	1,100	1,010	90	
Environmental Commission					
Salaries and Wages	4,000	4,000	3,858	142	
Other Expenses	11,000	11,000	815	10,185	
City Clerk					
Salaries and Wages	114,000	143,000	139,694	3,306	
Other Expenses	34,000	34,000	32,794	1,206	
Department of Revenue and Finance					
Salaries and Wages	490,000	440,000	422,379	17,621	
Other Expenses	637,000	677,000	671,230	5,770	
Municipal Audit	60,000	73,000	59,000	14,000	
Revenue Administration (Tax Collection)					
Salaries and Wages	161,000	111,000	97,168	13,832	
Other Expenses	72,000	72,000	56,421	15,579	
Department of Assessment					
Salaries and Wages	114,000	114,000	106,966	7,034	
Other Expenses	80,000	80,000	26,545	53,455	
Department of Law					
Salaries and Wages	77,000	80,000	79,358	642	
Other Expenses	500,000	620,000	512,437	107,563	
Division of Engineering					
Other Expenses	400,000	400,000	343,466	56,534	
Department of Building, Planning & Economic Development					
Salaries and Wages	74,000	74,000	73,974	26	
Other Expenses	3,000	3,000	(71,060)	74,060	
Planning Board					
Salaries and Wages	5,000	5,000	4,052	948	
Other Expenses	6,000	6,000	4,094	1,906	
Zoning Board of Adjustment					
Salaries and Wages	4,000	4,200	4,178	22	
Other Expenses	6,000	6,000	4,097	1,903	
Uniform Construction Code Enforcement (NJS A 52:27D-120 etc.)					
Salaries and Wages	441,000	441,000	437,175	3,825	
Other Expenses	32,000	32,000	13,891	18,109	
Municipal A.B.C. Board					
Salaries and Wages	3,000	3,000	2,919	81	
Other Expenses	1,000	1,000	992	8	
Insurance					
Other Insurance	1,430,000	1,316,000	1,175,087	140,913	
Employee Group Insurance	7,813,520	7,795,493	7,604,679	190,814	
Police Department					
Salaries and Wages	8,646,000	8,791,000	8,788,620	2,380	
Other Expenses	308,000	308,000	297,759	10,241	

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
Office of Emergency Management					
Salaries and Wages	\$ 56,000	\$ 56,000	\$ 55,835	\$ 165	
Other Expenses	28,000	28,000	28,000		
Fire Department					
Salaries and Wages	5,433,000	5,588,000	5,587,661	339	
Other Expenses	175,000	175,000	174,269	731	
Department of Public Works					
Salaries and Wages	2,601,000	2,201,000	2,123,735	77,265	
Other Expenses	1,266,000	1,266,000	932,774	333,226	
Solid Waste and Recycling					
Salaries and Wages	1,108,000	1,108,000	1,107,123	877	
Other Expenses	1,154,000	1,154,000	1,009,907	144,093	
Department of Health and Welfare					
Salaries and Wages	375,000	510,000	505,322	4,678	
Other Expenses	152,000	152,000	122,154	29,846	
Community Services - Senior Services					
Salaries and Wages	169,000	169,000	158,415	10,585	
Other Expenses	44,000	44,000	34,002	9,998	
Recreation Department					
Salaries and Wages	588,000	547,700	526,267	21,433	
Other Expenses	200,000	205,000	196,260	8,740	
Municipal Court					
Salaries and Wages	469,000	469,000	410,145	58,855	
Other Expenses	30,000	38,000	29,931	8,069	
Unclassified					
Electricity	325,000	315,000	259,239	55,761	
Heating Fuels	115,000	90,000	60,746	29,254	
Telephone	150,000	160,000	130,211	29,789	
Street Lighting	525,000	550,000	463,523	86,477	-
Total Operations Within "CAPS"	<u>37,370,520</u>	<u>37,351,493</u>	<u>35,658,974</u>	<u>1,692,519</u>	<u>-</u>
Contingent	-	-	-	-	-
Total Operations Including Contingent - Within "CAPS"	<u>37,370,520</u>	<u>37,351,493</u>	<u>35,658,974</u>	<u>1,692,519</u>	<u>-</u>
Detail:					
Salaries & Wages	21,423,000	21,349,900	21,122,695	227,205	-
Other Expenses (Including Contingent)	<u>15,947,520</u>	<u>16,001,593</u>	<u>14,536,279</u>	<u>1,465,314</u>	<u>-</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS" STATUTORY EXPENDITURES					
Contribution to:					
Public Employees' Retirement System	\$ 799,505	\$ 799,505	\$ 799,505		
Police and Firemen's Retirement System	3,383,324	3,383,324	3,383,324		
Pension Adjustment Fund	20,000	20,000	18,045	\$ 1,955	
Social Security	775,000	775,000	758,307	16,693	
DCRP Contribution	5,127	6,127	5,917	210	-
	<u>4,982,956</u>	<u>4,983,956</u>	<u>4,965,098</u>	<u>18,858</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
	<u>4,982,956</u>	<u>4,983,956</u>	<u>4,965,098</u>	<u>18,858</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>42,353,476</u>	<u>42,335,449</u>	<u>40,624,072</u>	<u>1,711,377</u>	<u>-</u>
 OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (Chapter 82, P.L. 1985)					
Other Expenses	1,414,000	1,414,000	1,414,000		
Police Dispatch 9-1-1 System					
Salaries and Wages	249,000	249,000	228,829	20,171	
Other Expenses	90,000	90,000	84,443	5,557	
Employee Group Insurance	53,480	53,480	53,480		
Interlocal Service Agreements					
PHPF Berkeley Heights Direct	67,000	67,000	67,000		
Public and Private Programs Offset with Revenues					
Clean Communities Program	51,064	51,064	51,064		
Recycling Tonnage Grant	62,670	62,670	62,670		
Multiple Housing Inspections	11,094	11,094	11,094		
Alcohol Education & Ed	11,097	11,097	11,097		
Police Body Armor	6,624	6,624	6,624		
NJ DOT Safe Highway Grant	87,041	87,041	87,041		
Drug Free Communities		125,000	125,000		
Drunk Driving Enforcement Fund	6,702	6,702	6,702		
RWJ Foundation		500	500		
Recreation Heart Grant	1,250	1,250	1,250		
UC History Grant		1,125	1,125		
UC Police Body Camera	30,000	30,000	30,000		
UC Kids Recreation Grant	425	425	425		
Grahill Charitable Trust	10,000	10,000	10,000	-	-
	<u>2,151,447</u>	<u>2,278,072</u>	<u>2,252,344</u>	<u>25,728</u>	<u>-</u>
Total Operations - Excluded from "CAPS"					
	<u>2,151,447</u>	<u>2,278,072</u>	<u>2,252,344</u>	<u>25,728</u>	<u>-</u>
Detail:					
Salaries and Wages	249,000	249,000	228,829	20,171	
Other Expenses	1,902,447	2,029,072	2,023,515	5,557	-

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 160,000	\$ 160,000	\$ 160,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	2,929,685	2,929,685	2,929,685		
Interest on Bonds	1,546,951	1,546,951	1,546,951		
Interest in Notes	180,000	179,828	179,828		
Green Acres Loan	73,471	91,670	91,670		
Repayment of Principal and Interest					
NJ DCA Loan Repayment	20,000	20,000	20,000		
Capital Grant Agreement - Rahway Redevelopment Agency					
Library Project/Arts Center Project	1,127,970	1,127,970	1,127,970		
Tax Appeal Refunding Note					
Principal	350,000	350,000	350,000		
Interest	7,000	7,000	7,000	-	-
Total Municipal Debt Service					
Excluded from "CAPS"	<u>6,235,077</u>	<u>6,253,104</u>	<u>6,253,104</u>	-	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES - EXCLUDED FROM "CAPS"					
Special Emergency Authorizations	<u>224,000</u>	<u>224,000</u>	<u>224,000</u>	-	-
Total Deferred Charges and Statutory Expenditures					
Excluded from "CAPS"	<u>224,000</u>	<u>224,000</u>	<u>224,000</u>	-	-
Total General Appropriations - Excluded from "CAPS"	<u>8,770,524</u>	<u>8,915,176</u>	<u>8,889,448</u>	\$ 25,728	-
Subtotal General Appropriations	51,124,000	51,250,625	49,513,520	1,737,105	-
Reserve for Uncollected Taxes	<u>2,050,000</u>	<u>2,050,000</u>	<u>2,050,000</u>	-	-
Total General Appropriations	<u>\$ 53,174,000</u>	<u>\$ 53,300,625</u>	<u>\$ 51,563,520</u>	<u>\$ 1,737,105</u>	<u>\$ -</u>
Budget as Adopted		\$ 53,174,000			
Added by N.J.S. 40A:4-87		<u>126,625</u>			
		<u>\$ 53,300,625</u>			

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2015 STATEMENT OF EXPENDITURES

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS"					
General Government					
Department of Administration					
Salaries and Wages	\$ 469,500	\$ 411,500	\$ 410,690	\$ 810	
Other Expenses	320,000	410,000	386,998	23,002	
Mayor's Office					
Salaries and Wages	21,000	54,000	53,371	629	
Municipal Council					
Salaries and Wages	75,000	75,000	74,021	979	
Other Expenses	4,000	4,000	2,027	1,973	
Environmental Commission					
Salaries and Wages	4,000	4,200	4,068	132	
Other Expenses	11,000	1,000	743	257	
City Clerk					
Salaries and Wages	101,800	110,500	110,217	283	
Other Expenses	34,000	35,000	33,002	1,998	
Department of Revenue and Finance					
Salaries and Wages	437,118	410,618	409,711	907	
Other Expenses	520,000	620,000	618,767	1,233	
Municipal Audit	40,000	58,000	58,000	-	
Revenue Administration (Tax Collection)					
Salaries and Wages	113,000	95,000	93,726	1,274	
Other Expenses	65,000	59,400	53,686	5,714	
Department of Assessment					
Salaries and Wages	122,000	113,000	112,501	499	
Other Expenses	87,000	33,600	24,678	8,922	
Department of Law					
Salaries and Wages	75,000	75,000	74,858	142	
Other Expenses	475,000	779,000	740,399	38,601	
Division of Engineering					
Other Expenses	500,000	702,000	609,089	92,911	
Department of Building, Planning & Economic Development					
Salaries and Wages	73,000	73,000	72,463	537	
Other Expenses	5,000	7,000	4,085	2,915	
Planning Board					
Salaries and Wages	4,475	4,675	4,510	165	
Other Expenses	6,000	6,000	4,193	1,807	
Zoning Board of Adjustment					
Salaries and Wages	4,000	4,500	4,395	105	
Other Expenses	6,000	6,000	3,302	2,698	
Uniform Construction Code Enforcement (NJS A 52:27D-120 etc.)					
Salaries and Wages	475,562	445,862	445,788	74	
Other Expenses	48,000	39,000	35,305	3,695	
Municipal A.B.C. Board					
Salaries and Wages	4,000	4,000	3,667	333	
Other Expenses	1,000	1,600	1,495	105	
Insurance					
Other Insurance	1,250,000	1,210,000	1,142,397	67,603	
Employee Group Insurance	7,237,568	7,289,568	7,229,820	59,748	
Police Department					
Salaries and Wages	8,679,052	8,560,752	8,560,358	394	
Other Expenses	281,000	281,000	278,226	2,774	

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Continued)					
Office of Emergency Management					
Salaries and Wages	\$ 55,000	\$ 55,000	\$ 54,852	\$ 148	
Other Expenses	28,000	28,000	27,682	318	
Fire Department					
Salaries and Wages	5,448,889	5,626,889	5,626,872	17	
Other Expenses	134,000	175,000	171,032	3,968	
Department of Public Works					
Salaries and Wages	2,668,673	2,077,673	2,077,469	204	
Other Expenses	1,225,000	1,202,628	1,010,889	191,739	
Solid Waste and Recycling					
Salaries and Wages	1,019,000	1,137,000	1,136,226	774	
Other Expenses	1,119,000	1,119,000	926,642	192,358	
Department of Health and Welfare					
Salaries and Wages	370,659	428,859	428,854	5	
Other Expenses	136,000	136,000	130,727	5,273	
Community Services - Senior Services					
Salaries and Wages	154,043	154,043	153,428	615	
Other Expenses	44,000	39,000	38,723	277	
Recreation Department					
Salaries and Wages	579,109	520,109	519,307	802	
Other Expenses	169,000	199,000	184,866	14,134	
Municipal Court					
Salaries and Wages	460,120	435,120	426,680	8,440	
Other Expenses	30,000	36,000	29,825	6,175	
Unclassified					
Electricity	396,000	311,000	267,677	43,323	
Heating Fuels	150,000	115,000	98,403	16,597	
Telephone	150,000	150,000	131,699	18,301	
Street Lighting	525,000	525,000	474,737	50,263	-
Total Operations Within "CAPS"	<u>36,410,568</u>	<u>36,454,096</u>	<u>35,577,146</u>	<u>876,950</u>	-
Contingent	-	-	-	-	-
Total Operations Including Contingent - Within "CAPS"	<u>36,410,568</u>	<u>36,454,096</u>	<u>35,577,146</u>	<u>876,950</u>	-
Detail:					
Salaries & Wages	21,414,000	20,876,300	20,858,032	18,268	-
Other Expenses (Including Contingent)	<u>14,996,568</u>	<u>15,577,796</u>	<u>14,719,114</u>	<u>858,682</u>	-

CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"					
DEFERRED CHARGES					
Overexpenditure of Capital Ordinance Appropriation	\$ 166,298	\$ 166,298	\$ 166,298		
STATUTORY EXPENDITURES					
Contribution to:					
Public Employees' Retirement System	784,401	784,401	784,401		
Police and Firemen's Retirement System	3,071,973	3,071,973	3,071,973		
Pension Adjustment Fund	28,000	18,100	18,059	\$ 41	
Social Security	800,000	760,000	754,723	5,277	
DCRP Contribution	5,000	5,000	3,086	1,914	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>4,855,672</u>	<u>4,805,772</u>	<u>4,798,540</u>	<u>7,232</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>41,266,240</u>	<u>41,259,868</u>	<u>40,375,686</u>	<u>884,182</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library (Chapter 82, P.L. 1985)					
Other Expenses	1,395,000	1,395,000	1,395,000		
Police Dispatch 9-1-1 System					
Salaries and Wages	241,000	241,000	224,213	16,787	
Other Expenses	87,000	87,000	82,740	4,260	
Employee Group Insurance	223,432	223,432	223,432		
Interlocal Service Agreements					
PHPF Berkeley Heights Direct	67,000	67,000	67,000		
Public and Private Programs Offset with Revenues					
Clean Communities Program	41,990	41,990	41,990		
Green the Streets	6,466	6,466	6,466		
Multiple Housing Inspections	13,760	13,760	13,760		
Downtown Retail Study	20,000	20,000	20,000		
NJ DOT Safe Highway Grant	94,544	94,544	94,544		
Municipal Alliance					
State Share		25,487	25,487		
Local Match		6,372	6,372		
Drug Free Communities	125,000	250,000	250,000		
Recreation Heart Grant	500	500	500		
UC Kids Recreation Grant	129,966	129,966	129,966		
State Forestry Services	3,000	3,000	3,000		
NJ Wayfinding System	75,000	75,000	75,000		
Grahill Charitable Trust	10,000	10,000	10,000	-	-
Total Operations - Excluded from "CAPS"	<u>2,533,658</u>	<u>2,690,517</u>	<u>2,669,470</u>	<u>21,047</u>	<u>-</u>
Detail:					
Salaries and Wages	241,000	241,000	224,213	16,787	
Other Expenses	<u>2,292,658</u>	<u>2,449,517</u>	<u>2,445,257</u>	<u>4,260</u>	<u>-</u>

**CITY OF RAHWAY
STATEMENT OF EXPENDITURES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 165,000	\$ 165,000	\$ 165,000	-	-
Total Capital Improvements - Excluded from "CAPS"	<u>165,000</u>	<u>165,000</u>	<u>165,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	2,512,705	2,557,705	2,556,942		\$ 763
Payment of Bond Anticipation Notes	324,915	324,915	324,915		
Interest on Bonds	1,425,000	1,320,000	1,251,205		68,795
Interest in Notes	256,877	256,877	256,873		4
Payment of Emergency Notes					
Interest on Emergency Notes					
Green Acres Loan	81,962	101,962	99,683		2,279
Repayment of Principal and Interest					
NJ DCA Loan Repayment	20,000	60,000	60,000		
Capital Grant Agreement - Rahway Redevelopment Agency					
Library Project/Arts Center Project	1,137,056	1,137,056	1,137,056		
Special Emergency Note Interest					
Tax Appeal Refunding Note					
Principal	350,000	350,000	350,000		
Interest	10,500	10,500	9,706	-	794
Total Municipal Debt Service Excluded from "CAPS"	<u>6,119,015</u>	<u>6,119,015</u>	<u>6,046,380</u>	<u>-</u>	<u>72,635</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES - EXCLUDED FROM "CAPS"					
Emergency Authorizations	224,000	224,000	224,000		
Deferred Charges Unfunded					
Ord. 3-10	725	725	725		
Ord. 19-10	745	745	745		
Ord. 10-11	1	1	1		
Ord. 9-13/38-13	642	642	642	-	-
Total Deferred Charges and Statutory Expenditures Excluded from "CAPS"	<u>226,113</u>	<u>226,113</u>	<u>226,113</u>	<u>-</u>	<u>-</u>
Total General Appropriations - Excluded from "CAPS"	<u>9,043,786</u>	<u>9,200,645</u>	<u>9,106,963</u>	<u>\$ 21,047</u>	<u>72,635</u>
Subtotal General Appropriations	50,310,026	50,460,513	49,482,649	905,229	72,635
Reserve for Uncollected Taxes	1,800,000	1,800,000	1,800,000	-	-
Total General Appropriations	<u>\$ 52,110,026</u>	<u>\$ 52,260,513</u>	<u>\$ 51,282,649</u>	<u>\$ 905,229</u>	<u>\$ 72,635</u>
Budget as Adopted		\$ 52,110,026			
Added by N.J.S. 40A:4-87		<u>150,487</u>			
		<u>\$ 52,260,513</u>			

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

ASSETS	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Animal Control Fund			
Cash	\$ 29,012	\$ 23,047	\$ 24,366
	<u>29,012</u>	<u>23,047</u>	<u>24,366</u>
Community Development Trust Fund			
Cash	246,576	615,203	598,095
Community Development Grants Receivable	583,461	380,366	418,622
Loans Receivable	240,544	224,124	240,544
Deferred Loans Receivable	<u>2,579,595</u>	<u>2,535,802</u>	<u>2,579,595</u>
	<u>3,650,176</u>	<u>3,755,495</u>	<u>3,836,856</u>
Other Trust Fund			
Cash	3,032,606	4,605,386	3,842,486
Due from Current Fund	<u>2,244,447</u>	<u>605,362</u>	<u>1,184,969</u>
	<u>5,277,053</u>	<u>5,210,748</u>	<u>5,027,455</u>
Self- Insurance Fund			
Cash	114,341	132,946	126,416
Due from Current Fund		17,376	17,564
Due from Other Trust Fund	<u>26,538</u>	<u>26,538</u>	<u>-</u>
	<u>140,879</u>	<u>176,860</u>	<u>143,980</u>
Total Assets	<u>\$ 9,097,120</u>	<u>\$ 9,166,150</u>	<u>\$ 9,032,657</u>

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - TRUST FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

LIABILITIES, RESERVES AND FUND BALANCES	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Animal Control Fund			
Due to State of New Jersey		\$ 23	\$ 35
Reserve for Animal Control Expenditures	\$ 18,282	12,307	11,937
Due to Current Fund	<u>10,730</u>	<u>10,717</u>	<u>12,394</u>
	<u>29,012</u>	<u>23,047</u>	<u>24,366</u>
Community Development Trust Fund			
Due to Current Fund	65,800	65,845	65,845
Due to General Capital Fund	151,000	386,000	391,000
Reserve for Loans Receivable	2,820,139	2,759,926	2,820,139
Encumbrances Payable	125,953	144,515	94,936
Reserve for Community Development Expenditures	<u>487,284</u>	<u>399,209</u>	<u>464,936</u>
	<u>3,650,176</u>	<u>3,755,495</u>	<u>3,836,856</u>
Other Trust Fund			
Due to Self Insurance Trust Fund	26,538	26,538	
Miscellaneous Reserves and Deposits	4,688,237	4,633,096	4,372,566
Other Liabilities	351,425	226,390	336,422
Payroll Deductions Payable	118,860	188,981	198,495
Accrued Salaries and Wages	47,142	93,886	80,373
Reserve for Flex Spending	7,201	4,207	1,949
Fund Balance	<u>37,650</u>	<u>37,650</u>	<u>37,650</u>
	<u>5,277,053</u>	<u>5,210,748</u>	<u>5,027,455</u>
Self- Insurance Fund			
Reserve for Workers' Compensation	39,674	67,510	51,429
Reserve for Unemployment Compensation	101,039	105,482	90,743
Due to Current Fund	166		
Due to State of New Jersey	<u>-</u>	<u>3,868</u>	<u>1,808</u>
	<u>140,879</u>	<u>176,860</u>	<u>143,980</u>
Total Liabilities and Fund Balance	<u>\$ 9,097,120</u>	<u>\$ 9,166,150</u>	<u>\$ 9,032,657</u>

CITY OF RAHWAY
STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
ASSESSMENT TRUST FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	-	-	\$ 9,897
Decreased by:			
Current Fund Anticipated Revenue	-	-	9,897
Balance, End of Year	-	-	\$ -

EXHIBIT B-2

STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS -
OTHER TRUST FUND
AS OF DECEMBER 31, 2017(UNAUDITED) 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 37,650	\$ 37,650	\$ 37,650
Balance, End of Year	\$ 37,650	\$ 37,650	\$ 37,650

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS - GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
ASSETS			
Cash	\$ 5,580,113	\$ 5,992,110	\$ 5,424,763
Deferred Charges to Future Taxation			
Funded	44,746,950	48,156,090	42,801,984
Unfunded	8,826,264	3,810,186	10,679,224
Cancelled Grants Receivable	140,279	140,279	140,279
Grants Receivable	1,875,950	661,775	507,639
Loans Receivable	13,495	13,495	13,495
Due from Rahway Redevelopment Agency	-	811,993	39,544
Due from Current Fund	-	734,619	937,090
Due from Water Utility Capital Fund	5,126,268		1,000,000
Due from Water Utility Operating Fund	636,944		
Due from Sewer Utility Operating Fund	77,703		
Due from CDBG Trust Fund	<u>151,000</u>	<u>386,000</u>	<u>391,000</u>
 Total Assets	 <u>\$ 67,174,966</u>	 <u>\$ 60,706,547</u>	 <u>\$ 61,935,018</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Serial Bonds Payable	\$ 44,281,368	\$ 47,611,970	\$ 42,172,073
Bond Anticipation Notes Payable	4,999,278	1,812,570	9,341,387
Green Acres Loans Payable	278,082	336,620	402,411
Department of Community Affairs Loan Payable		20,000	40,000
NJ Redevelopment Authority Loan Payable	187,500	187,500	187,500
Contracts Payable	2,150,237	1,296,214	1,902,433
Improvement Authorizations:			
Funded	4,279,488	5,042,598	2,552,306
Unfunded	3,967,995	1,237,259	3,139,819
Due to Current Fund	1,884,675		
Due to Sewer Utility Capital Fund	751,010		198,566
Capital Improvement Fund	147,078	260,175	218,034
Reserve for Grants Receivable	1,675,950	421,775	175,950
Reserve for Payment of Debt	132,257	91,978	
Reserve for Preliminary Expenses	8,257	8,257	8,257
Fund Balance	<u>2,431,791</u>	<u>2,379,631</u>	<u>1,596,282</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 67,174,966</u>	 <u>\$ 60,706,547</u>	 <u>\$ 61,935,018</u>

There were bonds and notes authorized but not issued on December 31, 2017 (Unaudited), 2016 and 2015 of \$4,072,335, \$1,997,616 and \$1,703,045, respectively.

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 2,379,631	\$ 1,596,282	\$ 984,548
Increased by:			
Premium on Bond Anticipation Notes	<u>52,160</u>	<u>783,349</u>	<u>611,734</u>
Balance, End of Year	<u>\$ 2,431,791</u>	<u>\$ 2,379,631</u>	<u>\$ 1,596,282</u>

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
WATER UTILITY FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
ASSETS			
Operating Fund			
Cash (Overdraft)	\$ (221,973)	\$ 1,717,769	\$ 443,536
Cash - Change Fund	200	200	200
Due from Current Fund		687,725	
Due from Water Utility Capital Fund	<u>3,570,531</u>	<u>902,261</u>	<u>780,266</u>
	<u>3,348,758</u>	<u>3,307,955</u>	<u>1,224,002</u>
Receivables and Other Assets With Full Reserves			
Consumer Accounts Receivable	<u>993,279</u>	<u>868,109</u>	<u>828,397</u>
Deferred Charges			
Emergency Appropriation			360,000
Overexpenditure of Appropriations			29,154
Overexpenditure of Appropriation Reserves	<u>-</u>	<u>34,105</u>	<u>-</u>
	<u>-</u>	<u>34,105</u>	<u>389,154</u>
Total Operating Fund	<u>4,342,037</u>	<u>4,210,169</u>	<u>2,441,553</u>
Capital Fund			
Cash	10,134,546	10,070,015	14,426,331
Fixed Capital	35,748,459	35,748,459	33,048,459
Fixed Capital Authorized and Uncompleted	<u>23,585,000</u>	<u>22,785,000</u>	<u>25,085,000</u>
Total Capital Fund	<u>69,468,005</u>	<u>68,603,474</u>	<u>72,559,790</u>
Total Assets	<u>\$ 73,810,042</u>	<u>\$ 72,813,643</u>	<u>\$ 75,001,343</u>

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
WATER UTILITY FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund			
Appropriation Reserves	\$ 265,947	\$ 67,470	
Encumbrances Payable	64,338	32,483	\$ 65,791
Accrued Interest on Bonds and Notes	78,132	70,815	65,362
Accounts Payable and Other Liabilities	-	19,896	800
Due to Current Fund	1,237,451		928,520
Due to Sewer Utility Operating Fund	410,312	2,495,762	385,852
Due to General Capital Fund	<u>636,944</u>	<u>-</u>	<u>-</u>
	2,693,124	2,686,426	1,446,325
Reserve for Receivables	993,279	868,109	828,397
Fund Balance	<u>655,634</u>	<u>655,634</u>	<u>166,831</u>
Total Operating Fund	<u>4,342,037</u>	<u>4,210,169</u>	<u>2,441,553</u>
Capital Fund			
Serial Bonds Payable	2,125,000	3,005,000	3,805,000
Bond Anticipation Notes Payable	21,164,467	22,664,498	22,721,251
NJ Environmental Infrastructure Loan Payable	2,375,023		
Contracts Payable	951,187	8,098,924	1,347,784
Capital Improvement Fund	106,472	106,472	56,472
Improvement Authorizations			
Unfunded	6,317,214	6,993,024	17,404,834
Reserve for Amortization	27,038,192	25,863,932	24,860,710
Reserve for Deferred Amortization	303,929	303,929	293,528
Due to Current Fund	-	320,418	
Due to General Capital Fund	5,126,268		1,000,000
Due to Water Utility Operating Fund	3,570,531	902,261	780,266
Fund Balance	<u>389,722</u>	<u>345,016</u>	<u>289,945</u>
Total Capital Fund	<u>69,468,005</u>	<u>68,603,474</u>	<u>72,559,790</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 73,810,042</u>	<u>\$ 72,813,643</u>	<u>\$ 75,001,343</u>

There were bonds and notes authorized but not issued on December 31, 2017 (Unaudited), 2016 and 2015 of \$6,326,848, \$6,696,100 and \$6,452,970, respectively.

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized			
Rents	\$ 6,102,350	\$ 6,082,360	\$ 5,721,332
Additional Water Rents	650,000	286,000	
Miscellaneous Revenue	151,910	125,643	34,382
Other Credits to Income			
Cancellation of Prior Year Accounts Payable	19,896	800	
Unexpended Balance of Appropriation Reserves	<u>30,101</u>	<u>-</u>	<u>326</u>
	<u>6,954,257</u>	<u>6,494,803</u>	<u>5,756,040</u>
Expenditures			
Budget Appropriations			
Operating	4,248,422	3,933,484	4,228,458
Capital Improvements	-	50,000	50,000
Debt Service	1,431,072	1,288,222	1,179,278
Deferred Charges	34,105	399,555	335,285
Overexpenditure of Appropriation Reserves		34,105	
Refund of Prior Year Revenue	<u>3,207</u>	<u>-</u>	<u>46,814</u>
	<u>5,716,806</u>	<u>5,705,366</u>	<u>5,839,835</u>
Excess (Deficiency) in Revenues Over (Under) Expenditures	1,237,451	789,437	(83,795)
Adjustments to Income Before Fund Balance			
Expenditures Included Above Which by Statute are			
Required to be Raised in Subsequent Year's Budget	-	34,105	389,154
Surplus to General Budget	<u>(1,237,451)</u>	<u>(334,739)</u>	<u>(167,385)</u>
Statutory Excess to Fund Balance	-	488,803	137,974
Fund Balance, Beginning of Year	<u>655,634</u>	<u>166,831</u>	<u>28,857</u>
Fund Balance, End of Year	<u>\$ 655,634</u>	<u>\$ 655,634</u>	<u>\$ 166,831</u>

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
WATER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 345,016	\$ 289,945	\$ 189,847
Increased by:			
Premium on Issuance of Bonds and Notes	<u>44,706</u>	<u>55,071</u>	<u>100,098</u>
Balance, End of Year	<u>\$ 389,722</u>	<u>\$ 345,016</u>	<u>\$ 289,945</u>

CITY OF RAHWAY
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017 (Unaudited)</u>		<u>2016</u>		<u>2015</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Rents	\$ 6,368,000	\$ 6,102,350	\$ 5,720,000	\$ 6,082,360	\$ 5,600,000	\$ 5,721,332
Additional Water Rents	<u>650,000</u>	<u>650,000</u>	<u>286,000</u>	<u>286,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,018,000</u>	<u>\$ 6,752,350</u>	<u>\$ 6,006,000</u>	<u>\$ 6,368,360</u>	<u>\$ 5,600,000</u>	<u>\$ 5,721,332</u>

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

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

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriation</u>		<u>Expended</u>		
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Operating					
Management Fee	\$ 3,233,484	\$ 3,233,484	\$ 3,233,484		
Other Expenses	700,000	700,000	632,530	67,470	
Capital Improvements					
Capital Improvement Fund	50,000	50,000	50,000		
Debt Service					
Payment of Bond Principal	800,000	800,000	800,000		
Payment of Bond Anticipation Notes	203,222	203,222	203,222		
Interest on Bonds	130,000	130,000	130,000		
Interest on Notes	155,000	155,000	155,000		
Deferred Charges					
Emergency Authorization	360,000	360,000	360,000		
Overexpenditure of Appropriations	29,154	29,154	29,154		
Deferred Charges Unfunded - Water Utility Capital	10,401	10,401	10,401		
Surplus (General Budget)	<u>334,739</u>	<u>334,739</u>	<u>334,739</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,006,000</u>	<u>\$ 6,006,000</u>	<u>\$ 5,938,530</u>	<u>\$ 67,470</u>	<u>\$ -</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
WATER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriation</u>		<u>Expended</u>		<u>Over-</u> <u>Expenditure</u>	<u>Cancelled</u>
	<u>Budget</u>	<u>Budget</u> <u>After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>		
Operating						
Management Fee	\$ 3,139,304	\$ 3,139,304	\$ 3,139,304			
Other Expenses	700,000	1,060,000	1,089,154	-	\$ 29,154	
Capital Improvements						
Capital Improvement Fund	50,000	50,000	50,000			
Debt Service						
Payment of Bond Principal	775,000	775,000	775,000			
Payment of Bond Anticipation Notes	117,026	117,026	117,026			
Interest on Bonds	211,000	211,000	182,252			\$ 28,748
Interest on Notes	105,000	105,000	105,000			
Deferred Charges						
Emergency Authorization	49,000	49,000	49,000			
Overexpenditure of Appropriations	91,956	91,956	91,956			
Operating Deficit	194,329	194,329	194,329			
Surplus (General Budget)	<u>167,385</u>	<u>167,385</u>	<u>167,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,600,000</u>	<u>\$ 5,960,000</u>	<u>\$ 5,960,406</u>	<u>\$ -</u>	<u>\$ 29,154</u>	<u>\$ 28,748</u>
Adopted Budget		\$ 5,600,000				
Emergency Authorization		<u>360,000</u>				
		<u>\$ 5,960,000</u>				

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
SEWER UTILITY FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
ASSETS			
Operating Fund			
Cash	\$ 1,330,743	\$ 274,721	\$ 1,671,637
Due from Current Fund			8,172
Due from Water Utility Operating Fund	410,312	2,495,762	385,852
Due from Sewer Utility Capital Fund	<u>85,607</u>	<u>-</u>	<u>295</u>
	<u>1,826,662</u>	<u>2,770,483</u>	<u>2,065,956</u>
Receivables and Other Assets With Full Reserves			
Consumer Accounts Receivable	<u>487,314</u>	<u>367,953</u>	<u>349,806</u>
Deferred Charges			
Overexpenditure of Appropriations	<u>-</u>	<u>-</u>	<u>20,745</u>
Total Operating Fund	<u>2,313,976</u>	<u>3,138,436</u>	<u>2,436,507</u>
Capital Fund			
Cash	784,447	95,624	910,924
Fixed Capital	3,655,428	3,655,428	3,655,428
Fixed Capital Authorized and Uncompleted	2,790,000	2,590,000	1,840,000
Due from Current Fund			351,434
Due from General Capital Fund	751,010		198,566
Due from Sewer Utility Operating Fund	<u>-</u>	<u>798,916</u>	<u>-</u>
Total Capital Fund	<u>7,980,885</u>	<u>7,139,968</u>	<u>6,956,352</u>
Total Assets	<u>\$ 10,294,861</u>	<u>\$ 10,278,404</u>	<u>\$ 9,392,859</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
SEWER UTILITY FUND
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Operating Fund			
Appropriation Reserves	\$ 87,993	\$ 34,414	\$ 18,215
Encumbrances Payable	1,509	3,021	25,712
Due to Current Fund		142,989	
Due to General Capital Fund	77,703		
Due to Sewer Utility Capital Fund		798,916	
Accrued Interest on Bond and Loans	<u>32,781</u>	<u>24,947</u>	<u>26,578</u>
	199,986	1,004,287	70,505
Reserve for Receivables	487,314	367,953	349,806
Fund Balance	<u>1,626,676</u>	<u>1,766,196</u>	<u>2,016,196</u>
Total Operating Fund	<u>2,313,976</u>	<u>3,138,436</u>	<u>2,436,507</u>
Capital Fund			
Serial Bonds Payable	870,632	995,030	1,137,927
NJ Environmental Infrastructure Loan Payable	816,840	745,467	859,252
Bond Anticipation Notes Payable	2,569,557	1,845,868	1,856,793
Due to Sewer Utility Operating Fund	85,607		295
Improvement Authorizations			
Unfunded	1,152,974	1,056,690	755,604
Contracts Payable	45,995	52,398	190,773
Capital Improvement Fund	374,500	374,500	353,300
Reserve for Amortization	1,981,699	1,902,363	1,634,756
Deferred Reserve for Amortization	6,700	6,700	6,700
Reserve for Payment of Debt		111,892	111,892
Fund Balance	<u>76,381</u>	<u>49,060</u>	<u>49,060</u>
Total Capital Fund	<u>7,980,885</u>	<u>7,139,968</u>	<u>6,956,352</u>
Total Liabilities, Reserves and Fund Balance	<u>\$ 10,294,861</u>	<u>\$ 10,278,404</u>	<u>\$ 9,392,859</u>

There were bonds and notes authorized but not issued of \$200,000, \$750,000 and \$-0-, on December 31, 2017 (Unaudited) 2016 and 2015, respectively.

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS - SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized			
Surplus Anticipated	\$ 250,000	\$ 250,000	\$ 250,000
Rents	4,577,871	4,488,364	4,954,529
Industrial Sewer Flow Charges	98,514	302,070	181,625
Reserve for the Payment of Debt	111,892		
Miscellaneous Revenue	247,681	66,576	19,927
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	<u>34,414</u>	<u>3,352</u>	<u>68,825</u>
	<u>5,320,372</u>	<u>5,110,362</u>	<u>5,474,906</u>
Expenditures			
Budget Appropriations			
Operating	4,656,270	4,579,000	4,496,386
Capital Improvements	-	21,200	25,000
Debt Service	375,775	363,243	349,542
Deferred Charges and Statutory Expenditures	<u>12,000</u>	<u>32,745</u>	<u>11,200</u>
	<u>5,044,045</u>	<u>4,996,188</u>	<u>4,882,128</u>
Excess in Revenues Over Expenditures	276,327	114,174	592,778
Adjustments to Income Before Fund Balance			
Expenditures Included Above Which by Statute are Required to be Raised in Subsequent Year			20,745
Surplus to General Budget	<u>(165,847)</u>	<u>(114,174)</u>	<u>(387,612)</u>
Statutory Excess to Fund Balance	110,480	-	225,911
Fund Balance, Beginning of Year	<u>1,766,196</u>	<u>2,016,196</u>	<u>2,040,285</u>
	1,876,676	2,016,196	2,266,196
Decreased by:			
Utilized as Anticipated Revenue	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Fund Balance, End of Year	<u>\$ 1,626,676</u>	<u>\$ 1,766,196</u>	<u>\$ 2,016,196</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF RAHWAY
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
SEWER UTILITY CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Balance, Beginning of Year	\$ 49,060	\$ 49,060	\$ 22,378
Increased by:			
Premium on Bond Anticipation Notes	<u>27,321</u>	<u>-</u>	<u>26,682</u>
Balance, End of Year	<u>\$ 76,381</u>	<u>\$ 49,060</u>	<u>\$ 49,060</u>

CITY OF RAHWAY
COMPARATIVE STATEMENT OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

	<u>2017 (Unaudited)</u>		<u>2016</u>		<u>2015</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Surplus Anticipated	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Rents	4,480,000	4,409,871	4,950,000	4,488,364	4,700,000	4,954,529
Additional Sewer Rents	168,000	168,000	-	-	-	-
Industrial Sewer Flow Charges	200,000	98,514	150,000	302,070	300,000	181,625
Reserve for Payment of Debt	111,892	111,892	-	-	-	-
	<u>\$ 5,209,892</u>	<u>\$ 5,038,277</u>	<u>\$ 5,350,000</u>	<u>\$ 5,040,434</u>	<u>\$ 5,250,000</u>	<u>\$ 5,386,154</u>

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

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

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Appropriation</u>		<u>Expended</u>		<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating					
Salaries and Wages	\$ 145,000	\$ 145,000	\$ 143,647	\$ 1,353	
Other Expenses	325,000	325,000	293,546	31,454	
Sewer Treatment Expense					
Rahway Valley Sewer Authority	4,025,000	4,025,000	4,024,466	534	
Sewer Permit Fees	84,000	84,000	83,984	16	
Capital Improvements					
Capital Improvement Fund	21,200	21,200	21,200		
Debt Service					
Payment of Bond Principal	125,315	125,315	125,315		
Payment of Bond Anticipation Notes	10,925	10,925	10,925		
Interest on Bonds	35,000	35,000	34,226		\$ 774
Interest on Notes	43,000	43,000	35,505		7,495
Principal and Interest on Loans	160,000	160,000	157,272		2,728
Deferred Charges					
Overexpenditure of Appropriations	20,745	20,745	20,745		
Statutory Expenditures					
Social Security System (O.A.S.I.)	12,000	12,000	10,943	1,057	
Surplus (General Budget)	<u>342,815</u>	<u>342,815</u>	<u>114,174</u>	<u>-</u>	<u>228,641</u>
	<u>\$ 5,350,000</u>	<u>\$ 5,350,000</u>	<u>\$ 5,075,948</u>	<u>\$ 34,414</u>	<u>\$ 239,638</u>

CITY OF RAHWAY
STATEMENT OF EXPENDITURES -REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Appropriation</u>		<u>Expended</u>			<u>Unexpended Balances Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Overexpended</u>	
Operating						
Salaries and Wages	\$ 139,000	\$ 147,000	\$ 146,283	\$ 717		
Other Expenses	350,000	327,800	311,172	16,628		
Sewer Treatment Expense						
Rahway Valley Sewer Authority	3,930,586	3,930,586	3,930,585	1		
Sewer Permit Fees	77,000	91,000	90,153	847		
Capital Improvements						
Capital Improvement Fund	25,000	25,000	25,000			
Debt Service						
Payment of Bond Principal	127,295	128,295	128,058			\$ 237
Payment of Bond Anticipation Notes	7,507	7,507	7,507			768
Interest on Bonds	41,000	40,000	39,232			
Interest on Notes	21,000	21,000	21,000			
Principal and Interest on Loans	133,000	133,000	153,745		\$ 20,745	
Statutory Expenditures						
Social Security System (O.A.S.I.)	11,000	11,200	11,178	22		
Surplus (General Budget)	<u>387,612</u>	<u>387,612</u>	<u>387,612</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,250,000</u>	<u>\$ 5,250,000</u>	<u>\$ 5,251,525</u>	<u>\$ 18,215</u>	<u>\$ 20,745</u>	<u>\$ 1,005</u>

**CITY OF RAHWAY
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS -
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

	<u>2017 (1)</u> (Unaudited)	<u>2016</u>	<u>2015</u>
ASSETS			
Land	\$ 15,993,700	\$ 15,993,700	\$ 15,993,700
Land Improvements	2,187,390	2,187,390	2,187,390
Buildings and Building Improvements	37,046,319	37,046,319	36,882,784
Machinery and Equipment	<u>7,606,121</u>	<u>7,606,121</u>	<u>7,212,224</u>
Total Assets	<u>\$ 62,833,530</u>	<u>\$ 62,833,530</u>	<u>\$ 62,276,098</u>
LIABILITIES AND RESERVES			
Investment in General Fixed Assets	<u>\$ 62,833,530</u>	<u>\$ 62,833,530</u>	<u>\$ 62,276,098</u>

Note (1): The Fixes Assests update was not available as of the date of this report.

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NOTES TO FINANCIAL STATEMENTS

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Description of Regulatory Basis of Accounting

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

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The City has the following funds and account group:

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

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

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

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

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

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

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

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2016 and 2015 balances to conform to the December 31, 2017 (Unaudited) presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

**CITY OF RAHWAY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

No depreciation has been provided for in the financial statements.

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

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

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

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

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

**CITY OF RAHWAY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

- Trust Funds
- General Capital Fund
- Utility Capital Funds

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2017 (Unaudited), 2016 and 2015 the City Council increased the original budget by \$42,019, \$126,625 and \$510,487. The increases for 2017 (Unaudited and 2016 was funded by additional aid allotted to the City. The increase for 2015 was funded by additional aid allotted to the City in the amount of \$150,487, as well as an emergency resolution of \$360,000 for water utility expenditures. In addition, the governing body approved several budget transfers during 2017, 2016 and 2015.

B. Excess Expenditures Over Appropriations

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

	<u>Modified Budget</u>		<u>Actual</u>		<u>Unfavorable Variance</u>
<u>2016</u>					
<u>Water Utility Operating Fund</u>					
Appropriation Reserves					
Other Expenses	\$ 20,528	\$	54,633	\$	34,105
<u>2015</u>					
<u>Water Utility Operating Fund</u>					
Other Expenses	\$ 1,060,000	\$	1,089,154	\$	29,154
<u>Sewer Utility Operating Fund</u>					
Debt Service					
Principal and Interest on Loans	133,000		153,745		20,745

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017 (Unaudited), 2016 and 2015, the book value of the City's deposits were \$36,519,958, \$38,455,626 and \$41,616,088 and bank and brokerage firm balances of the City's deposits amounted to \$37,383,516, \$38,867,556 and \$42,883,139, respectively. The City's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>2017</u> (Unaudited)	<u>Bank Balance</u>	
	<u>2016</u>	<u>2015</u>	
Insured	<u>\$ 37,383,516</u>	<u>\$ 38,867,556</u>	<u>\$ 42,883,139</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. As of December 31, 2017 (Unaudited), 2016 and 2015, the City’s bank balances were not exposed to custodial credit risk.

B. Investments

The City is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the City or bonds or other obligations of the school districts which are a part of the City or school districts located within the City, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e).

As of December 31, 2017 (Unaudited), 2016 and 2015 the City had no outstanding investments.

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

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 4 TAXES AND UTILITY CHARGES RECEIVABLE

Receivables at December 31, 2017 (Unaudited) consisted of the following:

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

In 2017 (Unaudited), the City collected \$1,448,753 and \$1,178,203 from delinquent taxes and utility charges and fees, which represented 78% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2016.

Receivables at December 31, 2016 consisted of the following:

	<u>Current</u>	<u>Water</u>	<u>Utility</u>	<u>Sewer</u>	<u>Total</u>
<u>2016</u>					
Property Taxes	\$ 1,431,810				\$ 1,431,810
Tax Title Liens	422,273				422,273
Utility Rents	<u>-</u>	<u>\$ 868,109</u>	<u>\$ 367,953</u>		<u>1,236,062</u>
	<u>\$ 1,854,083</u>	<u>\$ 868,109</u>	<u>\$ 367,953</u>		<u>\$ 3,090,145</u>

In 2016, the City collected \$1,809,776 and \$1,178,203 from delinquent taxes and utility charges and fees, which represented 83% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2015.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 4 TAXES AND UTILITY CHARGES RECEIVABLE (Continued)

Receivables at December 31, 2015 consisted of the following:

	<u>Current</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<u>2015</u>				
Property Taxes	\$ 1,786,381			\$ 1,786,381
Tax Title Liens	395,011			395,011
Utility Rents	-	\$ 828,397	\$ 349,806	1,178,203
	<u>\$ 2,181,392</u>	<u>\$ 828,397</u>	<u>\$ 349,806</u>	<u>\$ 3,359,595</u>

In 2015, the City collected \$1,202,752 and \$1,011,302 from delinquent taxes and utility charges and fees, which represented 74% and 100% of the delinquent tax, water and sewer charges receivable at December 31, 2014.

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2017 (Unaudited)</u>		<u>2016</u>		<u>2015</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 3,198,822	\$ 2,244,447	\$ 539,969	\$ 2,045,082	\$ 1,006,759	\$ 2,499,229
Trust Fund:						
Animal Control		10,730		10,717		12,394
Other Trust	2,244,447	26,538	605,362	26,538	1,184,969	
Community Development		216,800		451,845		456,845
Self Insurance	26,538	166	43,914		17,564	
General Capital Fund	5,991,915	2,635,685	1,120,619		2,328,090	198,566
Water Utility Fund:						
Operating	3,570,531	2,284,707	1,589,986	2,495,762	780,266	1,314,372
Capital		8,696,799		1,222,679		1,780,266
Sewer Utility Fund:						
Operating	495,919	77,703	2,495,762	941,905	394,319	
Capital	751,010	85,607	798,916	-	550,000	295
Total	<u>\$ 16,279,182</u>	<u>\$ 16,279,182</u>	<u>\$ 7,194,528</u>	<u>\$ 7,194,528</u>	<u>\$ 6,261,967</u>	<u>\$ 6,261,967</u>

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

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

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance</u> <u>December 31</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2017 (Unaudited)</u>			
General Capital Fund			
Cancelled Grants Receivable	\$ 140,279	\$ -	\$ 140,279
	<u> </u>	<u> </u>	<u> </u>
	<u>Balance</u> <u>December 31</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2016</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 224,000	\$ 224,000	
General Capital Fund			
Cancelled Grants Receivable	140,279		\$ 140,279
Water Utility Operating Fund			
Overexpenditure of Appropriation Reserves	<u>34,105</u>	<u>34,105</u>	<u>-</u>
	<u>\$ 398,384</u>	<u>\$ 258,105</u>	<u>\$ 140,279</u>
	<u>Balance</u> <u>December 31</u>	<u>Subsequent Year</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance to</u> <u>Succeeding</u> <u>Budgets</u>
<u>2015</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 448,000	\$ 224,000	\$ 224,000
General Capital Fund			
Cancelled Grants Receivable	140,279		140,279
Water Utility Operating Fund			
Emergency Appropriation	360,000	360,000	
Overexpenditure of Appropriations	29,154	29,154	
Sewer Utility Operating Fund			
Overexpenditure of Appropriations	<u>20,745</u>	<u>20,745</u>	<u>-</u>
	<u>\$ 998,178</u>	<u>\$ 633,899</u>	<u>\$ 364,279</u>

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 7 FUND BALANCES APPROPRIATED

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

	<u>2017 (Unaudited)</u>		<u>2016</u>		<u>2015</u>	
	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized</u> <u>in Subsequent</u> <u>Year's Budget (1)</u>	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized</u> <u>in Subsequent</u> <u>Year's Budget</u>	<u>Fund Balance</u> <u>December 31</u>	<u>Utilized</u> <u>in Subsequent</u> <u>Year's Budget</u>
Current Fund						
Cash Surplus	\$ 4,642,767	\$ -	\$ 5,382,411	\$ 2,200,000	\$ 4,867,131	\$ 2,300,000
Non-Cash Surplus	<u>687,497</u>	<u>-</u>	<u>648,575</u>	<u>-</u>	<u>891,545</u>	<u>-</u>
	<u>\$ 5,330,264</u>	<u>\$ -</u>	<u>\$ 6,030,986</u>	<u>\$ 2,200,000</u>	<u>\$ 5,758,676</u>	<u>\$ 2,300,000</u>
Water Utility Operating Fund						
Cash Surplus	\$ 655,634		\$ 621,529		\$ 166,831	
Non-Cash Surplus		<u>-</u>	<u>34,105</u>	<u>-</u>		<u>-</u>
	<u>\$ 655,634</u>	<u>\$ -</u>	<u>\$ 655,634</u>	<u>\$ -</u>	<u>\$ 166,831</u>	<u>\$ -</u>
Sewer Utility Operating Fund						
Cash Surplus	\$ 1,626,676	-	\$ 1,766,196	250,000	\$ 1,995,451	250,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,745</u>	<u>-</u>
	<u>\$ 1,626,676</u>	<u>\$ -</u>	<u>\$ 1,766,196</u>	<u>\$ 250,000</u>	<u>\$ 2,016,196</u>	<u>\$ 250,000</u>

(1) Budget as introduced.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2016 and 2015. The summary of changes in the general fixed assets account group for the year ended December 31, 2017 (Unaudited) is not available as of the date of this report.

	Balance, December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land	\$ 15,993,700			\$ 15,993,700
Land Improvements	2,187,390			2,187,390
Buildings and Building Improvements	36,882,784	\$ 163,535		37,046,319
Machinery and Equipment	<u>7,212,224</u>	<u>393,897</u>	<u>-</u>	<u>7,606,121</u>
	<u>\$ 62,276,098</u>	<u>\$ 557,432</u>	<u>\$ -</u>	<u>\$ 62,833,530</u>
	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Land	\$ 15,993,700			\$ 15,993,700
Land Improvements	2,187,390			2,187,390
Buildings and Building Improvements	36,798,556	\$ 84,228		36,882,784
Machinery and Equipment	<u>6,792,865</u>	<u>419,359</u>	<u>-</u>	<u>7,212,224</u>
	<u>\$ 61,772,511</u>	<u>\$ 503,587</u>	<u>\$ -</u>	<u>\$ 62,276,098</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 8 FIXED ASSETS (Continued)

B. Utility Funds Fixed Assets

The following is a summary of changes in the utility fund fixed assets for the years ended December 31, 2016 and 2015. The summary of changes in the utility fund fixed assets for the year ended December 31, 2017 (Unaudited) is not available as of the date of this report.

	Balance, December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Fixed Capital				
System and System Improvements	\$ 14,357,915			\$ 14,357,915
Land, Plant, Building and Building				
Improvements	18,116,708	\$ 2,700,000		20,816,708
Vehicles and Equipment	<u>573,836</u>	<u>-</u>	<u>-</u>	<u>573,836</u>
	<u>\$ 33,048,459</u>	<u>\$ 2,700,000</u>	<u>\$ -</u>	<u>\$ 35,748,459</u>
	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Fixed Capital				
System and System Improvements	\$ 14,357,915			\$ 14,357,915
Land, Plant, Building and Building				
Improvements	18,116,708			18,116,708
Vehicles and Equipment	<u>573,836</u>	<u>-</u>	<u>-</u>	<u>573,836</u>
	<u>\$ 33,048,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,048,459</u>
	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Fixed Capital				
System and System Improvements	\$ 3,655,428	<u>-</u>	<u>-</u>	\$ 3,655,428
	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<u>2015</u>				
Fixed Capital				
System and System Improvements	\$ 3,655,428	<u>-</u>	<u>-</u>	\$ 3,655,428

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 9 MUNICIPAL DEBT

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

The City's debt is summarized as follows:

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Issued			
General			
Bonds, Notes and Loans	\$ 49,746,228	\$ 49,968,660	\$ 52,143,371
Water Utility			
Bonds and Notes	25,664,490	25,669,498	26,526,251
Sewer Utility			
Bonds, Notes and Loans	<u>4,257,029</u>	<u>3,586,365</u>	<u>3,853,972</u>
	79,667,747	79,224,523	82,523,594
Less Funds Temporarily Held to Pay Bonds and Notes	<u>377,606</u>	<u>203,870</u>	<u>477,100</u>
Net Debt Issued	79,290,141	79,020,653	82,046,494
Authorized But Not Issued			
General			
Bonds and Notes	4,072,335	1,997,616	1,703,045
Water Utility			
Bonds and Notes	6,326,848	6,696,100	6,452,970
Sewer Utility			
Bonds and Notes	<u>200,000</u>	<u>750,000</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 89,889,324</u>	<u>\$ 88,464,369</u>	<u>\$ 90,202,509</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the City's Annual Debt Statement and indicates a statutory net debt of 2.14%, 2.11% and 2.12% at December 31, 2017 (Unaudited), 2016 and 2015, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2017</u>			
General Debt	\$ 53,818,563	\$ 377,606	\$ 53,440,957
School Debt	16,825,000	16,825,000	-
Utility Debt	36,448,367	35,577,735	870,632
Debt Guarantees (Note 9)	<u>11,145,000</u>	<u>11,145,000</u>	<u>-</u>
Total	<u>\$ 118,236,930</u>	<u>\$ 63,925,341</u>	<u>\$ 54,311,589</u>
<u>2016</u>			
General Debt	\$ 51,966,276	\$ 91,978	\$ 51,874,298
School Debt	19,025,000	19,025,000	-
Utility Debt	36,701,963	35,706,933	995,030
Debt Guarantees (Note 9)	<u>12,210,000</u>	<u>12,210,000</u>	<u>-</u>
Total	<u>\$ 119,903,239</u>	<u>\$ 67,033,911</u>	<u>\$ 52,869,328</u>
<u>2015</u>			
General Debt	\$ 53,846,416	\$ 715,208	\$ 53,131,208
School Debt	20,080,000	20,080,000	-
Utility Debt	36,833,193	35,695,266	1,137,927
Debt Guarantees (Note 9)	<u>13,235,000</u>	<u>13,235,000</u>	<u>-</u>
Total	<u>\$ 123,994,609</u>	<u>\$ 69,725,474</u>	<u>\$ 54,269,135</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 88,847,247	\$ 87,660,922	\$ 89,686,822
Less: Net Debt	<u>54,311,589</u>	<u>52,869,328</u>	<u>54,269,135</u>
Remaining Borrowing Power	<u>\$ 34,535,658</u>	<u>\$ 34,791,594</u>	<u>\$ 35,417,687</u>

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
\$4,319,000, 2006 Bonds, due in an annual installment of \$275,000 on June 15, 2016, interest at 4.25%.			\$ 275,000
\$7,945,000, 2006 Refunding Bonds, due in an annual installment of \$478,887 on December 15, 2016, interest at 4.00%. These bonds were refunded in 2016.			5,447,932
\$11,650,000, 2011 Bonds, due in annual installments of \$560,000 to \$700,000 through April 15, 2020, interest at 4.00%.	\$ 2,040,000	\$ 2,600,000	10,150,000
\$4,994,538, 2012 Refunding Bonds due in annual installments of \$451,389 to \$509,903 through December 1, 2023, interest at 2.125% to 3.00%	2,988,364	3,439,753	3,895,322
\$7,425,000, 2013 Bonds, due in annual installments of \$325,000 to \$515,000 through September 15, 2032, interest at 3.00% to 4.00%	6,175,000	6,500,000	6,815,000
\$1,720,000, 2014 Refunding Bonds, due in annual installments of \$230,000 to \$270,000 through June 15, 2023, interest at 3.00% to 4.00%	1,480,000	1,710,000	1,710,000

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Obligation Bonds (Continued)

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
\$9,460,000, 2015 Bonds, due in annual installments of \$350,000 to \$700,000 through August 1, 2013, interest at 3.00% to 4.00%	8,760,000	9,110,000	9,460,000
\$4,463,056, 2015 Refunding Bonds, due in annual installments of \$476,780 to \$516,102 through October 1, 2024, interest at 4.00% to 4.25%	3,425,937	3,942,039	4,418,819
\$8,627,000, 2016 Bonds, due in annual installments of \$400,000 to \$797,000 through August 1, 2031, interest at 3.00% to 4.00%.	\$ 8,227,000	\$ 8,627,000	
\$11,683,178, 2016 Refunding Bonds, due in annual installments of \$484,404 to \$1,179,921 through April 15, 2030, interest at 2.00% to 4.00%.	<u>11,185,067</u>	<u>11,683,178</u>	<u>-</u>
	<u>\$ 44,281,368</u>	<u>\$ 47,611,970</u>	<u>\$ 42,172,073</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

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

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
\$249,722, 1998 Green Acres Loan due in a Semi-annual installment of \$8,407 in June, 2016, interest at 2.00%		\$	8,407
\$375,000, 1999 Green Acres Loan due in Semi-annual installments of \$16,964 to \$17,478 through August, 2018, interest at 2.00%	\$ 34,782	\$ 68,880	102,305
\$477,200, 2006 Green Acres Loan due in Semi-annual installments of \$12,160 to \$14,690 through August, 2026, interest at 2.00%	243,300	267,740	291,699
\$300,000, 2002 New Jersey Downtown Improvement Zone Loan due in annual an installment of \$20,000, interest free.	-	20,000	40,000
\$750,000, 2003 New Jersey Redevelopment Authority Loan (Amortization schedule not determined at audit date)	<u>187,500</u>	<u>187,500</u>	<u>187,500</u>
	<u>\$ 465,582</u>	<u>\$ 544,120</u>	<u>\$ 629,911</u>

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Utility Bonds

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

Water Utility

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
\$2,775,000, 2006 Bonds, due in an annual installment of \$165,000 on June 15, 2016, interest at 4.25%			\$ 165,000
\$5,190,000, 2009 Refunding Bonds, due in annual installments of \$655,000 to \$680,000 through December 1, 2018, interest at 3.0% to 3.5%	\$ 680,000	\$ 1,335,000	1,970,000
\$1,670,000, 2014 Refunding Bonds, due in annual installments of \$225,000 to \$265,000 through June 15, 2023, interest at 3.0% to 4.0%	<u>1,445,000</u>	<u>1,670,000</u>	<u>1,670,000</u>
	<u>\$ 2,125,000</u>	<u>\$ 3,005,000</u>	<u>\$ 3,805,000</u>

Sewer Utility

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
Allocated \$410,828, 2006 Refunding Bonds, due in an annual installment of \$27,664 on December 15, 2016. These bonds were refunded in 2016.			\$ 297,068
Allocated \$980,462, 2012 Refunding Bonds, due in annual installments of \$95,175 to \$100,097 through December 15, 2023 interest at 2.125% to 3.00%	\$ 586,636	\$ 675,247	764,678
Allocated \$76,944, 2015 Refunding Bonds, due in annual installments of \$8,728 to \$8,898 through October 1, 2024 interest at 3.00% to 4.00%	59,063	67,961	76,181
Allocated \$251,822, 2016 Refunding Bonds, due in annual installments of \$23,372 to \$26,889 through April 15, 2026, interest at 2.00% to 4.00%	<u>224,933</u>	<u>251,822</u>	<u>-</u>
	<u>\$ 870,632</u>	<u>\$ 995,030</u>	<u>\$ 1,137,927</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Water Utility Intergovernmental Loans Payable

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

	<u>2017</u> (Unaudited)	<u>2016</u>	<u>2015</u>
<u>Water Loans</u>			
\$2,437,129, 2017 Environmental Infrastructure Loans, due in annual installments of \$20,000 to \$62,106 through August 1, 2036, interest at 0.00% to 5.00 %	<u>\$ 2,375,023</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Sewer Loans</u>			
\$2,606,505, 2002 Environmental Infrastructure Loans, due in annual installments of \$17,985 to \$133,625 through August 1, 2022, interest at 0.00% to 5.25 %	\$ 625,403	\$ 745,467	\$ 859,252
\$339,657 2010 Environmental Infrastructure Loans, due in annual installments of \$4,388 to \$9,178 through August 1, 2028, interest at 0.00% to 4.10%	<u>191,437</u>	<u>-</u>	<u>-</u>
	<u>\$ 816,840</u>	<u>\$ 745,467</u>	<u>\$ 859,252</u>

The City's principal and interest for long-term debt issued and outstanding as of December 31, 2017 is as follows:

Calendar Year	<u>General Capital</u>		<u>Water Utility</u>		<u>Sewer Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 3,538,619	\$ 1,538,324	\$ 1,018,159	98,402	\$ 267,237	\$ 43,927	\$ 6,504,668
2019	3,625,761	1,415,333	338,159	65,757	272,055	36,349	5,753,415
2020	3,741,777	1,292,477	363,159	55,397	274,445	29,695	5,756,950
2021	3,867,900	1,162,898	363,159	44,393	279,949	22,697	5,740,997
2022	3,955,501	1,024,995	358,159	33,439	283,838	15,078	5,671,010
2023-2027	15,572,892	3,155,552	875,795	75,965	306,658	13,551	20,000,413
2028-2032	10,257,000	863,215	645,795	43,344	3,290	135	11,812,779
2033-2036			537,636	13,825			551,461
Amortization Unavailable	<u>187,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,500</u>
	<u>\$ 44,746,951</u>	<u>\$ 10,452,795</u>	<u>\$ 4,500,023</u>	<u>\$ 430,523</u>	<u>\$ 1,687,472</u>	<u>\$ 161,432</u>	<u>\$ 61,979,195</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Prior Year Defeasance of Debt

In prior years, the City defeased certain serial bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. On December 31, 2017 (Unaudited) \$7,000,000 of bonds outstanding are considered defeased.

Debt Guarantees

Rahway Redevelopment Agency-Public Library Project

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

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Debt Guarantees (Continued)

Rahway Redevelopment Agency-Public Library Project (Continued)

The cost and expense of the performance by the City of its obligations under this Capital Grant Agreement and the incurrence of any liabilities of the City under this Capital Grant Agreement, including, without limitation, the obligation for the payment of all Basic Grants and additional Grants and all other amounts required to be paid by the City under this Capital Grant Agreement, is a direct, general and irrevocable obligation, full faith and credit pledge of the City for which the City is obligated to make any required payments under this Capital Grant Agreement out of the first funds becoming legally available for such purpose, and to provide funds for such payments, if not otherwise available, from the levy of ad valorem taxes upon all the taxable property in the City without limitation as to rate or amount, which obligation is not subject to appropriation. As of December 31, 2017 (Unaudited), 2016 and 2015, the Agency had outstanding \$3,485,000, \$4,075,000 and \$4,650,000, respectively, subject to the City guarantee.

Rahway Redevelopment Agency – Arts District Extension

On September 15, 2008, the Rahway Redevelopment Agency issued \$5,950,000 in tax exempt project notes and \$1,550,000 in taxable project notes. The notes, which are guaranteed by the City, were used to (i) refund the \$4,000,000 principal balloon payment due on the UCIA loan; (ii) provide \$3,500,000 for the design and construction of an outdoor amphitheater in the Rahway Arts District; and (iii) pay costs associated with the issuance of such notes. These notes were renewed for an additional year on September 15, 2009 and again on September 15, 2010. On September 8, 2011, the Agency issued \$5,075,000 in City-secured Arts District Extension Revenue Bonds. As of December 31, 2017 (Unaudited), 2016 and 2015, the Agency had outstanding \$3,765,000, \$4,045,000 and \$4,310,000, respectively, subject to City guarantee.

Rahway Parking Authority

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

On December 3, 2003, the Authority issued \$5,800,000 City-guaranteed Parking Revenue Bonds, Series 2003, subject to this agreement. On May 14, 2013, the Authority issued \$4,745,000 to refund the 2003 Bonds. As of December 31, 2017 (Unaudited), 2016 and 2015, the Authority had outstanding \$3,895,000, \$4,090,000 and \$4,275,000, respectively, subject to the City guarantee.

The parties agree to hold each other harmless for any loss, damage or claim incurred or asserted resulting from the negligence of either party in performing their duties and responsibilities under this Agreement.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years ended December 31, 2017 (Unaudited), 2016 and 2015 were as follows:

	Balance, December 31 <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017 (Unaudited)</u>					
General Capital Fund:					
Bonds Payable	\$ 47,611,970	\$ -	\$ 3,330,602	\$ 44,281,368	\$ 3,478,905
Intergovernmental Loans Payable:					
Community Affairs Loan	20,000		20,000	-	
NJ Redevelopment Authority	187,500			187,500	
Green Acres Loans	<u>336,620</u>	<u>-</u>	<u>58,538</u>	<u>278,082</u>	<u>59,714</u>
General Capital Fund Long-Term Liabilities	<u>\$ 48,156,090</u>	<u>\$ -</u>	<u>\$ 3,409,140</u>	<u>\$ 44,746,950</u>	<u>\$ 3,538,619</u>
Water Utility Capital Fund:					
Bonds Payable	\$ 3,005,000		\$ 880,000	\$ 2,125,000	\$ 905,000
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>-</u>	<u>2,437,129</u>	<u>62,106</u>	<u>2,375,023</u>	<u>113,159</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 3,005,000</u>	<u>\$ 2,437,129</u>	<u>\$ 942,106</u>	<u>\$ 4,500,023</u>	<u>\$ 1,018,159</u>
Sewer Utility Capital Fund:					
Bonds Payable	\$ 995,030	\$ -	\$ 124,398	\$ 870,632	\$ 131,095
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>745,467</u>	<u>209,483</u>	<u>138,110</u>	<u>816,840</u>	<u>136,142</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 1,740,497</u>	<u>\$ 209,483</u>	<u>\$ 262,508</u>	<u>\$ 1,687,472</u>	<u>\$ 267,237</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31 <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
General Capital Fund:					
Bonds Payable	\$ 42,172,073	\$ 20,310,178	\$ 14,870,281	\$ 47,611,970	\$ 3,330,602
Intergovernmental Loans Payable:					
Community Affairs Loan	40,000		20,000	20,000	20,000
NJ Redevelopment Authority	187,500			187,500	
Green Acres Loans	<u>402,411</u>	<u>-</u>	<u>65,791</u>	<u>336,620</u>	<u>58,538</u>
General Capital Fund Long-Term Liabilities	<u>\$ 42,801,984</u>	<u>\$ 20,310,178</u>	<u>\$ 14,956,072</u>	<u>\$ 48,156,090</u>	<u>\$ 3,409,140</u>
Water Utility Capital Fund:					
Bonds Payable	<u>\$ 3,805,000</u>	<u>\$ -</u>	<u>\$ 800,000</u>	<u>\$ 3,005,000</u>	<u>\$ 880,000</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 3,805,000</u>	<u>\$ -</u>	<u>\$ 800,000</u>	<u>\$ 3,005,000</u>	<u>\$ 880,000</u>
Sewer Utility Capital Fund:					
Bonds Payable	\$ 1,137,927	\$ 251,822	\$ 394,719	\$ 995,030	\$ 124,398
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>859,252</u>	<u>-</u>	<u>113,785</u>	<u>745,467</u>	<u>120,064</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 1,997,179</u>	<u>\$ 251,822</u>	<u>\$ 508,504</u>	<u>\$ 1,740,497</u>	<u>\$ 244,462</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31 <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
General Capital Fund:					
Bonds Payable	\$ 35,465,625	\$ 13,923,056	\$ 7,216,608	\$ 42,172,073	\$ 2,929,685
Intergovernmental Loans Payable:					
Community Affairs Loan	60,000		20,000	40,000	20,000
NJ Redevelopment Authority	187,500			187,500	
Green Acres Loans	<u>475,231</u>	<u>-</u>	<u>72,820</u>	<u>402,411</u>	<u>65,792</u>
General Capital Fund Long-Term Liabilities	<u>\$ 36,188,356</u>	<u>\$ 13,923,056</u>	<u>\$ 7,309,428</u>	<u>\$ 42,801,984</u>	<u>\$ 3,015,477</u>
Water Utility Capital Fund:					
Bonds Payable	<u>\$ 4,580,000</u>	<u>\$ -</u>	<u>\$ 775,000</u>	<u>\$ 3,805,000</u>	<u>\$ 800,000</u>
Water Utility Capital Fund Long-Term Liabilities	<u>\$ 4,580,000</u>	<u>\$ -</u>	<u>\$ 775,000</u>	<u>\$ 3,805,000</u>	<u>\$ 800,000</u>
Sewer Utility Capital Fund:					
Bonds Payable	\$ 1,269,375	\$ 76,944	\$ 208,392	\$ 1,137,927	\$ 125,315
Intergovernmental Loans Payable:					
NJ Environmental Infrastructure	<u>966,597</u>	<u>-</u>	<u>107,345</u>	<u>859,252</u>	<u>113,784</u>
Sewer Utility Capital Fund Long-Term Liabilities	<u>\$ 2,235,972</u>	<u>\$ 76,944</u>	<u>\$ 315,737</u>	<u>\$ 1,997,179</u>	<u>\$ 239,099</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The City's short-term debt activity for the years ended December 31, 2017 (Unaudited), 2016 and 2015 was as follows:

Bond Anticipation Notes

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2016	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2017
<u>2017 (Unaudited)</u>						
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
Various Water Improvements	1.18%	6/28/2018	\$ 2,279,911	\$ 3,104,172	\$ 2,279,911	\$ 3,104,172
Various Water Improvements	2.25%	8/2/2018	2,957,706	2,149,294	2,957,706	2,149,294
Monroe St. Bridge Water Improvements	2.25%	8/2/2018	144,303		144,303	-
Replace Water Main - Hamilton St.	2.25%	8/2/2018	1,275,436	1,241,871	1,275,436	1,241,871
Water Treatment Plan Improvements	1.18%	6/28/2018	1,280,242	1,609,828	1,280,242	1,609,828
Water Treatment Plan Improvements	0.00%	6/15/2018	14,726,900	12,259,302	14,726,900	12,259,302
Water Main Improvements	2.25%	8/2/2018	-	800,000	-	800,000
			<u>22,664,498</u>	<u>21,164,467</u>	<u>22,664,498</u>	<u>21,164,467</u>
<u>Sewer Utility Capital Fund</u>						
<u>Purpose</u>						
Sewer System Improvements	2.25%	8/2/2018	565,986	558,479	565,986	558,479
Impvts. To Donal Avenue Storm Sewer	2.25%	8/2/2018	129,882	126,464	129,882	126,464
Emergency Sinkhole Repair	2.25%	8/2/2018	500,000	492,307	500,000	492,307
Flood Control Mitigation	2.25%	8/2/2018	300,000	292,307	300,000	292,307
Storm Sewer - Kline Place	2.25%	8/2/2018	350,000	350,000	350,000	350,000
Inflow & Infiltration (Phase III)	2.25%	8/2/2018		425,000		425,000
Improvements to Sewer Lines	2.25%	8/2/2018	-	325,000	-	325,000
			<u>1,845,868</u>	<u>2,569,557</u>	<u>1,845,868</u>	<u>2,569,557</u>
Total Bond Anticipation Notes			<u>\$ 26,322,936</u>	<u>\$ 28,733,302</u>	<u>\$ 26,322,936</u>	<u>\$ 28,733,302</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

	Rate (%)	Maturity Date	Balance, December 31, <u>2015</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2016</u>
<u>2016</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Road Resurfacings	2.00%	8/5/2016	\$ 1,587,708		\$ 1,587,708	
Various General Improvements	1.50%	8/7/2015	3,352,129		3,352,129	
Acquisitions and Improvements within a Duly						
Designated Redevelopment Area	2.00%	8/5/2016	750,000		750,000	
DPW and Fire Equipment	2.00%	8/5/2016	522,500		522,500	
Traffic Maintenance Pickup Truck	1.50%	8/7/2015	147,250		147,250	
Various High School Park Improvements	2.00%	8/5/2016	704,000		704,000	
Sidewalk Replacement Program	2.00%	8/5/2016	142,500		142,500	
Athletic Field Improvements	2.00%	8/5/2016	1,238,000		1,238,000	
Tax Appeal Refunding - Merck	2.00%	8/5/2016	350,000		350,000	
Imprvts. To 911 Dispatch Center	2.00%	8/5/2016	247,500		247,500	
Acq. Of Police Ballistic Equipment	2.00%	8/5/2016	38,000		38,000	
Investigation of Groundwater						
Contamination and Remediation	2.00%	8/5/2016	190,400		190,400	
Asbestos Remediation	2.00%	8/5/2016	71,400		71,400	
Acquisition and Installation of						
Police Body Cameras	1.50%	8/3/2017		\$ 94,430		\$ 94,430
2015 Road Improvements	1.50%	8/3/2017		551,595		551,595
Various 2015 Improvements	1.50%	8/3/2017		904,760		904,760
Improvements to Crosswalk - East						
Milton and Lenox	1.50%	8/3/2017		47,500		47,500
Environmental Remediation - Various	1.50%	8/3/2017	-	214,285	-	214,285
			<u>9,341,387</u>	<u>1,812,570</u>	<u>9,341,387</u>	<u>1,812,570</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, <u>2015</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2016</u>
<u>2016</u>						
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
Various Water Improvements	2.00%	6/29/2017	\$ 2,325,174	\$ 2,279,911	\$ 2,325,174	\$ 2,279,911
Various Water Improvements	1.50%	6/29/2017	3,027,570	2,957,706	3,027,570	2,957,706
Monroe St. Bridge Water Improvements	1.50%	8/3/2017	146,202	144,303	146,202	144,303
Replace Water Main - Hamilton St.	1.50%	8/3/2017	1,309,000	1,275,436	1,309,000	1,275,436
Water Treatment Plan Improvements	2.00%	6/29/2017	1,332,874	1,280,242	1,332,874	1,280,242
Water Treatment Plan Improvements	0.00%	6/29/2017	<u>14,580,431</u>	<u>14,726,900</u>	<u>14,580,431</u>	<u>14,726,900</u>
			<u>22,721,251</u>	<u>22,664,498</u>	<u>22,721,251</u>	<u>22,664,498</u>
<u>Sewer Utility Capital Fund</u>						
<u>Purpose</u>						
Sewer System Improvements	1.50%	8/3/2017	573,493	565,986	573,493	565,986
Impvts. To Donal Avenue Storm Sewer	1.50%	8/3/2017	133,300	129,882	133,300	129,882
Emergency Sinkhole Repair	1.50%	8/3/2017	500,000	500,000	500,000	500,000
Flood Control Mitigation	1.50%	8/3/2017	300,000	300,000	300,000	300,000
Storm Sewer - Kline Place	1.50%	8/3/2017	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
			<u>1,856,793</u>	<u>1,845,868</u>	<u>1,856,793</u>	<u>1,845,868</u>
Total Bond Anticipation Notes			<u>\$ 33,919,431</u>	<u>\$ 26,322,936</u>	<u>\$ 33,919,431</u>	<u>\$ 26,322,936</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2014	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2015
2015						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Road Resurfacings	2.00%	8/5/2016	\$ 3,202,065	\$ 1,587,708	\$ 3,202,065	\$ 1,587,708
Streetscape Improvements	1.50%	8/7/2015	150,000		150,000	
Various General Improvements	1.50%	8/7/2015	5,098,302	3,352,129	5,098,302	3,352,129
Acquisition of Equipment	1.50%	8/7/2015	121,600		121,600	
Acquisitions and Improvements within a Duly						
Designated Redevelopment Area	2.00%	8/5/2016	3,100,000	750,000	3,100,000	750,000
DPW and Fire Equipment	2.00%	8/5/2016	522,500	522,500	522,500	522,500
Traffic Maintenance Pickup Truck	1.50%	8/7/2015	147,250	147,250	147,250	147,250
Various High School Park Improvements	2.00%	8/5/2016	514,000	704,000	514,000	704,000
Sidewalk Replacement Program	2.00%	8/5/2016	142,500	142,500	142,500	142,500
Athletic Field Improvements	2.00%	8/5/2016	2,238,000	1,238,000	2,238,000	1,238,000
Groundwater Remediation at Carriage						
City Site	1.50%	8/7/2015	200,000		200,000	
Basketball Court Renovations	1.50%	8/7/2015	190,000		190,000	
Demolition and Improvements to						
Various Redevelopment Properties	1.50%	8/7/2015	285,000		285,000	
Tax Appeal Refunding - Merck	2.00%	8/5/2016	700,000	350,000	700,000	350,000
Acquisition of Fire Pumper and						
Rebuild Street Sweeper	1.50%	8/7/2015	500,000		500,000	
Improvements to Elm Avenue	1.50%	8/7/2015	238,000		238,000	
Imprvts. To 911 Dispatch Center	2.00%	8/5/2016	247,500	247,500	247,500	247,500
Acq. Of Police Ballistic Equipment	2.00%	8/5/2016	38,000	38,000	38,000	38,000
Investigation of Groundwater						
Contamination and Remediation	2.00%	8/5/2016	190,400	190,400	190,400	190,400
Asbestos Remediation	2.00%	8/5/2016	-	71,400	-	71,400
			<u>17,825,117</u>	<u>9,341,387</u>	<u>17,825,117</u>	<u>9,341,387</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2014	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2015
2015						
<u>Water Utility Capital Fund</u>						
<u>Purpose</u>						
Various Water Improvements	1.25%	9/29/2015	\$ 2,370,437		\$ 2,370,437	
Various Water Improvements	2.00%	8/5/2016	2,216,482	\$ 5,352,744	2,216,482	\$ 5,352,744
Monroe St. Bridge Water Improvements	2.00%	8/5/2016	148,101	146,202	148,101	146,202
Replace Water Main - Hamilton St.	2.00%	8/5/2016	1,309,000	1,309,000	1,309,000	1,309,000
Water Treatment Plan Improvements	2.00%	8/5/2016	1,332,563	1,332,874	1,332,563	1,332,874
Water Treatment Plan Improvements	0.0775%	6/29/2016	-	14,580,431	-	14,580,431
			<u>7,376,583</u>	<u>22,721,251</u>	<u>7,376,583</u>	<u>22,721,251</u>
<u>Sewer Utility Capital Fund</u>						
<u>Purpose</u>						
Sewer System Improvements	2.00%	8/5/2016	581,000	573,493	581,000	573,493
Impvts. To Donal Avenue Storm Sewer	2.00%	8/5/2016	133,300	133,300	133,300	133,300
Emergency Sinkhole Repair	2.00%	8/5/2016	300,000	500,000	300,000	500,000
Flood Control Mitigation	2.00%	8/5/2016	300,000	300,000	300,000	300,000
Storm Sewer - Kline Place	2.00%	8/5/2016	-	350,000	-	350,000
			<u>1,314,300</u>	<u>1,856,793</u>	<u>1,314,300</u>	<u>1,856,793</u>
Total Bond Anticipation Notes			<u>\$ 26,516,000</u>	<u>\$ 33,919,431</u>	<u>\$ 26,516,000</u>	<u>\$ 33,919,431</u>

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

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2017 (Unaudited)</u>		
Water Treatment Plant Filtration Improvements	\$7,459,226	2018
<u>2016</u>		
Water Treatment Plant Filtration Improvements	\$7,459,226	2018
2016 Road Resurfacing Project	573,342	2017
<u>2015</u>		
New Interconnection Pipeline	\$366,757	2016
Water Treatment Plant Filter System Improvements	166,161	2016
Sinkhole Repair	77,763	2016
Kline Place Drainage Improvements	81,080	2016
Roadway Resurfacing	277,877	2016

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$7,518,476 and \$7,342,267 at December 31, 2016 and 2015, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2017 (Unaudited), 2016 and 2015, the City has reserved in the Other Trust Fund 631,318, \$631,318 and \$632,977, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

B. Deferred Pension Obligation

During the year ended December 31, 2009 the City elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$1,554,082 and will be paid back with interest over 15 years beginning in the 2012 year. The City is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2016 and 2015 is \$1,441,069 and \$1,563,008, respectively.

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities

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

The City's changes in other long-term liabilities for the years ended December 31, 2016 and 2015 were as follows. The information for December 31, 2107 was not available.

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 7,342,267	\$ 759,536	\$ 583,327	\$ 7,518,476	
Deferred Pension Obligation	1,563,008	111,476	233,415	1,441,069	\$ 235,730
Net Pension Liability - PERS	20,004,845	8,938,022	842,878	28,099,989	
Net Pension Liability - PFRS	<u>65,229,534</u>	<u>11,053,197</u>	<u>3,122,639</u>	<u>73,160,092</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 94,139,654</u>	 <u>\$ 20,862,231</u>	 <u>\$ 4,782,259</u>	 <u>\$ 110,219,626</u>	 <u>\$ 235,730</u>
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
Compensated Absences	\$ 7,567,201		\$ 224,934	\$ 7,342,267	
Deferred Pension Obligation	1,675,114	\$ 120,512	232,618	1,563,008	\$ 233,415
Net Pension Liability - PERS	17,275,682	3,495,325	766,162	20,004,845	
Net Pension Liability - PFRS	<u>47,044,318</u>	<u>21,368,468</u>	<u>3,183,252</u>	<u>65,229,534</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 73,562,315</u>	 <u>\$ 24,984,305</u>	 <u>\$ 4,406,966</u>	 <u>\$ 94,139,654</u>	 <u>\$ 233,415</u>

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

Consolidated Police and Firemen's Pension Fund (CPFPPF) – established in January 1952, under the provisions of N.J.S.A. 43:16 to provide coverage to municipal police and firemen who were appointed prior to July 1, 1944. The fund is a closed system with no active members. CPFPPF is a cost-sharing plan with special funding situations.

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

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

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

Other Pension Funds

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

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

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds (Continued)

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

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

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

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

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, local PERS and local PFRS is 45.7 percent with an unfunded actuarial accrued liability of \$50.3 billion. The CPFPPF system is 19.15 percent funded with an unfunded actuarial accrued liability of \$8.0 million. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and \$29.6 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 52.01 percent and \$20.7 billion, respectively.

**CITY OF RAHWAY
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress (Continued)

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.65% for investment rate of return for all the retirement systems except CPFPP (2.85%) and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.06% for PERS and 5.50% for DCRP of employee’s annual compensation for fiscal year 2016.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2017 (Unaudited), 2016 and 2015 for CPFPP, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2017 (Unaudited) 2016, 2015 and 2014, the City, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

	<u>CPFPP</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2017 (Unaudited)	\$ 18,044	\$ 3,324,658	\$ 880,909	\$ 9,721
2016	18,045	3,183,252	766,162	5,917
2015	18,059	2,872,492	751,264	3,086

CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS)

At December 31, 2016 and 2015, the City reported a liability of \$28,099,989 and \$20,004,845, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the City's proportionate share was .09487 percent, which was an increase of .00576 percent from its proportionate share measured as of June 30, 2015 of .08911 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the City's pension expense to be \$2,844,737 and \$960,884, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the City's financial statements of \$766,162 and \$751,264, respectively. At December 31, 2016 and 2015, the City's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the City's financial statements are from the following sources:

	2016		2015	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 522,575		\$ 477,245	
Changes of Assumptions	5,820,817		2,148,361	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1071478			\$ 321,639
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>1,188,941</u>	<u>\$ 394,946</u>	<u>322,775</u>	<u>501,114</u>
Total	<u>\$ 8,603,811</u>	<u>\$ 394,946</u>	<u>\$ 2,948,381</u>	<u>\$ 822,753</u>

At December 31, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2017	\$ 1,838,040
2018	1,838,040
2019	2,095,424
2020	1,786,434
2021	650,927
Thereafter	<u>-</u>
	<u>\$ 8,208,865</u>

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The City’s total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.15-4.40%
Through 2026	1.65-4.15%	Based on Age
Thereafter	2.65-5.15%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2016	June 30, 2016	3.98%
2015	June 30, 2015	4.90%

CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2034
Municipal Bond Rate *	From July 1, 2034 and Thereafter

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the City's proportionate share of the PERS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, respectively, as well as what the City's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98% and 3.90%, respectively) or 1-percentage-point higher (4.98% and 5.90%, respectively) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
<u>2016</u>			
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 34,433,257</u>	<u>\$ 28,099,989</u>	<u>\$ 22,871,327</u>
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
<u>2015</u>			
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 24,863,575</u>	<u>\$ 20,004,845</u>	<u>\$ 15,931,321</u>

The sensitivity analysis was based on the proportionate share of the City's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the City's net pension liability was not provided by the pension system.

CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen’s Retirement System (PFRS)

At December 31, 2016 and 2015, the City reported a liability of \$73,160,092 and \$65,229,534, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The City’s proportionate share of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the City’s proportionate share was .38298 percent, which was a decrease of .00863 percent from its proportionate share measured as of June 30, 2015 of .39161 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the City pension expense to be \$7,652,036 and \$5,669,411, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the City’s financial statements of \$3,183,252 and \$2,872,492, respectively. At December 31, 2016 and 2015, the City’s deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the City’s financial statements are from the following sources:

	<u>2016</u>		<u>2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 479,575		\$ 562,625
Changes of Assumptions	\$ 10,133,274		\$ 12,042,992	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	5,126,180			1,135,263
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>1,506,688</u>	<u>2,216,119</u>	<u>1,933,512</u>	<u>1,609,328</u>
Total	<u>\$ 16,766,142</u>	<u>\$ 2,695,694</u>	<u>\$ 13,976,504</u>	<u>\$ 3,307,216</u>

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2017	\$ 3,381,556
2018	3,381,556
2019	4,581,734
2020	2,758,266
2021	(32,664)
Thereafter	<u>-</u>
	<u>\$ 14,070,448</u>

Actuarial Assumptions

The City’s total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

PFRS

	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.60-9.48%
Through 2026	2.10-8.98%	Based on Age
Thereafter	3.10-9.98%	3.60-10.48%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2015 and July 1, 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans’ target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2016	June 30, 2016	5.55%
2015	June 30, 2015	5.79%

CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2050
Municipal Bond Rate *	From July 1, 2050 and Thereafter

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the City’s proportionate share of the PFRS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 5.55% and 5.79%, respectively, as well as what the City’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55% and 4.79%, respectively) or 1-percentage-point higher (6.55% and 6.79%, respectively) than the current rate:

	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
<u>2016</u>			
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 94,334,574</u>	<u>\$ 73,160,092</u>	<u>\$ 55,893,575</u>
	1% Decrease (4.79%)	Current Discount Rate (5.79%)	1% Increase (6.79%)
<u>2015</u>			
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 85,993,235</u>	<u>\$ 65,229,534</u>	<u>\$ 48,298,591</u>

The sensitivity analysis was based on the proportionate share of the City’s net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the City’s net pension liability was not provided by the pension system

**CITY OF RAHWAY
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the City for the PFRS special funding situation is \$6,143,633 and \$5,720,411, respectively. For the years ended December 31, 2016 and 2015, the pension system has determined the State's proportionate share of the pension expense attributable to the City for the PFRS special funding situation is \$784,687 and \$713,539, respectively, which is more than the actual contributions the State made on behalf of the City of \$235,406 and \$297,777, respectively. The State's proportionate share attributable to the City was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the City's financial statements.

Pension Plan Fiduciary Net Position

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for participating municipalities including the City. The plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and the Teacher's Pension and Annuity (TPAF) are combined and reported as Pension and Other Employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, PDP-State, and the PRM of the PERS are combined and reported as Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost sharing multiple-employer plan. The post-retirement benefit programs had a total of 584 state and local participating employers and contributing entities for Fiscal Year 2016.

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

State Health Benefits Program Funds (HBPF) – Local Government (including Prescription Drug Program Fund) – Certain local employers who participate in the State Health Benefits Program provide health insurance coverage to their employees at retirement. Under provisions of P.L. 1997, c.330, the State of New Jersey provides partially funded benefits to local police officers and firefighters who retire with 25 years of service (or on disability) from an employer who does not provide coverage. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Also, local employees are eligible for the PDP coverage after 60 days of employment.

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

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Investment Valuation

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

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial liability for other postemployment benefits (OPEB) which is made up of \$25.9 billion for state active and retired members, \$16.8 billion for local active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2015 OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contribution

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System to fund post-retirement medical benefits for those State and participating local government employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State and participating local governments in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

P.L. 1977, c. 136 provides for the State and participating local governments to pay health benefits on a pay-as-you-go basis for all enrolled retired employees, regardless of retirement date, under two provisions. The first is for employees whose pensions are based on 25 years or more of credited service (except those who elect a deferred retirement). The second is for retired employees who are eligible for a disability retirement regardless of years of service. The State and participating local governments contributed \$181.9 million for 10,725 eligible retired members for Fiscal Year 2016. This benefit covers the Police and Firemen's Retirement System.

P.L. 1997, c. 330 provides paid post-retirement health benefits to qualified retirees of the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund and to dependents of qualified retirees. The State and participating local governments are responsible for 80 percent of the premium for the category of coverage elected by the retiree under the State managed care plan or a health maintenance organization participating in the program, whichever provides the lower charge. The State and participating local governments contributed \$48.3 million in Fiscal Year 2016 to provide benefits under Chapter 330 to qualified retirees.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Post-Retirement Medical Benefits Contribution (Continued)

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the *annual required contribution of the employers (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to the State Health Benefits Program Fund-Local Government for post-retirement benefits for the years ended December 31, 2016, 2015 and 2014 were \$3,333,962, \$3,159,656 and \$2,952,040, respectively, which equaled the required contributions for each year.

NOTE 14 RISK MANAGEMENT

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

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

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

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

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage in any of the prior three years.

CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015

NOTE 14 RISK MANAGEMENT (Continued)

The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State. The following is a summary of City contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the City’s unemployment compensation trust fund for the current and previous two years:

<u>Year Ended</u> <u>December 31,</u>	<u>City</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2016		26,538	11,799	105,482
2015		17,580	12,862	90,743
2014	\$ 27,864	40,434	13,174	86,025

NOTE 15 CONTINGENT LIABILITIES

The City is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the City’s Attorney, the potential claims against the City not covered by insurance policies would not materially affect the financial condition of the City.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2016 and 2015. Amounts claimed have not yet been determined. The City is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the City does not recognize a liability, if any, until these cases have been adjudicated. The City expects such amounts, if any, could be material. As of December 31, 2017 (Unaudited), 2016 and 2015, the City reserved \$1,400,000, \$1,400,000 and \$1,400,000, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

Federal and State Awards - The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2017, 2016 and 2015, significant amounts of grant expenditure have not been audited by the various grantor agencies but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the City.

**CITY OF RAHWAY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 (UNAUDITED), 2016 AND 2015**

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The City is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2017, 2016 and 2015, the City had no estimated arbitrage earnings due to the IRS.

NOTE 17 PUBLIC/PRIVATE PARTNERSHIPS

The City presently owns a water supply, treatment, transmission, storage and distribution system, and a billing and collections department (the "Water System"). The City has entered into a management services agreement with United Water Operations, Inc. for the operation, management, maintenance and repair of the Water System in accordance with the provisions of the "New Jersey Water Supply Public-Private Contracting Act" set forth at N.J.S.A. 58:26-19 et seq.

Pursuant to the terms of the agreement, the City will retain ownership of the Water System and United Water Operations, Inc. will operate, manage, maintain and repair the Water System for a period of twenty (20) years, beginning September 29, 1999. In exchange for these services, the City will pay United Water Operations, Inc. an annual Fixed Management Fee. The agreement does not provide for the payment of any concession fees by United Water Operations, Inc. to the City.

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2017 (Unaudited), 2016 and 2015, the City provided property tax abatements through certain programs authorized under State statutes.

- The Long Term Tax Exemption Law (NJSA 40A:20 et.seq.) is focused on broad areas of redevelopment. It allows for a longer abatement term to carry out a larger development plan through declaring an area as being "in need of redevelopment". These long-term property abatements may last up to 30 years from completion of a project or 35 years from execution of the financial agreement. The process is initiated when the municipality passes a resolution calling for the municipal planning board to study the need for designating an area "in need of redevelopment". Upon adopting the planning board's recommendations and formalizing the redevelopment area designation, a municipality adopts a redevelopment plan, engages redevelopment entities to carry out the plan, and may authorize long-term tax abatements in the process. Developers submit abatement applications to the governing body for review. The financial agreement is approved through adoption of a local ordinance. The agreement exempts a project from taxation, but requires a payment in lieu of taxes (PILOTs) in an amount based generally on a percentage of project costs or revenue generated by the project, depending on the type of project. For the years ended December 31, 2016 and 2015 the City abated property taxes totaling \$4,248,063 and \$2,550,394, respectively under the LTTE program. The City received \$2,293,054 and \$968,531 in PILOT payments under this program for the years ended December 31, 2017 (Unaudited), 2016 and 2015, respectively.

APPENDIX C

FORM OF BOND COUNSEL OPINION FOR THE BONDS

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

June 27, 2018

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

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery \$4,714,000 aggregate principal amount of General Obligation Bonds, Series 2018 of the City of Rahway, in the County of Union (the "City"), a body politic and corporate of the State of New Jersey (the "State").

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the City Council and published and approved as required by law, and by a resolution duly adopted by the City Council on June 11, 2018.

The Bonds are being issued to: (i) refund, on a current basis, \$4,712,721 portion of prior bond anticipation notes of the City issued on June 28, 2017 and maturing June 28, 2018 (the "Prior Notes"), which Prior Notes were issued to temporarily finance the cost of various capital improvements and purposes in and by the City; (ii) temporarily finance \$279 of various capital improvements and purposes in and by the City; and (iii) pay for the costs associated with the issuance and sale of the Bonds.

The Bonds are issued in fully registered form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$5,000 each, except that any bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the fifteenth day of June and December (each an "Interest Payment Date"), commencing December 15, 2018, in each year until maturity or prior redemption, as applicable. The Bonds shall mature on June 15 in each of the years, in the principal amounts and at the interest rates as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Rate</u>
2019	\$140,000	2.000%	2029	\$275,000	3.000%
2020	145,000	3.000	2030	275,000	3.000
2021	150,000	4.000	2031	275,000	3.000
2022	155,000	5.000	2032	280,000	3.000
2023	160,000	5.000	2033	280,000	3.125
2024	170,000	5.000	2034	280,000	3.125
2025	185,000	5.000	2035	280,000	3.250
2026	275,000	2.500	2036	280,000	3.250
2027	275,000	2.625	2037	280,000	3.250
2028	275,000	3.000	2038	279,000	3.375

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

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

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

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for Federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of

the Bonds. The County will represent in its tax certificate relating to the Bonds that it expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In our opinion, under existing law, and assuming continuing compliance by the County with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Notes is not includable for Federal income tax purposes in the gross income of the owners of the Notes pursuant to Section 103 of the Code. Interest on the Notes is not an item of tax preference under Section 57 of the Code for purposes of computing federal alternative minimum tax ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Notes 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 are also of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended and supplemented.

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

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

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

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

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

Mayor and City Council of the City of Rahway

June 27, 2018

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

Very truly yours,

ARCHER & GREINER P.C.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

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FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

This Continuing Disclosure Certificate dated as of June 27, 2018 (the "Disclosure Certificate") is executed and delivered by the City of Rahway, in the County of Union, State of New Jersey (the "City" or the "Issuer") in connection with the issuance of its \$4,714,000 aggregate principal amount of General Obligation Bonds, Series 2018 (the "Bonds"), all such Bonds being dated June 27, 2018. The Bonds are being issued pursuant to various bond ordinances duly adopted by the City Council, approved by the Mayor and published as required by law, and a resolution (the "Bond Resolution"), such Bond Resolution being duly adopted by the City Council on June 11, 2018. The City covenants and agrees as follows:

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

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

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

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

"Continuing Disclosure Information" shall mean, collectively, (i) each Annual Report, (ii) any notice required to be electronically filed by the City with the MSRB at EMMA pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the City with EMMA pursuant to Section 5 of this Disclosure Certificate.

"Disclosure Representative" shall mean the City Chief Financial Officer or his designee, or such other person as the City shall designate in writing from time to time for the purposes of this Disclosure Certificate.

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

"EMMA" shall mean the Electronic Municipal Market Access system, a website created by the MSRB and approved by the SEC to provide a central location

where investors can obtain municipal bond information including disclosure documents. The City or the Dissemination Agent shall submit disclosure documents to EMMA as a PDF file to www.emma.msrb.org.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

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

"State" shall mean the State of New Jersey.

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

SECTION 3. Provision of Annual Reports.

(a) The City shall provide or cause to be provided to the Dissemination Agent not later than September 1 of each year, commencing September 1, 2018 (for the calendar year ending December 31, 2017), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the City are not available by September 1 of each year, the City shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the City, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the City.

(b) Not later than September 15 of each year (commencing September 15, 2018), the Dissemination Agent shall provide to EMMA a copy of the Annual Report received by the Dissemination Agent pursuant to subsection (a) hereof.

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

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

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

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

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

(b) Whenever the City has or obtains knowledge of the occurrence of any of the Listed Events that require a materiality determination, the City shall, as soon as

possible, determine if such event would constitute information material, if applicable, to the Beneficial Owners of the Bonds.

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

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

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

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds or when the City is no longer an "Obligated Person" (as defined in the Rule). The City shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with the MSRB, through the EMMA system, in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The City has filed operating and financial data for some, but not all, of its outstanding obligations (and other entities for which it guarantees debt) and certain of the filings were late. In addition, the City failed to file with EMMA (i) audited financial information for the fiscal years ending December 31, 2012 and 2013, (ii) annual debt statements for fiscal years ending December 31, 2012 and 2013; and (iii) certain operating and financial data for fiscal years ending December 31, 2012 and 2013. While the City acknowledges that it previously failed to file notices in connection with those items in (i) to (iii) and (iv) certain bond insurer rating changes, and (v) its rating changes, such filing and material event notices, along with the financial information indicated in (i) to (iii), have been filed. The City has retained Phoenix Advisors, LLC as dissemination agent for purposes of on-going secondary market disclosure compliance.

The City changed its fiscal year in 2011 from a June 30 year end to a December 31 year end and has filed the above material event notice in connection therewith. The City is in the process of amending prior continuing disclosure obligations to change filing deadlines to 270 days from December 31 of each year to ensure future compliance with its new fiscal year. These amendments to prior continuing disclosure obligations to reflect new and uniform filing deadlines brought about by its new December 31 fiscal year end, along with retaining Phoenix Advisors, LLC as dissemination agent for purposes of on-going secondary market disclosure compliance, will ensure future compliance by the City with its continuing disclosure obligations.

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

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

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

quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

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

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

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

(a) If to the City

Mr. Frank C. Ruggiero
Chief Financial Officer
City of Rahway
1 City Hall Plaza
Rahway, New Jersey 07065

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

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

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

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

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

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

CITY OF RAHWAY

FRANK C. RUGGIERO,
Chief Financial Officer

Acknowledged and Accepted by:
DISSEMINATION AGENT

N/A

AUTHORIZED SIGNATORY

EXHIBIT A

NOTICE TO MSRB VIA EMMA OF FAILURE TO FILE ANNUAL REPORT

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

Name of Bond Issue: \$4,714,000 General Obligation Bonds, Series 2018
Dated June 27, 2018
(CUSIP Number 750667YJ0)

Date of Issuance: June 27, 2018

NOTICE IS HEREBY GIVEN that the above designated City has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Certificate dated as of June 27, 2018 executed by the City.

DATED: _____

DISSEMINATION AGENT
(on behalf of the City)

cc: City of Rahway