

OFFICIAL STATEMENT DATED SEPTEMBER 19, 2018

NEW ISSUE (BOOK-ENTRY ONLY)

RATING ON BONDS: S&P: "AA-"
RATING ON NOTES: S&P: "SP-1+"
(See "RATINGS" herein)

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, 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 and Notes (as respectively 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) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and Notes 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 EXEMPTION" herein.

\$11,560,000
CITY OF CLIFTON
IN THE COUNTY OF PASSAIC
STATE OF NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2018

Consisting of:
\$6,975,000 General Improvement Bonds, Series 2018
And
\$4,585,000 Sewer Utility Bonds, Series 2018

CALLABLE

Dated: Date of Delivery
Due: August 1, as shown on the inside front cover

\$17,988,000
CITY OF CLIFTON
IN THE COUNTY OF PASSAIC
STATE OF NEW JERSEY
BOND ANTICIPATION NOTES, SERIES 2018

Consisting of:
\$13,701,000 General Improvement Notes, Series 2018
And
\$4,287,000 Sewer Utility Notes, Series 2018

NON-CALLABLE

Dated: Date of Delivery
Due: October 2, 2019
Coupon: 3.00%
Yield: 1.90%
CUSIP*: 1870904G7

The \$11,560,000 aggregate principal amount of General Obligation Bonds, Series 2018, consisting of \$6,975,000 aggregate principal amount of General Improvement Bonds, Series 2018 (the "General Improvement Bonds") and \$4,585,000 aggregate principal amount of Sewer Utility Bonds, Series 2018 (the "Sewer Utility Bonds", and together with the General Improvement Bonds the "Bonds"), are general obligations of the City of Clifton, in the County of Passaic, State of New Jersey (the "City") for which the full faith and credit of the City are pledged. The City is authorized and required by law to levy *ad valorem* taxes on all taxable property within the City without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The \$17,988,000 aggregate principal amount of Bond Anticipation Notes, Series 2018, consisting of \$13,701,000 General Improvement Notes, Series 2018 (the "General Improvement Notes") and \$4,287,000 Sewer Utility Notes, Series 2018 (the "Sewer Utility Notes", and together with the General Improvement Notes, the "Notes"), dated the date of delivery, are also general obligations of the City, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the City for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The Bonds and the Notes will be issued in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds and the Notes. Individual purchases of the Bonds and the Notes will be made in book-entry only form in the principal amount of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required.

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on the first day of February and August of each year, commencing February 1, 2019, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the City or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the City to the registered owner thereof as of the Record Dates (as defined herein).

The Notes will bear interest at the rate set forth above, commencing their date of delivery. Interest on the Notes will be payable at maturity as set forth above. Principal of and interest on the Notes will be payable by the City or a duly designated paying agent at the date of maturity.

While DTC is acting as securities depository for the Bonds and the Notes, the principal of and interest on the Bonds and the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Bonds or the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the City Council on the dates set forth herein and by resolutions duly adopted by the City Council on August 21, 2018. The Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, and various bond ordinances duly adopted by the City Council on the dates set forth herein.

Proceeds of the General Improvement Bonds, along with other available funds of the City in the amount of \$627,067, are being used to: (i) refund, on a current basis, a \$7,758,724 portion of the bond anticipation notes of the City issued in the amount of \$31,737,000 on October 5, 2017 and maturing on October 4, 2018 (the "Prior Notes"); (ii) permanently finance the cost of various capital improvements by and in the City in the amount of \$81,343; and (iii) pay the costs associated with the issuance of the General Improvement Bonds. Proceeds of the Sewer Utility Bonds, along with other available funds of the City in the amount of \$485,000, are being used to: (i) currently refund a \$5,165,000 portion of the Prior Notes; and (ii) pay the costs associated with the issuance of the Sewer Utility Bonds. The Notes are being issued to: (i) refund, on a current basis (along with \$935,276 in available funds), a \$18,813,276 portion of the Prior Notes; and (ii) temporarily finance the cost of various other capital improvements by and in the City in the amount of \$110,000.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS" under the subheading entitled "Optional Redemption". The Notes are not subject to redemption prior to their stated maturity.

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

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

The Bonds and Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the City in connection with the issuance of the Bonds and the Notes. Certain legal matters will be passed upon for the City by the City Attorney, Matthew T. Priore, Esq., Clifton, New Jersey. It is anticipated that the Bonds and the Notes will be available for delivery through DTC on or about October 3, 2018.

FIDELITY CAPITAL MARKETS
(as to the Bonds only)

OPPENHEIMER & CO.
(as to the Notes only)

* "CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number listed above is being provided solely for the convenience of Noteholders only at the time of issuance of the Notes and the City does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such Notes or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

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

<u>Year</u>	<u>General Improvement Bonds</u>	<u>Sewer Utility Bonds</u>	<u>Combined Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIPs*</u>
2019	\$230,000	\$130,000	\$360,000	5.000%	1.750%	1870903L7
2020	230,000	130,000	360,000	5.000	1.840	1870903M5
2021	230,000	130,000	360,000	5.000	1.940	1870903N3
2022	460,000	130,000	590,000	5.000	2.060	1870903P8
2023	460,000	250,000	710,000	5.000	2.140	1870903Q6
2024	460,000	250,000	710,000	5.000	2.240	1870903R4
2025	460,000	250,000	710,000	5.000	2.390	1870903S2
2026	460,000	255,000	715,000	5.000	2.500	1870903T0
2027	460,000	255,000	715,000	3.000	2.900	1870903U7
2028	460,000	255,000	715,000	3.000	3.000	1870903V5
2029	460,000	255,000	715,000	3.000	3.100	1870903W3
2030	460,000	255,000	715,000	3.000	3.190	1870903X1
2031	460,000	255,000	715,000	3.125	3.270	1870903Y9
2032	460,000	255,000	715,000	3.125	3.350	1870903Z6
2033	415,000	255,000	670,000	3.250	3.420	1870904A0
2034	405,000	255,000	660,000	3.250	3.500	1870904B8
2035	<u>405,000</u>	255,000	660,000	3.500	3.560	1870904C6
2036		255,000	255,000	3.500	3.630	1870904D4
2037		255,000	255,000	3.625	3.700	1870904E2
2038		<u>255,000</u>	<u>255,000</u>	3.625	3.750	1870904F9
Total:	\$6,975,000	\$4,585,000	\$11,560,000			

*"CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF CLIFTON
IN THE COUNTY OF PASSAIC
STATE OF NEW JERSEY**

MAYOR

James A. Anzaldi

CITY COUNCIL

Peter C. Eagler
William Gibson
Raymond Grabowski
Steven Hatala, Jr.
Joseph C. Kolodziej
Lauren E. Murphy

CITY ATTORNEY

Matthew T. Priore, Esq.
Clifton, New Jersey

CITY MANAGER

Dominick Villano

CHIEF FINANCIAL OFFICER

Joseph Kunz

CITY CLERK

Nancy Ferrigno

INDEPENDENT AUDITORS

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

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

No dealer, broker, salesperson or other person has been authorized by the City of Clifton, in the County of Passaic, State of New Jersey (the "City") to give any information or to make any representations with respect to the Bonds and Notes other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the City. 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 and Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds or Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier. The City has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

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

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

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

In order to facilitate the distribution of the Bonds and Notes, the respective Underwriters may engage in transactions intended to stabilize the price of the Bonds and Notes 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 and Notes are offered to the public by the respective Underwriters and the yields resulting there from may vary from the initial public offering prices or yields on the cover page and/or inside cover page hereof. In addition, the Underwriters may allow concessions or discounts from such initial public offering prices to dealers and others.

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

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
Description of the Bonds	1
Description of the Notes	4
Security for the Bonds and Notes	6
The City	6
No Default	6
Market Protection	6
Book-Entry Only System	6
Provisions for the Protection of General Obligation Debt	8
Financial Management	11
Capital Improvement Program	14
Tax Assessment and Collection	15
Tax Exemption	16
Legality for Investment	17
Risk to Holders of Bonds and Notes	17
Certificates of the City	18
Approval of Legal Proceedings	18
Additional Information	19
Municipal Advisor	19
Litigation	19
Compliance with Secondary Market Disclosure Requirements for the Bonds	19
Compliance with Secondary Market Disclosure Requirements for the Notes	20
Preparation of Official Statement	20
Ratings	20
Underwriting	21
Financial Statements	21
Miscellaneous	21
APPENDIX A	
Certain Financial and Demographic Information Concerning the City of Clifton	A-1
APPENDIX B	
Audited Financial Statements of the City of Clifton for the years ending December 31, 2017 and 2016.....	B-1
APPENDIX C	
Form of Approving Legal Opinion for the Bonds.....	C-1
APPENDIX D	
Form of Approving Legal Opinion for the Notes	D-1
APPENDIX E	
Form of Continuing Disclosure Certificate for the Bonds	E-1
APPENDIX F	
Form of Certificate of Compliance with Secondary Market Disclosure Requirements for the Notes	F-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

**OFFICIAL STATEMENT
OF THE
CITY OF CLIFTON
IN THE COUNTY OF PASSAIC, STATE OF NEW JERSEY
RELATING TO
\$11,560,000 GENERAL OBLIGATION BONDS, SERIES 2018
Consisting of:
\$6,975,000 General Improvement Bonds, Series 2018
and
\$4,585,000 Sewer Utility Bonds, Series 2018**

**\$17,988,000 BOND ANTICIPATION NOTES, SERIES 2018
Consisting of:
\$13,701,000 General Improvement Bonds, Series 2018
and
\$4,287,000 Sewer Utility 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 Clifton (the "City"), in the County of Passaic (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$11,560,000 General Obligation Bonds, Series 2018, consisting of: \$6,975,000 aggregate principal amount of General Improvement Bonds, Series 2018 (the "General Improvement Bonds") and \$4,585,000 Sewer Utility Bonds, Series 2018 (the "Sewer Utility Bonds", and together with the General Improvement Bonds, the "Bonds") and \$17,988,000 aggregate principal amount of Bond Anticipation Notes, Series 2018, consisting of \$13,701,000 General Improvement Notes, Series 2018 (the "General Improvement Notes") and \$4,287,000 Sewer Utility Notes, Series 2018 (the "Sewer Utility Notes", and together with the General Improvement Notes, the "Notes") of the City. This Official Statement, which includes the cover page, inside front cover page and appendices attached hereto, has been authorized by the City Council, and executed by and on behalf of the City by its Chief Financial Officer, to be distributed in connection with the sale of the Bonds and Notes.

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

All financial and other information presented herein has been provided by the 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.

DESCRIPTION OF THE BONDS

General Description

The Bonds are dated the date of delivery thereof and shall bear interest at the rates shown on the inside front cover page hereof from such date, payable semi-annually on the first day of February and August of each year (each an "Interest Payment Date") until maturity or prior redemption, commencing February 1, 2019. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective January 15 and July 15 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the City's Chief Financial Officer, as Registrar and Paying Agent.

The Bonds will mature on August 1 in each of the years and in the respective principal amounts as set forth on the inside front cover page.

The Bonds, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in denominations of \$1,000 each or any integral multiple thereof, with minimum purchases of \$5,000 required. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

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

Optional Redemption

The Bonds maturing prior to August 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after August 1, 2026 are redeemable at the option of the City, in whole or in part, on any date on or after August 1, 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 ("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 of the City on the dates set forth in the chart on the following page and published and approved as required by law, and by resolutions duly adopted by the City Council on August 21, 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

Proceeds of the General Improvement Bonds, along with other available funds of the City in the amount of \$627,067, are being used to: (i) refund, on a current basis, a \$7,758,724 portion of the bond anticipation notes of the City issued in the amount of \$31,737,000 on October 5, 2017 and maturing on October 4, 2018 (the "Prior Notes"); (ii) permanently finance the cost of various capital improvements by and in the City in the amount of \$81,343; and (iii) pay the costs associated with the issuance of the General Improvement Bonds.

The purposes for which the General Improvement 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 the amount of General Improvement Bond proceeds to be used for such purposes. The bond ordinances are:

Ordinance Number	Description and Date of Final Adoption	Amount to be Funded with Bond Proceeds
7133-14	Various capital improvements, finally adopted January 21, 2014	\$ 81,343
7161-14	Various 2014 capital improvements, finally adopted May 20, 2014	7,020,937
7215-15	Various road improvements, finally adopted June 16, 2015	<u>110,720</u>
TOTAL		<u>\$7,213,000</u>

Proceeds of the Sewer Utility Bonds, along with other available funds of the City in the amount of \$485,000, are being used to: (i) currently refund a \$5,165,000 portion of the Prior Notes; and (ii) pay the costs associated with the issuance of the Sewer Utility Bonds.

The purposes for which the Sewer Utility 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 the amount of Sewer Utility Bond proceeds to be used for such purposes. The bond ordinances are:

Ordinance Number	Description and Date of Final Adoption	Amount to be Funded with Bond Proceeds
7036-12, as amended by 7216-15	Bonsal Preserve sewer improvements, finally adopted August 8, 2012 (7036-12) and June 16, 2015 (7216-15)	\$1,999,534
7163-14	Various sewer improvements, finally adopted May 20, 2014	1,075,857
7217-15	Various sewer improvements, finally adopted June 16, 2015	<u>1,604,609</u>
TOTAL		<u>\$4,680,000</u>

Payment of Bonds

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

DESCRIPTION OF THE NOTES

General Description

The Notes shall be dated and shall bear interest as shown on the front cover page of this Official Statement. The Notes shall bear interest at the rate as indicated on the cover of this Official Statement, payable upon maturity. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the City or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required, through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the City or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See "DESCRIPTION OF THE BONDS" herein.

Optional Redemption

The Notes are not subject to redemption prior to their stated maturity.

Authorization for the Issuance of the Notes

The Notes are authorized 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 of the City on the dates set forth under "Purpose of the Notes" herein and published and approved as required by law.

The bond ordinances authorizing the Notes 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 Notes

The Notes are being issued to: (i) refund, on a current basis (along with \$935,276 in available funds), a \$18,813,276 portion of the Prior Notes; and (ii) temporarily finance the cost of various other capital improvements by and in the City in the amount of \$110,000. The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the City, which bond ordinances are described in the following table by ordinance number, description and date of final adoption:

Ordinance Number	Description and Date of Final Adoption	Amount to be Funded by the Notes
6908-10	Acquisition of technology equipment for use by the police and fire departments, finally adopted November 3, 2010	\$ 110,000
7215-15	Various road improvements, finally adopted June 16, 2015	13,591,000
7217-15	Various sewer improvements, finally adopted June 16, 2015	3,000,000
7218-15	Various sewer improvements, finally adopted June 16, 2015	<u>1,287,000</u>
TOTAL		<u>\$17,988,000</u>

Payment of Notes

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

SECURITY FOR THE BONDS AND NOTES

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

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

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

THE CITY

The City is located in the lower part of the County and encompasses an area of 11.75 square miles. See "APPENDIX A" for more information concerning the City including demographic and statistical information.

NO DEFAULT

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

MARKET PROTECTION

The City does not anticipate issuing any additional bonds or bond anticipation notes in 2018.

BOOK-ENTRY ONLY SYSTEM

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds and Notes, payment of principal and interest, and other payments on the Bonds and Notes to DTC Participants or Beneficial Owners (as such terms are defined or used herein), confirmation and transfer of beneficial ownership interests in the Bonds and Notes and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. Accordingly, the City does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds and Notes. The Bonds and Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of the issue of the Bonds, and will be deposited with DTC. One fully registered Note certificate will be issued for the Notes in the aggregate principal amount of the Notes, as set forth on the cover hereof, 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 and www.dtc.org.

Purchases of the Bonds or Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds or Notes on DTC's records. The ownership interest of each actual purchaser of Bonds or Notes ("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 or Notes 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 or Notes, except in the event that use of the book-entry system for the Bonds or Notes is discontinued.

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

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

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

Principal and interest payments on the Bonds and Notes 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 the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in

"street name", and will be the responsibility of such Participant and not of DTC, nor its nominee, Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds and Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Paying Agent, upon direction of 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 and 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.

Discontinuance of Book-Entry Only System

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

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

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

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

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

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

Short Term Financing

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

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

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

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system 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.

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 (3 1/2%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the 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. As shown in APPENDIX A, the City has not exceeded its statutory debt limit.

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

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

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), 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 generally accepted in the United States.

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.

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, and (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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

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

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. [Under the regulations prescribed by the Local Finance Board, the City was not eligible for local examination of its budget in 2013. The City has adopted its 2016 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)".

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

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

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

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the 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. The City has not utilized a portion of its "Cap Bank" in its 2013 Budget. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "CAP".

Additionally, new legislation constituting P.L. 2010, c.44, effective July 13, 2010, imposes a 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 2%, certain increases in health care costs in excess of 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 2% not otherwise permitted under the law by an affirmative vote of 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 and Notes.

Deferral of Current Expenses

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

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

Budget Transfers

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

Anticipation of Real Estate Taxes

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

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

taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of the preceding fiscal year."

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

Total of Local, County, and School Levies	-	Anticipated Revenues	=	Cash Required from Taxes to Support Local Municipal Budget and Other Taxes
--	---	----------------------	---	---

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

Anticipation of Miscellaneous Revenues

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

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

Debt Statements

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.

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.

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.

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.

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 City Attorney (as defined herein) for in rem foreclosures in order to acquire title to these properties.

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

Tax Appeals

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

TAX EXEMPTION

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Bonds and Notes in order for the interest on the Bonds and Notes to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds or Notes to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Bonds and Notes. The City will represent in its tax certificate that it expects and intends to comply and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code described above, interest on the Bonds and Notes is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax.

The Bonds and Notes do not constitute “qualified tax-exempt obligations” as defined in and for the purpose of Section 265(b)(3) of the Code.

Additional Federal Income Tax Consequences Relating to Bonds and Notes

Prospective purchasers of the Bonds and Notes should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds and Notes, 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 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 insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds and Notes should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds and Notes, and any gain on the sale thereof, is not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds or Notes.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the federal and State tax-exempt status of interest on the Bonds and Notes and the State tax-exempt status of interest on the Bonds and Notes, gain from the sale or other disposition of the Bonds and Notes, the market value of the Bonds and Notes or the marketability of the Bonds and Notes. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding such matters.

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 and Notes. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and Notes and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no

opinion as to the effect, if any, on the tax status of the interest on the Bonds and Notes paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

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

Prospective purchasers of the Bonds and Notes should consult their tax advisors with respect to all tax consequences (including but not limited to those listed above) of holding the Bonds and Notes.

LEGALITY FOR INVESTMENT

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

RISK TO HOLDERS OF BONDS AND NOTES

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

Municipal Bankruptcy

THE 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 ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS AND NOTES, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

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 provided that a transfer of property of a

debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

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

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

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

CERTIFICATES OF THE CITY

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds and Notes are subject to the approval of Bond Counsel, whose approving legal opinions will be delivered with the Bonds and Notes substantially in the form set forth as APPENDIX C and APPENDIX D, respectively, hereto. Certain legal matters with respect to the Bonds and Notes will be passed on for the City by its City Attorney, Matthew T. Priore, Esq., Clifton, New Jersey (the "City Attorney").

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the City of Clifton, Joseph Kunz, Chief Financial Officer, 900 Clifton Avenue, Clifton, New Jersey 07013, (973) 470-5787 and Lisa A. Gorab, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6459, or Anthony P. Inverso, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

MUNICIPAL ADVISOR

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

LITIGATION

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

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS

The City has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the City on or prior to September 1 of each year 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 "Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in APPENDIX E attached hereto. Such Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB").

The City had a clerical error in its Continuing Disclosure Agreements dated December 29, 2009 and February 2, 2010 (the "Erroneous Agreements") whereby the Erroneous Agreements mis-state that the City will provide all required annual financial information and operating data for its year ending December 31 by January 31, which date is only 30 days after the City's year end. It is impossible for the City to meet such January 31 deadline. The January 31 deadline date is erroneous and should have read July 31 which date would be consistent with other prior continuing disclosure obligations of the City. On July 30, 2014, the City filed a notice on the MSRB's Electronic Municipal Market Access Dataport ("EMMA") amending the filing deadline on the Erroneous Agreements to July 31 of each year.

Within the five years immediately preceding the date of this Official Statement, the City filed its audited financial statements, annual debt statements and operating data, as required by previous filing requirements, by July 31 in the years ending December 31, 2012 and 2013. Based upon the January 31 deadline of the Erroneous Agreements, the City had failed to provide annual financial information, annual debt statements and operating data in a timely manner for these years. Additionally, the City acknowledges that it previously failed to file event notices and late filing notices in connection with its untimely filings of: (i)

audited financial information; (ii) annual debt statements; (iii) operating data; and (iv) bond insurance rating changes in 2013 and 2014. Such notices of events and late filings have since been filed with the MSRB's EMMA. The City appointed Phoenix Advisors, LLC in July of 2014 to serve as continuing disclosure agent.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES

The City has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the Rule (the "Notices"). The Notices will be filed by the City with the MSRB. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in APPENDIX F hereto, such certificate to be delivered concurrently with the delivery of the Notes.

PREPARATION OF OFFICIAL STATEMENT

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

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

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

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

RATINGS

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("Standard & Poor's"), has assigned a rating of "AA-" to the Bonds, and a short-term rating of "SP-1+" to the Notes.

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

UNDERWRITING

The Bonds have been purchased from the City at a public sale by Fidelity Capital Markets, a division of National Financial Services, LLC, Boston, Massachusetts (the "Bond Underwriter"), at a price of \$11,896,068.78. The purchase price of the Bonds reflects the par amount of Bonds, less a Bond Underwriter's discount of \$120,704.67 plus a net original issue premium of \$456,773.45.

The Notes have been purchased from the City at a public sale by Oppenheimer & Co., Philadelphia, Pennsylvania (the "Note Underwriter"), at a price of \$18,161,765.00. The purchase price of the Notes reflects the par amount of Notes, less a Note Underwriter's discount of \$19,785.88 plus an original issue premium of \$193,550.88.

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

The Note Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at a yield higher than the public offering yield stated on the front cover page hereof.

FINANCIAL STATEMENTS

The financial statements of the City for the years ended December 31, 2017 and 2016, together with the Notes to the Financial Statements for the years then ended, are presented in APPENDIX B to this Official Statement. The financial statements referred to above have been audited by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey, independent auditors, as stated in their report appearing in APPENDIX B.

MISCELLANEOUS

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

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

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

CITY OF CLIFTON

/s/ Joseph Kunz
JOSEPH KUNZ,
Chief Financial Officer

DATED: September 19, 2018

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A
CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION
CONCERNING THE CITY OF CLIFTON

[THIS PAGE INTENTIONALLY LEFT BLANK]

DEMOGRAPHIC AND ECONOMIC FACTORS

Size and Geographical Location

The City of Clifton (the “City”) is situated in the lower part of Passaic County (the “County”) in the State of New Jersey (the “State”) portion of the New York metropolitan area. The City encompasses an area of 11.75 square miles. The Passaic River forms its eastern boundary. Neighboring communities include the City of Paterson, the Township of Montclair, the Township of Bloomfield, the Township of Nutley, the City of Passaic, the Borough of Woodland Park, the Township of Little Falls, the Borough of Rutherford, the Borough of Elmwood Park and the City of Garfield.

Form of Government

The City has operated under the Municipal Manager form of government since 1934. Under this form of government, the City Manager, who is appointed by the City Council, functions as the Chief Executive and Administrative Officer of the City.

The City Manager, who also functions as the Director of Public Safety, makes all police and fire department appointments and promotions from Civil Service eligibility lists. Additionally, the City Manager is responsible for the hiring of all other municipal employees. The City Manager attends all meetings of the City Council and is obligated to implement all of its policy decisions.

The City Charter provides for an elected body of seven (7) members each serving a four-year term. City Council elections are non-partisan with the Council members being elected at large and representing the City as a whole. The City Council in turn selects a Mayor from among its members.

As policy-making body of the City, the City Council has the power to do whatever it deems necessary to promote and maintain the health, safety, welfare, comfort and peace of the City. The Mayor does, however, have additional responsibilities including presiding at City Council meetings and making appointments to the Planning Board and the Board of Library Trustees. City Council meetings, which are open to the public, are held in the City Hall Council Chambers on the first and third Tuesday of each month.

Transportation

The City is located about 13 miles from the Lincoln Tunnel. Residents have access to all parts of New York and New Jersey via nearby highways including Routes 3, 20, 21, 46, the Garden State Parkway, and Interstate 80. Transportation by bus and N.J. Transit commuter train service is also available.

Protection

The City is served by a police department consisting of approximately 150 police officers, including detectives. The department is broken down into the administrative services bureau, the field operations bureau and the investigations bureau. The administrative bureau is responsible for the day-to-day operations of the department including purchasing, hiring, budgeting, maintenance of records, crime statistics, evidence, jail management, new officer training and in-service training. The field operation bureau is directly responsible for the general protection of the City and its residents, as well as enforcement of City ordinances, traffic control and safety, implementing community programs and crime prevention. The investigations bureau is responsible for the investigation of adult and youth related offenses, community policing and crime prevention. The department owns and operates approximately forty (40) marked police cars, thirty (30) unmarked police cars and fifteen (15) other vehicles.

The City's fire department has approximately 140 uniformed personnel who work out of six (6) fire stations. The headquarters for the fire department are located next to City Hall. The department has earned a Class 1, highest public protection rating, by the Insurance Services Office. The department maintains the most up-to-date equipment including eight (8) pumper trucks, one (1) ladder truck, one (1) quint apparatus, five (5) ambulances, one (1) haz-mat response vehicle and one (1) foam pumper. The department also has eight (8) fire prevention vehicles, one (1) chief vehicle, one (1) deputy chief vehicle, one (1) training officer vehicle, one (1) communication officer vehicle and one (1) reserve vehicle. There are over 1,500 fire hydrants within the City limits.

Sanitation and Sewerage Services

The City provides garbage collection for all homes on a twice-weekly basis and recycling on a monthly basis. These services are contracted by public bid.

The City is a member of the Passaic Valley Sewerage Commission ("PVSC") and is responsible for payment of the cost of the maintenance, repair and operation, including debt service, of PVSC based on the City's proportionate share of sewerage discharged into the system. The City's obligation is provided for in full in the municipal budget.

Utilities

Electricity and gas are supplied by Public Service Electric & Gas Company. Water is supplied by the Passaic Valley Water Commission ("PVWC") which is owned and operated by the City and the Cities of Paterson and Passaic.

Industry

A large amount of diversified industry has been attracted to the City, serving to assure the City's economic position. The City has several advantages to offer industry including accessible highways, a convenient location to a large labor supply and a location near the ports of New York and Newark. In addition, it is serviced by the Conrail Railroad.

Housing

As is the case with all older municipalities, it cannot be assumed that growth in the City will stop even though there is no more vacant land to be developed. Recent trends demonstrate that growth continues and land uses change. There is also a trend to redevelop presently built-up land that contains functionally obsolete buildings by demolishing existing structures and building new structures. The new use is always one that is up-to-date to better service the community and its people. Pressures for development will continue. The scarcity of land combined with a favorable tax rate has resulted in relatively high land values.

Recreation

The City's Recreation Center offers a wide variety of programs and activities including: aerobic dancing, drawing and painting, arts and crafts, gymnastics, track and field, and a supplemental program of education for basic school skills.

Presently, there are twenty-nine (29) parks and playgrounds and thirty-two (32) tennis courts for the citizens' enjoyment.

Employment and Unemployment Comparisons

The New Jersey Department of Labor reported the following annual average employment information for the City of Clifton, the County of Passaic and the State of New Jersey:

<u>City</u>	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
2017	45,016	42,901	2,115	4.7%
2016	45,390	43,104	2,286	5.0%
2015	45,731	43,063	2,668	5.8%
2014	45,391	42,271	3,120	6.9%
2013	43,007	39,215	3,792	8.8%
<u>County</u>				
2017	245,454	231,482	13,972	5.7%
2016	247,829	232,633	15,196	6.1%
2015	249,659	232,524	17,135	6.9%
2014	248,437	228,264	20,173	8.1%
2013	241,354	217,363	23,991	9.9%
<u>State</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

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017*</u>
City	74,388	71,742	78,672	84,136	86,607
County	447,685	453,060	489,049	501,226	512,607
State	7,365,011	7,730,188	8,414,350	8,791,894	9,005,644

* Estimate

Source: Census Data.

Income as of 2016

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
City	\$71,830	\$84,785	\$31,961
County	61,664	73,793	58,661
State	73,702	90,757	37,538

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

DEBT INFORMATION OF THE CITY

The City must report all new authorizations of debt or changes in previously authorized debt to the Division. The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year, the City must file an Annual Debt Statement with the Director 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.

Debt Incurring Capacity as of December 31, 2017

<u>Year</u>	<u>Equalized Valuations Amount</u>
2015	\$ 9,331,088,369
2016	9,584,485,971
2017	<u>9,634,886,765</u>
Total	<u>\$28,550,461,105</u>

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 9,516,820,368
3 1/2% Borrowing Margin	333,088,713
Net Debt Issued, Outstanding and Authorized	<u>88,771,349</u>
Remaining Municipal Borrowing Capacity	<u>\$ 244,317,364</u>

Local School	
4% Borrowing Margin	\$ 380,672,815
Debt, Issued, Outstanding and Authorized	<u>6,125,000</u>
Remaining School Borrowing Capacity	<u>\$ 374,547,815</u>

Source: The City's 2017 Annual Audit Report

Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2017	\$ 128,552,161	\$ 88,771,349	0.93%
2016	124,261,605	86,832,326	0.91%
2015	119,078,805	84,007,358	0.88%
2014	105,964,967	75,452,474	0.79%
2013	101,348,005	72,303,905	0.75%

Source: The City's Annual Audit Reports

Statement of Indebtedness
As of December 31, 2017

General Purpose

Bonds	\$ 40,679,631	
Notes	21,932,000	
Loans	1,167,294	
Authorized But Not Issued	<u>19,624,541</u>	
		\$ 83,403,466

Sewer Utility Purpose

Bonds	18,115,370	
Notes	9,805,000	
Loans	627,135	
Authorized But Not Issued	<u>10,476,190</u>	
		39,023,695

Local School

Bonds Issued and Authorized		<u>6,125,000</u>
-----------------------------	--	------------------

Total Gross Debt 128,552,161

Statutory Deductions

Municipal Purpose	800,487	
Sewer Utility Purpose	32,855,325	
Local School	<u>6,125,000</u>	
		<u>39,780,812</u>

Total Net Debt \$ 88,771,349

Overlapping Debt

County of Passaic (1)	\$ 72,995,585	
Passaic County Utilities Authority (1)	10,454,405	
North Jersey District Water Supply Commission (2)	1,307,842	
Passaic Valley Sewerage Commission (2)	13,381,321	
Passaic Valley Water Commission (3)	<u>17,821,329</u>	

Total Overlapping Debt \$ 115,960,482

Gross Debt

Per Capita (2016 Census - 86,607)	\$ 1,484
Percent of Net Valuation Taxable (2018- \$5,309,478,500)	2.42%
Percent of Estimated True Value of Real Property (2018 - \$9,786,938,086)	1.31%

Net Municipal Debt

Per Capita (2016 Census - 86,607)	\$ 1,025
Percent of Net Valuation Taxable (2018- \$5,309,478,500)	1.67%
Percent of Estimated True Value of Real Property (2018 - \$9,786,938,086)	0.91%

Overall Debt (Net and Overlapping Debt)

Per Capita (2016 Census - 86,607)	\$ 2,364
Percent of Net Valuation Taxable (2018- \$5,309,478,500)	3.86%
Percent of Estimated True Value of Real Property (2018 - \$9,786,938,086)	2.09%

Source: The City's 2017 Annual Audit Report

(1) Based on equalized value of municipality to County

(2) Based on usage

(3) Based on ownership (City: 14.29%)

TAX INFORMATION OF THE CITY

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2017	\$ 285,085,917	\$ 281,717,718	98.82%
2016	281,035,245	277,150,818	98.62%
2015	278,973,504	274,563,505	98.42%
2014	273,561,294	269,748,244	98.61%
2013	265,057,926	261,720,924	98.74%

Source: The City's Annual Audit Reports

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2017	\$ 104,933	\$ 2,775,882	\$ 2,880,815	1.01%
2016	22,148	3,359,593	3,381,741	1.20%
2015	10,009	3,509,004	3,519,013	1.26%
2014	8,998	3,229,058	3,238,056	1.18%
2013	486,122	3,121,440	3,607,562	1.36%

Source: The City's Annual Audit Reports

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

<u>Year</u>	<u>Amount</u>
2017	\$ 1,441,100
2016	1,441,100
2015	1,441,100
2014	1,441,100
2013	45,500

Source: The City's Annual Audit Reports

Ten Largest Taxpayers

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

<u>Taxpayer</u>	<u>Assessment</u>
201 Main Ave LLC	\$ 48,000,000
Castleton Assoc. LLC	40,501,500
GI TC 2 Peekay Drive LLC	37,000,000
Clifton Commons, I LLC	33,509,800
Public Service	32,017,800
PB Nutcliff Master LLC & PB Nutcliff Med LLC	27,713,200
Country Club Towers I & II LLC	23,531,900
Clifton Lifestyle Ctr LLC	21,802,500
Syertowne Shopping Center, LLC	19,678,800
Exelis Inc.	19,500,000
Total	<u>\$ 303,255,500</u>
Total as of a % of Net Valuation Taxable	5.71%

Source: The City, Tax Assessor.

Assessed Valuations Land and Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Farm</u>	<u>Total</u>
2018	\$46,380,900	\$3,800,876,300	\$797,052,600	\$517,323,300	\$140,540,900	\$ 304,500	\$ 5,302,478,500
2017 *	46,004,000	3,791,752,300	802,569,600	511,371,100	140,441,800	304,500	5,292,443,300
2016	37,157,800	3,781,163,700	808,070,700	561,400,300	140,877,500	304,200	5,328,974,200
2015	39,415,500	3,772,378,500	813,665,200	577,381,000	139,836,800	304,200	5,342,981,200
2014	38,276,900	3,759,934,300	811,607,300	599,812,900	138,806,600	304,200	5,348,742,200

* The reduction in assessed valuation for 2017 largely reflects the on-going redevelopment at the former Hoffman LaRoche site. The site is being repurposed and will include a medical school in partnership with Hackensack Meridian Health and Seton Hall University. A payment in lieu of taxes (PILOT) agreement is in place and the City will receive payments in lieu of taxes for at least the municipal portion of the tax revenue lost as a result of the repurposing of the site.

Source: The City's 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	\$ 5,302,478,500	\$ 7,000,090	\$ 5,309,478,590	54.93%	\$ 9,786,938,176
2017 *	5,292,443,300	7,199,176	5,299,642,476	55.60%	9,662,113,780
2016	5,328,974,200	7,388,909	5,336,363,109	57.26%	9,430,462,733
2015	5,342,981,200	7,174,308	5,350,155,508	56.61%	9,558,441,489
2014	5,348,742,200	6,824,144	5,355,566,344	54.81%	9,877,196,508

* The reduction in assessed valuation for 2017 largely reflects the on-going redevelopment at the former Hoffman LaRoche site. The site is being repurposed and will include a medical school in partnership with Hackensack Meridian Health and Seton Hall University. A payment in lieu of taxes (PILOT) agreement is in place and the City will receive payments in lieu of taxes for at least the municipal portion of the tax revenue lost as a result of the repurposing of the site.

Source: County Abstract of Ratables.

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

<u>Year</u>	<u>Total</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>
2018	\$ 287,910,569	\$ 82,127,694	\$ 134,081,082	\$ 71,701,793
2017	285,085,917	80,540,259	133,421,953	71,123,705
2016	281,035,245	79,581,983	130,853,039	70,600,223
2015	278,973,504	78,266,476	128,336,184	72,370,844
2014	273,561,294	78,394,596	125,879,099	69,287,599

Source: The City, Tax Collector and Annual Audits.

**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>
2018	\$ 5.423	\$ 1.546	\$ 2.526	\$ 1.351
2017	5.364	1.508	2.518	1.338
2016	5.260	1.486	2.452	1.322
2015	5.209	1.458	2.399	1.352
2014	5.102	1.459	2.350	1.293

Source: The City, Tax Collector and Annual Audits.

SUMMARY OF MUNICIPAL BUDGETS

Current Fund (As Adopted)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Anticipated Revenues					
Fund Balance Anticipated	\$ 7,100,000	\$ 5,100,000	\$ 4,300,000	\$ 6,055,538	\$ 4,725,000
Miscellaneous Revenues	21,929,043	22,049,866	21,403,816	23,043,219	21,026,865
Receipts from Delinquent Taxes	2,800,000	3,000,000	3,400,000	3,000,000	3,000,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>82,127,694</u>	<u>79,926,058</u>	<u>79,311,557</u>	<u>78,027,095</u>	<u>78,139,152</u>
	<u>\$ 113,956,737</u>	<u>\$ 110,075,924</u>	<u>\$ 108,415,373</u>	<u>\$ 110,125,852</u>	<u>\$ 106,891,017</u>
Appropriations					
Salaries and Wages	\$ 47,593,641	\$ 46,210,979	\$ 46,839,989	\$ 47,973,396	\$ 47,060,746
Other Expenses	40,191,416	38,080,745	35,958,183	36,708,711	35,604,440
Deferred Charges and Statutory Expenditures	11,931,680	11,679,200	11,614,051	10,879,730	10,265,331
Capital Improvements	500,000	500,000	822,150	1,265,015	500,000
Municipal Debt Service	8,240,000	8,105,000	7,681,000	7,799,000	7,665,500
Judgements					295,000
Reserve for Uncollected Taxes	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>
	<u>\$ 113,956,737</u>	<u>\$ 110,075,924</u>	<u>\$ 108,415,373</u>	<u>\$ 110,125,852</u>	<u>\$ 106,891,017</u>

Sewer Utility Fund (As Adopted)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Anticipated Revenues					
Fund Balance Anticipated	\$ 409,700	\$ 286,000	\$ 25,000	\$ 125,000	\$ 600,000
Sewer User Fees	11,050,000	10,972,000	10,963,195	10,200,700	8,246,000
Interest and Costs on User Fees	100,000	100,000	100,000	100,000	79,000
Debt Service Reimbursement - Hoffman LaRoche		49,000	49,500	48,000	53,600
Sewer Capital Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,900</u>
	<u>\$ 11,559,700</u>	<u>\$ 11,407,000</u>	<u>\$ 11,137,695</u>	<u>\$ 10,473,700</u>	<u>\$ 9,358,500</u>
Appropriations					
Salaries and Wages	\$ 890,300	\$ 851,200	\$ 837,300	\$ 820,700	\$ 604,000
Other Expenses	7,748,100	7,557,900	7,376,895	7,041,000	6,416,500
Deferred Charges and Statutory Expenditures	166,300	160,900	155,500	152,000	103,000
Capital Improvements	115,000	354,000	352,000	350,000	350,000
Municipal Debt Service	<u>2,640,000</u>	<u>2,483,000</u>	<u>2,416,000</u>	<u>2,110,000</u>	<u>1,885,000</u>
	<u>\$ 11,559,700</u>	<u>\$ 11,407,000</u>	<u>\$ 11,137,695</u>	<u>\$ 10,473,700</u>	<u>\$ 9,358,500</u>

Source: The City's Adopted Municipal Budgets.

**Comparative Schedule of Fund Balances
Current Fund**

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	\$ 12,304,010	\$ 7,100,000
2016	10,307,256	5,100,000
2015	8,760,343	4,300,000
2014	10,140,238	6,055,538
2013	9,634,463	4,725,000

Sewer Utility Fund

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	\$ 1,265,275	\$ 409,700
2016	1,041,562	286,000
2015	573,511	25,000
2014	376,579	125,000
2013	693,309	600,000

Source: The City's Annual Audit Reports

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF CLIFTON
FOR THE YEARS ENDING DECEMBER 31, 2017 AND 2016**

[THIS PAGE INTENTIONALLY LEFT BLANK]



LERCH, VINCI & HIGGINS, LLP

**CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS**

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Clifton
Clifton, 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 Clifton, as of December 31, 2017 and 2016, 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 Clifton 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 Clifton as of December 31, 2017 and 2016, 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 Clifton as of December 31, 2017 and 2016, and the results of operations and changes in fund balance – regulatory basis of such funds, the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the years then ended in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2018 on our consideration of the City of Clifton'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 the effectiveness of the City of Clifton's 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 Clifton'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 28, 2018

CITY OF CLIFTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
REGULAR FUND		
Cash	\$ 39,956,360	\$ 28,614,012
Cash - Change Funds	1,760	1,760
Due from State of New Jersey - Senior Citizens' and Veterans' Deductions	<u>23,801</u>	<u>42,265</u>
	<u>39,981,921</u>	<u>28,658,037</u>
Receivables and Other Assets With Full Reserves		
Delinquent Property Tax Receivable	2,775,882	3,359,593
Special Improvement District Tax Receivable	6,248	18,679
Tax Title Liens Receivable	104,933	22,148
Property Acquired for Taxes - Assessed Valuation	1,441,100	1,441,100
Revenue Accounts Receivable		60,717
Due from Other Trust Fund		20,157
Due from Community Development Block Grant Fund	41,861	37,244
Due from Public Housing Voucher Program Fund	27,270	24,255
Prepaid Special Improvement District Taxes Payable	<u>-</u>	<u>12,700</u>
	<u>4,397,294</u>	<u>4,996,593</u>
Deferred Charges		
Special Emergency Authorizations	<u>-</u>	<u>400,000</u>
	<u>-</u>	<u>400,000</u>
Total Regular Fund	<u>44,379,215</u>	<u>34,054,630</u>
GRANT FUND		
Grants Receivable	2,316,935	2,676,877
Due from Current Fund	670,951	893,123
Due from Other Trust Fund	<u>-</u>	<u>5,347</u>
Total Grant Fund	<u>2,987,886</u>	<u>3,575,347</u>
Grand Total	<u>\$ 47,367,101</u>	<u>\$ 37,629,977</u>

CITY OF CLIFTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE		
REGULAR FUND		
Liabilities and Reserves		
Appropriation Reserves	\$ 2,085,839	\$ 2,529,462
Encumbrances Payable	2,043,069	1,721,247
Accounts Payable	471,986	377,716
Tax Appeal Judgements Payable	550	695,441
Fees Payable	24,405	34,508
Special Improvement District Taxes Payable	2,498	
Prepaid Taxes	8,933,686	1,470,498
Prepaid Special Improvement District Taxes	3,918	3,773
Prepaid Revenue	44,812	75,279
Tax Overpayments - Property Taxes	26,961	243,561
Tax Overpayments - Special Improvement District Taxes	546	76
County Tax Payable	202,970	86,162
Local District School Taxes Payable	10,858,486	9,574,029
Due to Grant Fund	670,951	893,123
Due to Animal Control Fund		5,285
Due to Other Trust Fund	515,000	
Due to Sewer Operating Fund		88,940
Miscellaneous Reserves	322,252	509,006
Reserve for Tax Appeals	<u>1,469,982</u>	<u>442,675</u>
	27,677,911	18,750,781
Reserve for Receivables and Other Assets	4,397,294	4,996,593
Fund Balance	<u>12,304,010</u>	<u>10,307,256</u>
Total Regular Fund	<u>44,379,215</u>	<u>34,054,630</u>
GRANT FUND		
Encumbrances Payable	1,225,034	334,506
Appropriated Grant Reserves	<u>1,762,852</u>	<u>3,240,841</u>
Total Grant Fund	<u>2,987,886</u>	<u>3,575,347</u>
Grand Total	<u><u>\$ 47,367,101</u></u>	<u><u>\$ 37,629,977</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF CLIFTON
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED:		
Fund Balance Utilized	\$ 5,100,000	\$ 4,300,000
Miscellaneous Revenue Anticipated	24,573,500	22,727,568
Receipts from Delinquent Taxes	3,236,106	3,497,239
Receipts from Current Taxes	281,717,718	277,150,818
Non-Budget Revenues	985,612	1,118,323
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves Lapsed	1,659,348	2,134,397
Cancellation of Appropriated Grant Reserves	4,870	40,307
Cancellation of Unappropriated Grant Reserves		542
Cancellation of Outstanding Checks		1,996
Interfunds Returned	12,525	
Prepaid Special Improvement District Taxes - Liquidated	<u>12,700</u>	<u>-</u>
 Total Income	 <u>317,302,379</u>	 <u>310,971,190</u>
 EXPENDITURES		
Budget Appropriations:		
Operations		
Salaries and Wages	46,514,143	46,989,856
Other Expenses	38,464,868	36,328,859
Deferred Charges and Statutory Expenditures	11,629,200	11,564,051
Capital Improvements	960,811	1,052,645
Municipal Debt Service	8,060,520	7,627,054
County Taxes	70,920,735	70,514,061
Amount Due County for Added and Omitted Taxes	202,970	86,162
Local District School Taxes	133,421,953	130,853,039
Cancelled Grants Receivable	13,150	27,688
Prior Years' Senior Citizens and		
Veterans Deductions Disallowed	17,275	13,471
Refund of Prior Year Revenue		3,994
Prepaid Special Improvement District Taxes		12,700
Interfunds Advanced	<u>-</u>	<u>50,697</u>
 Total Expenditures	 <u>310,205,625</u>	 <u>305,124,277</u>
 Excess in Revenue (Brought Forward)	 <u>7,096,754</u>	 <u>5,846,913</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF CLIFTON
COMPARATIVE STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Excess in Revenue (Carried Forward)	\$ 7,096,754	\$ 5,846,913
Fund Balance, January 1	<u>10,307,256</u>	<u>8,760,343</u>
	17,404,010	14,607,256
Decreased by:		
Utilized as Anticipated Revenue	<u>5,100,000</u>	<u>4,300,000</u>
Fund Balance, December 31	<u>\$ 12,304,010</u>	<u>\$ 10,307,256</u>

CITY OF CLIFTON
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
FUND BALANCE ANTICIPATED	\$ 5,100,000	\$ 5,100,000	\$ 4,300,000	\$ 4,300,000
MISCELLANEOUS REVENUES				
Licenses:				
Alcoholic Beverages	245,000	268,797	213,440	245,308
Other	255,000	280,049	260,005	255,576
Fees and Permits	723,500	737,471	645,343	755,603
Municipal Court				
Fines and Costs	1,500,000	1,939,206	1,488,000	1,592,425
Interest and Costs on Taxes	850,000	880,838	800,000	984,844
Interest on Investments and Deposits	122,000	418,984	125,540	122,807
Recreation Fees	120,000	154,064	144,800	120,420
Ambulance Fees	1,840,000	1,815,166	2,000,000	1,840,423
Energy Receipts Tax	8,878,407	8,878,407	8,825,334	8,825,334
Consolidated Municipal Property				
Tax Relief Aid	1,174,446	1,174,446	1,227,519	1,227,519
Uniform Construction Code Fees	1,474,012	1,736,885	1,418,000	1,470,257
Public and Private Revenues Offset				
Drunk Driving Enforcement Fund	69,324	69,324		
NJDOT - Safe Corridors	671	671	437	437
Municipal Alliance on Alcoholism and Drug Abuse	78,956	78,956	39,478	39,478
Delta Dental	5,250	5,250	17,000	17,000
Recycling Tonnage Grant	352,104	352,104	166,857	166,857
FEMA - Hazard Mitigation Grant	288,600	288,600	95,400	95,400
Pedestrian Safety, Education and Enforcement Fund	27,850	27,850	16,000	16,000
Office of Aging Program	25,750	25,750	24,960	24,960
Office of Aging Program - Title IIIb	24,960	24,960	25,750	25,750
NJACCHO Mini Grant - Emergency Prep (Addition)	2,320	2,320		
NJACCHO Mini Grant - Emergency Preparedness I	1,500	1,500		
Passaic County Open Space Trust Fund -				
Dudiak Park Tennis Court Resurfacing	77,000	77,000		
Chelsea Park Tennis Court Resurfacing	77,000	77,000		
Athenia Steel - Phase II			200,000	200,000
Municipal Alcohol Education and Rehabilitation Program	9,136	9,136	9,004	9,004
Clean Communities Program	134,719	134,719	158,575	158,575
Safe and Secure Community Program	60,000	60,000	60,000	60,000
NJ Department of Transportation				
Marilyn, 4th	306,811	306,811		
Local Aid - Rutgers Place Culvert Repairs			150,000	150,000
Local Aid - Dwas Line Road			202,645	202,645
Sustainable Jersey Small Grants Program	2,000	2,000		
Click it or Ticket	5,500	5,500	5,000	5,000
Distracted Driving Crackdown	5,500	5,500		
Senior Citizens/Disabled Resident Transp. - City of Clifton	105,203	105,203	105,203	105,203
State of NJ Body Armor Replac. Fund	13,275	13,275	44,561	44,561
Drive Sober or Get Pulled Over - Year End Holiday	5,500	5,500		
Drive Sober or Get Pulled Over - 2017 Enforcement	5,500	5,500		
HMEP Planning and Training			11,140	11,140
Health Department Grant			20,000	20,000
NJ Forest Service Grant			3,000	3,000
NJ State Police - CERT Trailer Uplift			700	700
FEMA - Homeland Security			15,000	15,000

CITY OF CLIFTON
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
Special Items of Revenue				
Wallington Animal Control	\$ 8,324	\$ 8,490	\$ 8,000	\$ 8,324
Little Falls Health Officer	104,211	158,143	101,921	51,846
Passaic Health Officer	52,695	62,818	47,742	44,343
Hydrant Inspection Fee - PVWC	160,000	164,950	160,000	165,400
Hazmat Fees	20,000	37,652	20,000	29,820
Uniform Fire Safety Act	185,000	184,744	181,000	185,705
Cable Television Franchise Fees	711,000	711,203	732,000	732,464
Rents	30,000	23,000	28,500	30,500
In Lieu of Taxes (40:55C-40)	238,000	310,115	262,000	232,271
In Lieu of Taxes - Seton Hall University	759,326	759,326		
Police Extra Duty-Administration Fees	250,000	236,393	250,000	311,259
Police Extra Duty-Vehicles	250,000	265,170	250,000	352,538
Sale of Recyclable Materials	328,614	466,147	125,000	338,576
Hotel Occupancy Tax	274,000	306,485	287,000	274,043
General Capital Fund Balance	250,000	250,000	250,000	250,000
Reserve for Payment of Debt - General Capital	300,000	300,000	500,000	500,000
Verizon Franchise Fees	320,000	320,122	318,000	318,253
CDBG Indirect Costs	<u>40,000</u>	<u>40,000</u>	<u>65,000</u>	<u>91,000</u>
Total Miscellaneous Revenues	<u>23,147,964</u>	<u>24,573,500</u>	<u>22,104,854</u>	<u>22,727,568</u>
RECEIPTS FROM DELINQUENT TAXES	<u>3,000,000</u>	<u>3,236,106</u>	<u>3,400,000</u>	<u>3,497,239</u>
AMOUNT TO BE RAISED BY TAXES FOR SUPPORT OF MUNICIPAL BUDGET				
Local Tax for Municipal Purposes	76,728,770	79,474,772	76,198,806	78,084,805
Minimum Library Tax	<u>3,197,288</u>	<u>3,197,288</u>	<u>3,112,751</u>	<u>3,112,751</u>
	<u>79,926,058</u>	<u>82,672,060</u>	<u>79,311,557</u>	<u>81,197,556</u>
Total Budget Revenues	<u>\$ 111,174,022</u>	<u>\$ 115,581,666</u>	<u>\$ 109,116,411</u>	<u>\$ 111,722,363</u>

This Page Intentionally Left Blank

2017 STATEMENT OF EXPENDITURES

CITY OF CLIFTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages					
Municipal Council	\$ 28,500	\$ 28,500	\$ 28,500		
Personnel	223,000	223,000	222,633	\$ 367	
City Manager	237,725	237,725	232,968	4,757	
City Clerk	250,000	251,000	250,931	69	
Economic Development	72,000	47,000	36,884	10,116	
Management Info. Systems	175,000	175,000	172,080	2,920	
Bureau of Cable Television	21,000	21,000	18,968	2,032	
Other Expenses					
Municipal Council	5,000	5,000	792	4,208	
Personnel	184,000	184,000	162,482	21,518	
City Manager	61,000	61,000	56,431	4,569	
City Clerk	100,000	125,000	115,202	9,798	
Economic Development	2,000	2,000	-	2,000	
Management Info. Systems	96,500	96,500	89,800	6,700	
Bureau of Cable Television	5,500	5,500	3,830	1,670	
Advertising, Printing, Postage & Office Supplies	55,000	55,000	53,804	1,196	
Financial Administration					
Salaries and Wages	474,000	504,000	495,682	8,318	
Other Expenses	145,100	145,100	143,479	1,621	
Auditing Expenses	73,000	68,000	64,210	3,790	
Tax Assessor					
Salaries and Wages	455,000	455,000	453,277	1,723	
Other Expenses	83,500	83,500	71,650	11,850	
Tax Collector					
Salaries and Wages	216,700	211,700	199,291	12,409	
Other Expenses	33,500	33,500	17,459	16,041	
Legal Services & Costs					
Salaries and Wages	516,100	516,100	512,371	3,729	
Other Expenses	97,500	97,500	47,901	49,599	
Engineering Services and Costs					
Salaries and Wages	370,500	370,500	370,336	164	
Other Expenses	147,500	147,500	120,069	27,431	
Zoning and Planning					
Salaries and Wages	75,000	120,000	115,672	4,328	
Other Expenses	159,500	159,500	150,024	9,476	
Environmental Protection Commission (R.S. 40A:56A-1)					
Salaries and Wages	1,100	1,100		1,100	
Other Expenses	800	800	796	4	
Rent Leveling Board					
Salaries and Wages	2,000	2,000	1,801	199	
Other Expenses	750	750		750	

CITY OF CLIFTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
GENERAL GOVERNMENT (Cont'd)					
Housing Director					
Salaries and Wages	\$ 311,000	\$ 286,000	\$ 276,393	\$ 9,607	
Other Expenses	24,000	34,000	20,787	13,213	
Alcoholic Beverage Control					
Salaries and Wages	5,000	5,000	4,449	551	
Other Expenses	400	400	14	386	
Traffic Safety Council					
Salaries and Wages	1,100	1,100	765	335	
Other Expenses	250	250	-	250	
PUBLIC SAFETY					
Fire					
Salaries and Wages	14,515,000	14,845,000	14,845,000	-	
Other Expenses	691,000	691,000	669,139	21,861	
Police					
Salaries and Wages	19,175,000	19,775,000	19,775,000	-	
Other Expenses	625,300	670,300	670,223	77	
Office of Emergency Management					
Other Expenses	9,500	9,500	4,669	4,831	
HEALTH AND WELFARE					
Board of Health					
Salaries and Wages	768,500	758,500	713,743	44,757	
Other Expenses	150,600	150,600	137,551	13,049	
Human Services					
Salaries and Wages	122,000	72,000	66,743	5,257	
Mental Health Program					
Other Expenses				-	
Animal Control Shelter					
Salaries and Wages	166,900	166,900	145,659	21,241	
Other Expenses	10,000	10,000	9,974	26	
RECREATION AND EDUCATION					
Public Playgrounds and Recreation					
Salaries and Wages	567,100	569,600	564,871	4,729	
Other Expenses	198,100	198,100	179,611	18,489	
Senior Citizens and Handicapped Programs					
Salaries and Wages	273,500	248,500	243,710	4,790	
Other Expenses	19,880	19,880	19,113	767	
Arts Center and Sculpture Park					
Salaries and Wages	51,000	51,000	48,414	2,586	
Other Expenses	7,000	7,000	6,999	1	

CITY OF CLIFTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
SANITATION					
Garbage and Trash - Contractual	\$ 4,375,000	\$ 4,219,500	\$ 4,126,688	\$ 92,812	
Trash Removal - Multi-family Dwelling Units					
Other Expenses	750,000	750,000	743	749,257	
PUBLIC WORKS					
Salary and Wages					
Street and Road Maintenance	1,385,500	1,313,000	1,292,675	20,325	
Other Public Works Functions-Admin.	234,600	234,600	231,818	2,782	
Recycling Collection	556,000	761,000	651,273	109,727	
Shade Tree	600,000	587,500	584,773	2,727	
Vehicle Maintenance	666,000	661,000	620,599	40,401	
Maintenance of Parks	837,100	782,100	766,371	15,729	
Other Expenses					
Street and Road Maintenance	612,000	612,000	579,320	32,680	
Other Public Works Functions	29,000	29,000	13,675	15,325	
Recycling Collection	16,000	16,000	15,158	842	
Shade Tree	47,000	47,000	31,989	15,011	
Vehicle Maintenance	669,800	669,800	653,483	16,317	
Maintenance of Parks	40,500	45,500	40,474	5,026	
UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)					
Salaries and Wages	739,500	739,500	739,500	-	
Other Expenses	106,500	106,500	106,364	136	
MUNICIPAL COURT					
Municipal Court Administration					
Salaries and Wages	784,000	769,000	763,343	5,657	
Other Expenses	215,500	230,500	228,799	1,701	
Public Defender (P.L. 1997, C. 256)					
Salaries and Wages	25,000	25,000	25,000		
UNCLASSIFIED					
Insurance					
General Liability	1,078,500	1,178,500	1,178,500		
Self-Insurance Trust Fund: Other Insurance	1,001,800	1,001,800	1,001,800		
Unemployment Insurance	1	1	-	1	
Employee Group Health	17,187,900	17,187,900	17,187,900		
Employee Group Health Benefit - Waiver	250,000	310,000	304,239	5,761	
Purchase/Lease of Automobiles	490,000	422,000	421,980	20	

CITY OF CLIFTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Paid or Charged</u>	<u>Expended Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
UNCLASSIFIED (Cont'd)					
Utilities:					
Gasoline	\$ 345,300	\$ 365,300	\$ 355,722	\$ 9,578	
Fuel Oil	260,000	260,000	227,300	32,700	
Electricity	494,600	494,600	465,065	29,535	
Telephone and Telegraph	386,000	386,000	335,745	50,255	
Heating Oil				-	
Street Lighting	825,000	825,000	799,544	25,456	
Reserve for Accumulated Absences	915,000	-	-	-	-
Total Operations Within "CAPS"	77,983,006	78,033,006	76,361,990	1,671,016	-
Contingent	50,000	50,000	-	50,000	-
Total Operations Including Contingent - Within "CAPS"	78,033,006	78,083,006	76,361,990	1,721,016	-
Detail:					
Salaries and Wages	45,816,425	45,814,925	45,471,493	343,432	-
Other Expenses (Including Contingent)	32,216,581	32,268,081	30,890,497	1,377,584	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
STATUTORY CHARGES					
Contribution to:					
Public Employees Retirement System	1,726,314	1,726,314	1,522,391	203,923	
Social Security System (O.A.S.I.)	1,584,500	1,534,500	1,502,552	31,948	
Police and Firemen's Retirement System of N.J.	7,943,386	7,943,386	7,935,995	7,391	
Defined Contribution Retirement Plan	25,000	25,000	18,425	6,575	-
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	11,279,200	11,229,200	10,979,363	249,837	-
Total General Appropriations for Municipal Purposes Within "CAPS"	89,312,206	89,312,206	87,341,353	1,970,853	-
OPERATIONS - EXCLUDED FROM "CAPS"					
Reserve for Tax Appeals	2,000,000	2,000,000	2,000,000		
Maintenance of Free Public Library	3,197,288	3,197,288	3,121,687	75,601	-
Total Other Operations - Excluded from "CAPS"	5,197,288	5,197,288	5,121,687	75,601	-

CITY OF CLIFTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd)					
Interlocal Municipal Services Agreements					
Animal Control Services					
Salaries and Wages	\$ 8,324	\$ 8,324	\$ 8,324		
Board of Health Services					
Salaries and Wages	156,906	156,906	156,906	-	-
Total Interlocal Municipal Services Agreements	165,230	165,230	165,230	-	-
Additional Appropriations Offset by Revenues (N.J.S. 40A:4-45.3h)					
Fire					
Salaries and Wages	160,000	160,000	160,000		
Other Expenses	20,000	20,000	6,000	\$ 14,000	-
Total Additional Appropriations Offset by Revenues	180,000	180,000	166,000	14,000	-
Public and Private Programs Offset by Revenues					
Matching Funds for Grants	120,000	25,385	-	25,385	
Drunk Driving Enforcement Fund					
Salaries and Wages	69,324	69,324	69,324		
Safe and Secure Communities Program		60,000	60,000		
Police - Salaries and Wages - State Share					
Delta Dental	5,250	5,250	5,250		
Clean Communities Grant					
Other Expenses		134,719	134,719		
Recycling Tonnage	180,158	352,104	352,104		
Alcohol Education and Rehabilitation Program					
Salaries and Wages		9,136	9,136		
FEMA Homeland Security Grant					
FEMA - Hazard Mitigation - Generator Proj.	288,600	288,600	288,600		
FEMA - Hazard Mitigation - Generator Proj. - Match		15,000	15,000		
Law & Public Safety - CERT Trailer Uplift					
Law & Public Safety - HMEP Planning & Training					
NJ Body Armor Replacement Fund		13,275	13,275		
Other Expenses					
Senior Cit. and Disabled Res. Transportation Grant					
Salaries and Wages		105,203	105,203		
Office of Aging Program Grant					
Salaries and Wages - County Share		24,960	24,960		
Municipal Alliance	39,478	78,956	78,956		
Municipal Alliance - Match	9,869	9,869	9,869		
Office of Aging Title IIIB - Salaries and Wages		25,750	25,750		
Office of Aging Title IIIB - Sal and Wages - Loc Match		79,615	79,615		
NJDOT - Safe Corridors	671	671	671		
NJACCHO Mini Grant - Emergency Preparedness	2,850	3,820	3,820		
Sustainable NJ Small Grants Program		2,000	2,000		
New Jersey Forest Service Grant					
Health Department Grant					
NJ Local Pedestrian Safety Grant		27,850	27,850		
Click it or Ticket		5,500	5,500		
Distracted Driving Crackdown		5,500	5,500		
Drove Sober or Get Pulled Over - YE Holiday		5,500	5,500		
Drove Sober or Get Pulled Over - 2017 Enf.	-	5,500	5,500	-	-
Total Public and Private Program Offset by Revenues	716,200	1,353,487	1,328,102	25,385	-
Total Operations - Excluded from "CAPS"	6,258,718	6,896,005	6,781,019	114,986	-

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF CLIFTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budget</u>	<u>Appropriated Budget After Modification</u>	<u>Expended Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd)					
Detail:					
Salaries and Wages	\$ 394,554	\$ 699,218	\$ 699,218		
Other Expenses	5,864,164	6,196,787	6,081,801	\$ 114,986	-
CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"					
Capital Improvement Fund	500,000	500,000	500,000		
Public and Private Programs Offset by Revenues					
Passaic County Open Space					
Dudiak Park Tennis Court Resurfacing		77,000	77,000		
Chelsea Park Tennis Court Resurfacing		77,000	77,000		
NJDOT - Local Aid					
Marilyn, 4th Street		306,811	306,811		
Dwas Line Road	-	-	-	-	-
Total Capital Improvements Excluded from "CAPS"	500,000	960,811	960,811	-	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	5,750,000	5,750,000	5,744,355		\$ 5,645
Payment of Bond Anticipation Notes and Capital Notes	500,000	500,000	500,000		
Interest on Bonds	1,630,000	1,630,000	1,628,675		1,325
Interest on Notes	200,000	200,000	162,617		37,383
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	25,000	25,000	24,873	-	127
Total Municipal Debt Service - Excluded from "CAPS"	8,105,000	8,105,000	8,060,520	-	44,480
DEFERRED CHARGES - MUNICIAPL - EXCLUDED FROM "CAPS"					
Special Emergency Authorizations - 5 Years	400,000	400,000	400,000	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	400,000	400,000	400,000	-	-

CITY OF CLIFTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 15,263,718	\$ 16,361,816	\$ 16,202,350	\$ 114,986	\$ 44,480
Subtotal General Appropriations	104,575,924	105,674,022	103,543,703	2,085,839	44,480
Reserve for Uncollected Taxes	<u>5,500,000</u>	<u>5,500,000</u>	<u>5,500,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 110,075,924</u>	<u>\$ 111,174,022</u>	<u>\$ 109,043,703</u>	<u>\$ 2,085,839</u>	<u>\$ 44,480</u>
Original Budget		\$ 110,075,924			
Added by 40A:4-87		<u>1,098,098</u>			
		<u>\$ 111,174,022</u>			

2016 STATEMENT OF EXPENDITURES

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

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive					
Salaries and Wages					
Municipal Council	\$ 28,500	\$ 28,500	\$ 28,500		
Personnel	203,660	203,660	199,180	\$ 4,480	
City Manager	226,250	234,750	233,373	1,377	
City Clerk	235,000	236,500	233,635	2,865	
Economic Development	69,000	75,000	70,326	4,674	
Management Info. Systems	170,000	170,000	167,753	2,247	
Bureau of Cable Television	15,000	15,000	12,257	2,743	
Other Expenses					
Municipal Council	5,000	5,000	838	4,162	
Personnel	142,000	142,000	140,279	1,721	
City Manager	61,000	61,000	56,358	4,642	
City Clerk	82,500	82,500	81,671	829	
Economic Development	2,000	2,000		2,000	
Management Info. Systems	146,500	146,500	145,005	1,495	
Bureau of Cable Television	5,500	5,500	5,427	73	
Advertising, Printing, Postage & Office Supplies	55,000	55,000	49,969	5,031	
Financial Administration					
Salaries and Wages	457,050	457,050	449,322	7,728	
Other Expenses	165,700	160,700	139,355	21,345	
Auditing Expenses	69,000	69,000	67,116	1,884	
Tax Assessor					
Salaries and Wages	452,600	452,600	449,199	3,401	
Other Expenses	86,500	86,500	74,423	12,077	
Tax Collector					
Salaries and Wages	230,200	230,200	205,458	24,742	
Other Expenses	23,700	27,700	27,651	49	
Legal Services & Costs					
Salaries and Wages	474,300	474,300	464,117	10,183	
Other Expenses	121,000	111,000	65,819	45,181	
Engineering Services and Costs					
Salaries and Wages	381,100	381,100	381,000	100	
Other Expenses	95,500	95,500	88,688	6,812	
Zoning and Planning					
Salaries and Wages	75,000	75,000	71,979	3,021	
Other Expenses	159,500	159,500	143,887	15,613	
Environmental Protection Commission					
(R.S. 40A:56A-1)					
Salaries and Wages	1,100	1,100		1,100	
Other Expenses	800	800	793	7	
Rent Leveling Board					
Salaries and Wages	2,000	2,000	1,601	399	
Other Expenses	750	750		750	

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

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
GENERAL GOVERNMENT (Cont'd)					
Housing Director					
Salaries and Wages	\$ 240,000	\$ 232,500	\$ 222,815	\$ 9,685	
Other Expenses	24,000	24,000	22,796	1,204	
Alcoholic Beverage Control					
Salaries and Wages	5,000	5,000	4,844	156	
Other Expenses	400	400	40	360	
Traffic Safety Council					
Salaries and Wages	1,100	1,100	765	335	
Other Expenses	250	250		250	
PUBLIC SAFETY					
Fire					
Salaries and Wages	15,418,000	15,418,000	14,759,532	658,468	
Other Expenses	613,000	613,000	597,614	15,386	
Police					
Salaries and Wages	20,103,000	20,063,000	20,063,000	-	
Other Expenses	590,000	630,000	603,549	26,451	
Office of Emergency Management					
Other Expenses	11,500	11,500	6,786	4,714	
HEALTH AND WELFARE					
Board of Health					
Salaries and Wages	776,600	741,600	669,576	72,024	
Other Expenses	120,600	125,600	125,583	17	
Human Services					
Salaries and Wages	126,000	126,700	118,992	7,708	
Mental Health Program					
Other Expenses	16,000	16,000	2,580	13,420	
Animal Control Shelter					
Salaries and Wages	128,900	163,900	155,525	8,375	
RECREATION AND EDUCATION					
Public Playgrounds and Recreation					
Salaries and Wages	557,100	557,100	544,851	12,249	
Other Expenses	198,400	198,400	183,115	15,285	
Senior Citizens and Handicapped Programs					
Salaries and Wages	305,000	272,500	236,726	35,774	
Other Expenses	19,890	19,890	19,292	598	
Arts Center and Sculpture Park					
Salaries and Wages	47,000	51,000	48,246	2,754	
Other Expenses	7,000	7,000	6,858	142	

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

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
SANITATION					
Garbage and Trash - Contractual	\$ 4,000,000	\$ 4,000,000	\$ 3,997,667	\$ 2,333	
Trash Removal - Multi-family Dwelling Units					
Other Expenses	800,000	800,000	14,293	785,707	
PUBLIC WORKS					
Salary and Wages					
Street and Road Maintenance	1,177,500	1,242,500	1,237,817	4,683	
Other Public Works Functions-Admin.	226,200	242,200	240,263	1,937	
Recycling Collection	675,500	586,500	586,500	-	
Shade Tree	760,000	755,000	755,000	-	
Vehicle Maintenance	648,000	668,000	665,518	2,482	
Maintenance of Parks	615,000	823,000	718,417	104,583	
Other Expenses					
Street and Road Maintenance	556,950	561,950	559,815	2,135	
Other Public Works Functions	22,250	27,250	24,596	2,654	
Recycling Collection	14,750	14,750	12,546	2,204	
Shade Tree	36,325	36,325	30,861	5,464	
Vehicle Maintenance	650,325	650,325	649,351	974	
Maintenance of Parks	37,800	40,300	39,374	926	
UNIFORM CONSTRUCTION CODE -					
APPROPRIATIONS OFFSET					
BY DEDICATED REVENUES					
(N.J.A.C. 5:23-4.17)					
Salaries and Wages	756,300	686,300	673,774	12,526	
Other Expenses	108,000	178,000	177,431	569	
MUNICIPAL COURT					
Municipal Court Administration					
Salaries and Wages	725,000	695,000	681,005	13,995	
Other Expenses	204,500	209,500	208,052	1,448	
Public Defender (P.L. 1997, C. 256)					
Salaries and Wages	25,000				
UNCLASSIFIED					
Insurance					
General Liability	1,078,900	1,078,900	1,078,900		
Self-Insurance Trust Fund: Other Insurance	1,103,500	1,072,300	1,072,300		
Unemployment Insurance	1	1		1	
Employee Group Health	16,952,500	16,952,500	16,952,500		
Employee Group Health Benefit - Waiver	220,000	250,000	248,155	1,845	
Purchase/Lease of Automobiles	75,000				

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

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
UNCLASSIFIED (Cont'd)					
Utilities:					
Gasoline	\$ 350,000	\$ 350,000	\$ 348,815	\$ 1,185	
Fuel Oil	270,000	264,000	210,000	54,000	
Electricity	500,000	503,000	497,237	5,763	
Telephone and Telegraph	360,000	360,000	359,441	559	
Heating Oil				-	
Street Lighting	840,000	817,000	804,259	12,741	
Reserve for Accumulated Absences	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Total Operations Within "CAPS"	<u>77,340,752</u>	<u>77,390,752</u>	<u>75,291,951</u>	<u>2,098,801</u>	<u>-</u>
Contingent	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total Operations Including Contingent - Within "CAPS"	<u>77,390,752</u>	<u>77,440,752</u>	<u>75,291,951</u>	<u>2,148,801</u>	<u>-</u>
Detail:					
Salaries and Wages	46,336,961	46,367,661	45,350,866	1,016,795	-
Other Expenses (Including Contingent)	<u>31,053,791</u>	<u>31,073,091</u>	<u>29,941,085</u>	<u>1,132,006</u>	<u>-</u>
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
STATUTORY CHARGES					
Contribution to:					
Public Employees Retirement System	1,748,838	1,728,838	1,558,627	170,211	
Social Security System (O.A.S.I.)	1,650,000	1,600,000	1,504,748	95,252	
Police and Firemen's Retirement System of N.J.	7,785,213	7,805,213	7,792,604	12,609	
Defined Contribution Retirement Plan	<u>30,000</u>	<u>30,000</u>	<u>14,496</u>	<u>15,504</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>11,214,051</u>	<u>11,164,051</u>	<u>10,870,475</u>	<u>293,576</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>88,604,803</u>	<u>88,604,803</u>	<u>86,162,426</u>	<u>2,442,377</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Reserve for Tax Appeals	1,500,000	1,500,000	1,500,000		
Maintenance of Free Public Library	<u>3,112,751</u>	<u>3,112,751</u>	<u>3,049,066</u>	<u>63,685</u>	<u>-</u>
Total Other Operations - Excluded from "CAPS"	<u>4,612,751</u>	<u>4,612,751</u>	<u>4,549,066</u>	<u>63,685</u>	<u>-</u>

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

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd)					
Interlocal Municipal Services Agreements					
Animal Control Services					
Salaries and Wages	\$ 8,000	\$ 8,000	\$ 8,000		
Board of Health Services					
Salaries and Wages	149,663	149,663	149,663	-	-
Total Interlocal Municipal Services Agreements	157,663	157,663	157,663	-	-
Additional Appropriations Offset by Revenues (N.J.S. 40A:4-45.3h)					
Fire					
Salaries and Wages	160,000	160,000	160,000		
Other Expenses	20,000	20,000	6,000	\$ 14,000	-
Total Additional Appropriations Offset by Revenues	180,000	180,000	166,000	14,000	-
Public and Private Programs Offset by Revenues					
Matching Funds for Grants	20,000	9,400		9,400	
Safe and Secure Communities Program					
Police - Salaries and Wages - State Share	60,000	60,000	60,000		
Delta Dental	17,000	17,000	17,000		
Clean Communities Grant					
Other Expenses		158,575	158,575		
Recycling Tonnage	166,857	166,857	166,857		
Alcohol Education and Rehabilitation Program					
Salaries and Wages		9,004	9,004		
FEMA Homeland Security Grant	15,000	15,000	15,000		
FEMA - Hazard Mitigation - Generator Proj.		95,400	95,400		
FEMA - Hazard Mitigation - Generator Proj. - Match		10,600	10,600		
Law & Public Safety - CERT Trailer Uplift		700	700		
Law & Public Safety - HMEP Planning & Training		11,140	11,140		
NJ Body Armor Replacement Fund					
Other Expenses		44,561	44,561		
Senior Cit. and Disabled Res. Transportation Grant					
Salaries and Wages		105,203	105,203		
Office of Aging Program Grant					
Salaries and Wages - County Share		24,960	24,960		
Municipal Alliance	39,478	39,478	39,478		
Municipal Alliance - Match	9,869	9,869	9,869		
Office of Aging Title IIIB - Salaries and Wages	25,750	25,750	25,750		
Office of Aging Title IIIB - Sal and Wages - Loc Match	79,615	79,615	79,615		
NJDOT - Safe Corridors	437	437	437		
New Jersey Forest Service Grant	3,000	3,000	3,000		
Health Department Grant	20,000	20,000	20,000		
NJ Local Pedestrian Safety Grant		16,000	16,000		
Click it or Ticket	-	5,000	5,000	-	-
Total Public and Private Program Offset by Revenues	457,006	927,549	918,149	9,400	-
Total Operations - Excluded from "CAPS"	5,407,420	5,877,963	5,790,878	87,085	-

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriated</u>	<u>Expended</u>		
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>
		<u>Modification</u>	<u>Charged</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS" (Cont'd)				
Detail:				
Salaries and Wages	\$ 483,028	\$ 622,195	\$ 622,195	
Other Expenses	<u>4,924,392</u>	<u>5,255,768</u>	<u>5,168,683</u>	<u>\$ 87,085</u>
				<u>-</u>
CAPITAL IMPROVEMENTS -				
EXCLUDED FROM "CAPS"				
Capital Improvement Fund	500,000	500,000	500,000	
Public and Private Programs Offset by Revenues				
Athenia Steel Recreation Facility Phase II		200,000	200,000	
NJDOT - Local Aid				
Rutgers Place Culvert Repair	120,150	150,000	150,000	
Dwas Line Road	<u>202,000</u>	<u>202,645</u>	<u>202,645</u>	<u>-</u>
				<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>822,150</u>	<u>1,052,645</u>	<u>1,052,645</u>	<u>-</u>
				<u>-</u>
MUNICIPAL DEBT SERVICE -				
EXCLUDED FROM "CAPS"				
Payment of Bond Principal	5,250,000	5,250,000	5,245,628	\$ 4,372
Payment of Bond Anticipation Notes and Capital Notes	540,000	540,000	540,000	
Interest on Bonds	1,760,000	1,760,000	1,710,553	49,447
Interest on Notes	106,000	106,000	106,000	
Green Trust Loan Program:				
Loan Repayments for Principal and Interest	<u>25,000</u>	<u>25,000</u>	<u>24,873</u>	<u>-</u>
				<u>127</u>
Total Municipal Debt Service -				
Excluded from "CAPS"	<u>7,681,000</u>	<u>7,681,000</u>	<u>7,627,054</u>	<u>-</u>
				<u>53,946</u>
DEFERRED CHARGES - MUNICIPAL -				
EXCLUDED FROM "CAPS"				
Special Emergency Authorizations - 5 Years	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
				<u>-</u>
Total Deferred Charges - Municipal - Excluded				
from "CAPS"	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
				<u>-</u>

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

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>		
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Cancelled</u>
			<u>Charged</u>		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$ 14,310,570	\$ 15,011,608	\$ 14,870,577	\$ 87,085	\$ 53,946
Subtotal General Appropriations	102,915,373	103,616,411	101,033,003	2,529,462	53,946
Reserve for Uncollected Taxes	5,500,000	5,500,000	5,500,000	-	-
Total General Appropriations	<u>\$ 108,415,373</u>	<u>\$ 109,116,411</u>	<u>\$ 106,533,003</u>	<u>\$ 2,529,462</u>	<u>\$ 53,946</u>
Original Budget		\$ 108,415,373			
Added by 40A:4-87		<u>701,038</u>			
		<u>\$ 109,116,411</u>			

CITY OF CLIFTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
ANIMAL CONTROL FUND		
Cash	\$ 34,595	\$ 1,064
Due from Current Fund	<u>-</u>	<u>5,285</u>
	<u>34,595</u>	<u>6,349</u>
OTHER TRUST FUND		
Cash	14,003,006	15,375,626
Other Accounts Receivable	192,114	121,269
Due from Current Fund	515,000	
Due from Animal Control Fund	<u>-</u>	<u>3,217</u>
	<u>14,710,120</u>	<u>15,500,112</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND		
Cash	<u>98,488</u>	<u>124,908</u>
SELF-INSURANCE FUND		
Cash	<u>5,580,282</u>	<u>7,482,635</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND		
Cash	61,652	171,707
Community Development Block Grant Receivable	<u>1,557,225</u>	<u>1,554,586</u>
	<u>1,618,877</u>	<u>1,726,293</u>
REVOLVING LOAN FUND		
Cash	<u>483,376</u>	<u>479,539</u>
Total Assets	<u>\$ 22,525,738</u>	<u>\$ 25,319,836</u>

CITY OF CLIFTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE		
ANIMAL CONTROL FUND		
Due to State	\$ 121	\$ 41
Accounts Payable	10,728	2,311
Due to Other Trust Fund		3,217
Reserve for Animal Control Fund Expenditures	<u>23,746</u>	<u>780</u>
	<u>34,595</u>	<u>6,349</u>
OTHER TRUST FUND		
Due to Current Fund		20,157
Due to Grant Fund		5,347
Escrow Deposits	2,129,006	1,543,089
Payroll Deductions Payable	442,495	434,706
Encumbrances Payable	561,469	781,096
Reserve for Affordable Housing	2,034,934	1,998,557
Miscellaneous Reserves and Deposits	<u>9,542,216</u>	<u>10,717,160</u>
	<u>14,710,120</u>	<u>15,500,112</u>
UNEMPLOYMENT COMPENSATION INSURANCE FUND		
Due to State - Claims Payable		8,538
Reserve for Unemployment Compensation	<u>98,488</u>	<u>116,370</u>
	<u>98,488</u>	<u>124,908</u>
SELF-INSURANCE FUND		
Claims Payable	266,856	677,113
Reserve for Self-Insurance Expenditures	<u>5,313,426</u>	<u>6,805,522</u>
	<u>5,580,282</u>	<u>7,482,635</u>
COMMUNITY DEVELOPMENT BLOCK GRANT FUND		
Contracts Payable	135,445	383,607
Due to Current Fund	41,861	37,244
Authorized Budgets and Improvement Authorizations	1,260,500	1,142,839
Reserve for Program Income	139,545	117,569
Reserve for Miscellaneous Deposits	<u>41,526</u>	<u>45,034</u>
	<u>1,618,877</u>	<u>1,726,293</u>
REVOLVING LOAN FUND		
Reserve for Revolving Loan Program	<u>483,376</u>	<u>479,539</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 22,525,738</u></u>	<u><u>\$ 25,319,836</u></u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF CLIFTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 14,409,711	\$ 4,589,364
Grants Receivable	152,817	711,791
Deferred Charges to Future Taxation:		
Funded	41,846,925	46,716,988
Unfunded	<u>41,550,651</u>	<u>33,538,582</u>
 Total Assets	 <u>\$ 97,960,104</u>	 <u>\$ 85,556,725</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
General Serial Bonds	\$ 40,679,631	\$ 46,423,986
Green Acres Loans	1,167,294	293,002
Bond Anticipation Notes	21,932,000	8,153,000
Contracts Payable	9,513,693	4,805,707
Improvement Authorizations:		
Funded	1,991,797	4,579,593
Unfunded	20,537,221	19,323,261
Capital Improvement Fund	94,558	152,558
Due to Sewer Utility Capital Fund	115,503	
Reserves for:		
Acquisition of Property	74,604	74,604
Senior Citizen Housing	168,687	168,687
Debt Service	794,597	598,259
Grants Receivable	39,787	598,761
Fund Balance	<u>850,732</u>	<u>385,307</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 97,960,104</u>	 <u>\$ 85,556,725</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2017 and 2016 of \$19,624,541 and \$25,391,578.

CITY OF CLIFTON
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Balance, January 1,	\$ 385,307	\$ 502,179
Increased by:		
Premium on Sale of Notes	258,359	83,161
Premium on Sale of Bonds		260,676
Funded Improvements Authorizations Cancelled	<u>597,066</u>	<u>14,291</u>
	1,240,732	860,307
Decreased By:		
Anticipated as Current Fund Revenue	250,000	250,000
Appropriated to Finance Improvement Authorizations	<u>140,000</u>	<u>225,000</u>
Balance, December 31,	<u>\$ 850,732</u>	<u>\$ 385,307</u>

CITY OF CLIFTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
SEWER UTILITY FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
OPERATING FUND		
Cash	\$ 2,054,845	\$ 1,545,505
Due from Current Fund		88,940
Due from Sewer Utility Capital Fund	<u>-</u>	<u>3,781</u>
	<u>2,054,845</u>	<u>1,638,226</u>
Receivables With Full Reserves		
Sewer User Fees Receivable	<u>945,898</u>	<u>1,317,268</u>
	<u>945,898</u>	<u>1,317,268</u>
Total Operating Fund	<u>3,000,743</u>	<u>2,955,494</u>
CAPITAL FUND		
Cash	15,969,958	19,317,325
Fixed Capital	21,312,210	21,190,650
Fixed Capital Authorized and Uncompleted	32,307,847	27,090,149
Due to General Capital Fund	<u>115,503</u>	<u>-</u>
Total Capital Fund	<u>69,705,518</u>	<u>67,598,124</u>
	<u>\$ 72,706,261</u>	<u>\$ 70,553,618</u>

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

	<u>2017</u>	<u>2016</u>
LIABILITIES, RESERVES AND FUND BALANCE		
OPERATING FUND		
Liabilities		
Appropriation Reserves	\$ 76,711	\$ 268,540
Encumbrances Payable	360,538	118,431
Accounts Payable	134,601	43,462
Accrued Interest Bonds	137,142	93,887
Accrued Interest Loans	2,928	6,771
Accrued Interest Notes	44,914	40,958
Sewer Overpayments	<u>35,736</u>	<u>24,615</u>
	792,570	596,664
Reserve for Receivables	945,898	1,317,268
Fund Balance	<u>1,262,275</u>	<u>1,041,562</u>
Total Operating Fund	<u>3,000,743</u>	<u>2,955,494</u>
CAPITAL FUND		
Serial Bonds	18,115,370	19,507,015
Environmental Infrastructure Trust Loans	627,135	674,813
Wastewater Trust Loans		140,000
Bond Anticipation Notes	9,805,000	9,830,000
Due to Sewer Utility Operating Fund		3,781
Contracts Payable	6,609,302	8,273,715
Improvement Authorizations		
Funded	4,917,588	5,350,542
Unfunded	14,225,650	10,504,171
Capital Improvement Fund	327,190	164,190
Reserve for Amortization	13,654,133	11,931,950
Deferred Reserve for Amortization	942,229	720,810
Reserve for Debt Service	1,585	1,585
Fund Balance	<u>480,336</u>	<u>495,552</u>
Total Capital Fund	<u>69,705,518</u>	<u>67,598,124</u>
	<u>\$ 72,706,261</u>	<u>\$ 70,553,618</u>

There were Bonds and Notes Authorized But Not Issued on December 31, 2017 and 2016 of \$10,476,190 and \$5,476,211, respectively.

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

	<u>2017</u>	<u>2016</u>
REVENUES AND OTHER INCOME REALIZED		
Fund Balance Anticipated	\$ 286,000	\$ 25,000
Sewer User Fees	10,711,487	10,590,466
Sewer User Fees - Direct	373,240	382,489
Miscellaneous Revenues and Fees	228,330	242,857
Non-Budget Revenues	231,784	204,646
Other Credits to Income		
Unexpended Balances of Appropriation Reserves Lapsed	<u>68,708</u>	<u>146,986</u>
Total Income	<u>11,899,549</u>	<u>11,592,444</u>
EXPENDITURES		
Operating	8,409,100	8,214,195
Capital Improvements	354,000	352,000
Debt Service	2,468,836	2,377,698
Deferred Charges and Statutory Expenditures	<u>160,900</u>	<u>155,500</u>
Total Expenditures	<u>11,392,836</u>	<u>11,099,393</u>
Statutory Excess to Fund Balance	506,713	493,051
Fund Balance, January 1,	<u>1,041,562</u>	<u>573,511</u>
	1,548,275	1,066,562
Decreased by:		
Utilized as Anticipated Revenue	<u>286,000</u>	<u>25,000</u>
Balance, December 31,	<u><u>\$ 1,262,275</u></u>	<u><u>\$ 1,041,562</u></u>

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

	<u>2017</u>	<u>2016</u>
Balance, January 1,	\$ 495,552	\$ 325,356
Increased by:		
Cancellation of Funded Improvement Authorizations	159,281	87,426
Premium on Sale of Bonds		117,504
Premium on Sale of Notes	<u>115,503</u>	<u>100,266</u>
	770,336	630,552
Decreased by:		
Appropriation to Finance Improvement Authorizations	<u>290,000</u>	<u>135,000</u>
Balance, December 31,	<u>\$ 480,336</u>	<u>\$ 495,552</u>

CITY OF CLIFTON
COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>		<u>2016</u>	
	<u>Anticipated</u>	<u>Realized</u>	<u>Anticipated</u>	<u>Realized</u>
Fund Balance Anticipated	\$ 286,000	\$ 286,000	\$ 25,000	\$ 25,000
Sewer User Fees	10,590,000	10,711,487	9,882,600	9,882,600
Sewer User Fees - Additional			824,595	707,866
Sewer User Fees - Direct	382,000	373,240	256,000	382,489
Interest and Cost on User Fees	100,000	179,330	100,000	193,274
Debt Service Reimbursement	<u>49,000</u>	<u>49,000</u>	<u>49,500</u>	<u>49,583</u>
Total Budget Revenues	<u>\$ 11,407,000</u>	<u>\$ 11,599,057</u>	<u>\$ 11,137,695</u>	<u>\$ 11,240,812</u>

CITY OF CLIFTON
STATEMENT OF EXPENDITURES - REGULATORY BASIS
SEWER UTILITY OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Salaries and Wages	\$ 851,200	\$ 851,200	\$ 851,200		
Other Expenses	416,600	416,600	388,392	\$ 28,208	
Other Expenses - Health Benefits	312,100	312,100	312,100	-	
Other Expenses - PVSC	6,728,000	6,728,000	6,688,554	39,446	
Other Expenses - Joint Sewer Fees	101,200	101,200	101,200	-	-
	<u>8,409,100</u>	<u>8,409,100</u>	<u>8,341,446</u>	<u>67,654</u>	<u>-</u>
Total Operating					
	<u>8,409,100</u>	<u>8,409,100</u>	<u>8,341,446</u>	<u>67,654</u>	<u>-</u>
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	250,000	250,000	250,000		
Capital Outlay	104,000	104,000	94,943	9,057	-
	<u>354,000</u>	<u>354,000</u>	<u>344,943</u>	<u>9,057</u>	<u>-</u>
Total Capital Improvements					
	<u>354,000</u>	<u>354,000</u>	<u>344,943</u>	<u>9,057</u>	<u>-</u>
DEBT SERVICE					
Payment of Bond Principal	1,395,000	1,395,000	1,391,645		\$ 3,355
Payment of Bond Anticipation Notes	25,000	25,000	25,000		-
Interest on Bonds	660,000	660,000	656,647		3,353
Interest on Notes	200,000	200,000	200,000		-
Wastewater Loan - Principal & Interest	203,000	203,000	195,544	-	7,456
	<u>2,483,000</u>	<u>2,483,000</u>	<u>2,468,836</u>	<u>-</u>	<u>14,164</u>
Total Debt Service					
	<u>2,483,000</u>	<u>2,483,000</u>	<u>2,468,836</u>	<u>-</u>	<u>14,164</u>
DEFERRED CHARGES AND STATUTORY					
Statutory Expenditures					
Contribution to					
Public Employees Retirement System	87,100	87,100	87,100		
Social Security System (O.A.S.I.)	65,200	65,200	65,200	-	
Unemployment Compensation Insurance	8,600	8,600	8,600	-	-
	<u>160,900</u>	<u>160,900</u>	<u>160,900</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures					
	<u>160,900</u>	<u>160,900</u>	<u>160,900</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,407,000</u>	<u>\$ 11,407,000</u>	<u>\$ 11,316,125</u>	<u>\$ 76,711</u>	<u>\$ 14,164</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATING					
Salaries and Wages	\$ 837,300	\$ 837,300	\$ 728,901	\$ 108,399	
Other Expenses	<u>7,376,895</u>	<u>7,376,895</u>	<u>7,256,722</u>	<u>120,173</u>	<u>-</u>
Total Operating	<u>8,214,195</u>	<u>8,214,195</u>	<u>7,985,623</u>	<u>228,572</u>	<u>-</u>
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	250,000	250,000	250,000		
Capital Outlay	<u>102,000</u>	<u>102,000</u>	<u>70,406</u>	<u>31,594</u>	<u>-</u>
Total Capital Improvements	<u>352,000</u>	<u>352,000</u>	<u>320,406</u>	<u>31,594</u>	<u>-</u>
DEBT SERVICE					
Payment of Bond Principal	1,120,000	1,120,000	1,119,373		\$ 627
Payment of Bond Anticipation Notes	410,000	410,000	406,218		3,782
Interest on Bonds	455,000	455,000	454,712		288
Interest on Notes	216,600	216,600	194,213		22,387
Wastewater Loan - Principal & Interest	<u>214,400</u>	<u>214,400</u>	<u>203,182</u>	<u>-</u>	<u>11,218</u>
Total Debt Service	<u>2,416,000</u>	<u>2,416,000</u>	<u>2,377,698</u>	<u>-</u>	<u>38,302</u>
DEFERRED CHARGES AND STATUTORY					
Statutory Expenditures					
Contribution to					
Public Employees Retirement System	83,000	83,000	83,000		
Social Security System (O.A.S.I.)	64,100	64,100	55,726	8,374	
Unemployment Compensation Insurance	<u>8,400</u>	<u>8,400</u>	<u>8,400</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures	<u>155,500</u>	<u>155,500</u>	<u>147,126</u>	<u>8,374</u>	<u>-</u>
	<u>\$ 11,137,695</u>	<u>\$ 11,137,695</u>	<u>\$ 10,830,853</u>	<u>\$ 268,540</u>	<u>\$ 38,302</u>

CITY OF CLIFTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC HOUSING FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
MODERATE REHABILITATION FUND		
Cash	\$ 89,595	\$ 88,884
Total Moderate Rehabilitation Fund	<u>89,595</u>	<u>88,884</u>
VOUCHER PROGRAM FUND		
Cash	610,654	733,364
Land, Structures and Equipment	<u>75,350</u>	<u>75,350</u>
Total Voucher Program Fund	<u>686,004</u>	<u>808,714</u>
Total Assets	<u><u>\$ 775,599</u></u>	<u><u>\$ 897,598</u></u>
LIABILITIES AND FUND BALANCE		
MODERATE REHABILITATION FUND		
Fund Balance		
Unreserved/Undesignated	\$ 89,595	\$ 88,884
Total Moderate Rehabilitation Fund	<u>89,595</u>	<u>88,884</u>
VOUCHER PROGRAM FUND		
Liabilities:		
Accounts Payable	10,346	10,452
Unearned Revenue		207,877
Due to Current Fund	27,270	24,255
Tenant Security Deposits	<u>75,927</u>	<u>75,325</u>
Total Liabilities	<u>113,543</u>	<u>317,909</u>
Fund Balance		
Investment in Fixed Assets	75,350	75,350
Unreserved:		
Designated for Housing Assistance Payments	64,842	(6,738)
Undesignated	<u>432,269</u>	<u>422,193</u>
Total Fund Balance	<u>572,461</u>	<u>490,805</u>
Total Voucher Program Fund	<u>686,004</u>	<u>808,714</u>
Total Liabilities and Fund Balance	<u><u>\$ 775,599</u></u>	<u><u>\$ 897,598</u></u>

CITY OF CLIFTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
PUBLIC HOUSING MODERATE REHABILITATION FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Interest Earned	\$ 711	\$ 213
Total Revenues	<u>711</u>	<u>213</u>
EXPENSES		
Housing Assistance Payments	<u>-</u>	<u>-</u>
Total Expenses	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenses	711	213
Balance, January 1	<u>88,884</u>	<u>88,671</u>
Balance, December 31	<u><u>\$ 89,595</u></u>	<u><u>\$ 88,884</u></u>

CITY OF CLIFTON
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE
REGULATORY BASIS
PUBLIC HOUSING VOUCHER PROGRAM FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
HUD Public Housing Assistance Grants	\$ 2,212,343	\$ 2,311,672
HUD Public Housing Assistance Grants - Unearned Revenue	207,877	
Other Income - Portability Fees - Current Year	771,495	819,329
Interest Earned	<u>4,674</u>	<u>1,192</u>
Total Revenues	<u>3,196,389</u>	<u>3,132,193</u>
EXPENSES		
Administrative Expenses	294,826	267,751
Housing Assistance Payments	2,109,879	2,078,536
HAP Portability Expenses	<u>710,028</u>	<u>693,630</u>
Total Expenses	<u>3,114,733</u>	<u>3,039,917</u>
Excess of Revenues Over Expenses	81,656	92,276
Balance, January 1	<u>490,805</u>	<u>398,529</u>
Balance, December 31	<u>\$ 572,461</u>	<u>\$ 490,805</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF CLIFTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
FREE PUBLIC LIBRARY FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Cash Equivalents	<u>\$ 560,158</u>	<u>\$ 1,172,428</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	\$ 39,650	\$ 693,065
Fund Balance	<u>520,508</u>	<u>479,363</u>
Total Liabilities and Fund Balance	<u>\$ 560,158</u>	<u>\$ 1,172,428</u>

CITY OF CLIFTON
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - REGULATORY BASIS
FREE PUBLIC LIBRARY FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
City Contribution	\$ 457,844	\$ 91,605
State Aid	36,518	36,606
Fines	43,076	45,396
Lost and Paid	7,361	7,694
Book Sales	4,688	4,121
Public Use Printing and Paper Sales	24,297	25,584
Interest	2,117	5,840
Postage - Reimbursement	1,084	1,040
Pals Plus Rent	16,800	16,800
Community Room	1,120	775
Other Miscellaneous Income	1,234	1,858
Grants/Restricted Donations	34,003	12,371
Gifts/Unrestricted Donations	<u>9,007</u>	<u>3,685</u>
Total Revenues	<u>639,149</u>	<u>253,375</u>
EXPENDITURES		
Books/Periodicals	94,624	168,762
Consulting Services	117,823	81,491
Office/Library Supplies	13,664	7,904
Janitorial Supplies	9,801	8,415
Computer Equipment and Supplies	22,205	17,021
Other Equipment/Furniture	5,008	173,724
Repairs and Maintenance	45,723	128,641
Electric and Gas	15,366	27,324
Restricted Funds	15,346	10,351
Capital Improvements	232,367	454,773
Miscellaneous	<u>26,077</u>	<u>25,947</u>
Total Expenditures	<u>598,004</u>	<u>1,104,353</u>
Excess (Deficiency) in Revenue	41,145	(850,978)
Fund Balance, January 1,	<u>479,363</u>	<u>1,330,341</u>
Fund Balance, December 31,	<u>\$ 520,508</u>	<u>\$ 479,363</u>

The Accompanying Notes are an Integral Part of these Financial Statements

CITY OF CLIFTON
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Land and Land Improvements	\$ 80,854,263	\$ 80,789,177
Buildings and Building Improvements	26,086,751	25,148,085
Machinery and Equipment	27,754,192	26,773,792
Construction in Progress	<u>235,992</u>	<u>394,124</u>
	<u>\$ 134,931,198</u>	<u>\$ 133,105,178</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 134,931,198</u>	<u>\$ 133,105,178</u>

This Page Intentionally Left Blank

NOTES TO FINANCIAL STATEMENTS

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Clifton (the "City") was incorporated in 1917 and operates under the Municipal Manager form of government. Under this form of government, the City Manager who is appointed by the City Council, functions as the Chief Executive and Administrative Officer of the City. The City Manager, who also functions as the Director of Public Safety, makes all police and fire department appointments and promotions from Civil Service eligibility lists. Additionally, he is responsible for the hiring of all other municipal employees. The City Manager attends all meetings of the City Council and he is obligated to implement all of its policy decisions. The City charter provides for an elected body of seven (7) members each serving a four-year term with each council member being elected at large and representing this City as a whole. The City Council in turn selects the Mayor from among its members. As the policy-making body of the City, the City Council has the power to do whatever it deems necessary to promote and maintain the health, safety, welfare, comfort and peace of the City. The Mayor does, however, have additional responsibilities including presiding at City Council meetings and making appointments to the Planning Board and the Board of Library Trustees. 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.

B. Description of Regulatory Basis of Accounting

The financial statements of the City of Clifton 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 CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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

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

Self- Insurance Fund - This fund is used to account for the resources and expenditures for workman's compensation and employee medical self-insurance claims and premiums.

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

Revolving Loan Fund - This fund is used to account for the receipts and disbursements relating to City's revolving economic development loan and grant program.

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.

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.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Public Housing Fund – This fund is used to account for the revenues and expenditures for operation of the City's Public Housing Agency.

Free Public Library Fund – This fund is used to account for the revenues and expenditures of funds from the City library activities generated by services provided to the Community.

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 sewer utility and public housing 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 balances to conform to the December 31, 2017 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 Clifton 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.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, 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).

Sewer Utility Revenues/Receivables - Utility charges are levied semi-annually 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 Sewer Utility Operating Fund. 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.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

Prepaid Items – Certain payments to vendors or other governments reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

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.

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The City has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the City has not received notices or report of losses (i.e. IBNR). Additionally, the City has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). 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 potential claims are recorded as a long-term obligation in the government-wide financial statements.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

Deferred School Taxes – School taxes raised in advance in the Current Fund for a school fiscal year (July 1 to June 30) which remain unpaid at December 31 of the calendar year levied may be deferred to fund balance to the extent of not more than 50% of the annual levy providing no requisition has been made by the school district for such amount. GAAP does not permit the deferral of unpaid school taxes to fund balance at year end.

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

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

General Fixed Assets purchased after December 31, 1989 are stated at cost. Donated fixed assets are recorded at acquisition value at the date of donation.

General Fixed Assets purchased prior to December 31, 1989 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement 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 Sewer Utility Fund is 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 Sewer Utility Capital Fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does 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.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

Trust Funds
General Capital Fund
Sewer Utility Capital Fund
Public Housing Fund
Free Public Library Fund

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 and 2016 the City Council increased the original budget by \$1,098,098 and \$701,038. The increases were funded by additional aid allotted to the City in 2017 and 2016. In addition, the governing body approved several budget transfers during 2017 and 2016.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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 or NCUSIF.

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 and 2016, the book value of the City's deposits were \$93,914,440 and \$79,698,121 and bank and brokerage firm balances of the City's deposits amounted to \$90,694,406 and \$81,487,974, respectively. The City's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2017</u>	<u>2016</u>
Insured	\$ 90,686,640	\$ 81,480,273
Uninsured and Collateralized	<u>7,766</u>	<u>7,701</u>
	<u>\$ 90,694,406</u>	<u>\$ 81,487,974</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 and 2016, the City's bank balances of \$7,766 and \$7,701 were exposed to custodial credit risk as follows:

	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized		
Collateral held by pledging financial institution's trust department but not in the City's name	<u>\$ 7,766</u>	<u>\$ 7,701</u>

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).

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2017 and 2016 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 Sewer Utility Capital Fund is assigned to the Sewer Utility Operating Fund in accordance with the regulatory basis of accounting.

NOTE 4 TAXES AND UTILITY CHARGES AND FEES RECEIVABLE

Receivables at December 31, 2017 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2017</u>			
Property Taxes	\$ 2,775,882		\$ 2,775,882
Tax Title Liens	104,933		104,933
Sewer Utility Fees		\$ 945,898	945,898
Special Improvement District Taxes	<u>6,248</u>	<u>-</u>	<u>6,248</u>
	<u>\$ 2,887,063</u>	<u>\$ 945,898</u>	<u>\$ 3,832,961</u>

In 2017, the City collected \$3,236,106 from delinquent taxes and tax title liens, \$18,631 from special improvement district taxes and \$1,309,601 from sewer utility fees which represented 96%, 100% and 99% of the delinquent receivable balances at December 31, 2016.

Receivables at December 31, 2016 consisted of the following:

	<u>Current</u>	<u>Sewer Utility</u>	<u>Total</u>
<u>2016</u>			
Property Taxes	\$ 3,359,593		\$ 3,359,593
Tax Title Liens	22,148		22,148
Sewer Utility Fees		\$ 1,317,268	1,317,268
Special Improvement District Taxes	<u>18,679</u>	<u>-</u>	<u>18,679</u>
	<u>\$ 3,400,420</u>	<u>\$ 1,317,268</u>	<u>\$ 4,717,688</u>

In 2016, the City collected \$3,497,239 from delinquent taxes and tax title liens, \$6,608 from special improvement district taxes and \$1,489,262 from sewer utility fees which represented 99%, 100% and 99% of the delinquent receivable balances at December 31, 2015.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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</u>		<u>2016</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund:				
Regular	\$ 69,131	\$ 1,185,951	\$ 81,656	\$ 987,348
Grant	670,951		898,470	
Trust Fund:				
Animal Control			5,285	3,217
Other Trust	515,000		3,217	25,504
Community Development Block Grant		41,861		37,244
General Capital Fund		115,503		
Sewer Utility Operating Fund			92,721	
Sewer Utility Capital Fund	115,503			3,781
Public Housing Fund:				
Voucher Program	-	27,270	-	24,255
Total	<u>\$ 1,370,585</u>	<u>\$ 1,370,585</u>	<u>\$ 1,081,349</u>	<u>\$ 1,081,349</u>

The above balances are the result of expenditures being paid by one fund on behalf of another and revenues earned in one fund which are due to another fund.

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

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>2016</u>	Balance, <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
Current Fund			
Special Emergency Authorization	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 7 DEFERRED SCHOOL TAXES

Under the regulatory basis of accounting, regulations allow for the deferral to fund balance of not more than 50% of the annual levy when school taxes are raised in advance for a school year and have not been requisitioned by the school district as of December 31. The balance of unpaid school taxes levied, amount deferred and the amount reported as a liability (payable) at December 31, 2017 and 2016 are as follows:

	<u>Local District School</u>	
	<u>2017</u>	<u>2016</u>
Balance of Tax	\$ 66,723,616	\$ 65,439,159
Deferred	<u>55,865,130</u>	<u>55,865,130</u>
Taxes Payable	<u>\$ 10,858,486</u>	<u>\$ 9,574,029</u>

NOTE 8 FUND BALANCES APPROPRIATED

Under the regulatory basis of accounting, fund balances in the Current Fund and Sewer Utility Operating Fund 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</u>		<u>2016</u>	
	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance <u>December 31,</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 12,280,209	\$ 7,100,000	\$ 9,864,991	\$ 5,100,000
Non-Cash Surplus	<u>23,801</u>	<u>-</u>	<u>442,265</u>	<u>-</u>
	<u>\$ 12,304,010</u>	<u>\$ 7,100,000</u>	<u>\$ 10,307,256</u>	<u>\$ 5,100,000</u>
Sewer Utility Operating Fund				
Cash Surplus	\$ 1,262,275	\$ 409,700	\$ 1,041,562	\$ 286,000
Non-Cash Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,262,275</u>	<u>\$ 409,700</u>	<u>\$ 1,041,562</u>	<u>\$ 286,000</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 9 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, 2017 and 2016.

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land and Land Improvements	\$ 80,789,177	\$ 65,086		\$ 80,854,263
Buildings and Building Improvement	25,148,085	938,666		26,086,751
Machinery and Equipment	26,773,792	1,452,989	\$ 472,589	27,754,192
Construction in Progress	<u>394,124</u>	<u>185,119</u>	<u>343,251</u>	<u>235,992</u>
	<u>\$ 133,105,178</u>	<u>\$ 2,641,860</u>	<u>\$ 815,840</u>	<u>\$ 134,931,198</u>

	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land and Land Improvements	\$ 78,892,623	\$ 1,992,054	\$ 95,500	\$ 80,789,177
Buildings and Building Improvement	24,425,941	722,144		25,148,085
Machinery and Equipment	25,857,887	2,718,463	1,802,558	26,773,792
Construction in Progress	<u>909,794</u>	<u>329,694</u>	<u>845,364</u>	<u>394,124</u>
	<u>\$ 130,086,245</u>	<u>\$ 5,762,355</u>	<u>\$ 2,743,422</u>	<u>\$ 133,105,178</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 9 FIXED ASSETS (Continued)

B. Sewer Utility Fund Fixed Assets

The following is a summary of changes in the Sewer Utility Fund fixed assets for the years ended December 31, 2017 and 2016.

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Martin Avenue Pump Station	\$ 1,144,126			\$ 1,144,126
Nutley Quarry Trunk Sewer	3,803,000			3,803,000
Weasel Brook Culvert	2,766,955			2,766,955
Various Sewer Improvements	<u>13,476,569</u>	<u>\$ 121,560</u>	<u>-</u>	<u>13,598,129</u>
	<u>\$ 21,190,650</u>	<u>\$ 121,560</u>	<u>\$ -</u>	<u>\$ 21,312,210</u>
	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Martin Avenue Pump Station	\$ 1,144,126			\$ 1,144,126
Nutley Quarry Trunk Sewer	3,803,000			3,803,000
Weasel Brook Culvert	2,766,955			2,766,955
Various Sewer Improvements	<u>13,315,874</u>	<u>\$ 160,695</u>	<u>-</u>	<u>13,476,569</u>
	<u>\$ 21,029,955</u>	<u>\$ 160,695</u>	<u>\$ -</u>	<u>\$ 21,190,650</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 9 FIXED ASSETS (Continued)

B. Public Housing Fund Fixed Assets (Continued)

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land, Structures & Equipment	\$ 75,350	\$ -	\$ -	\$ 75,350
	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land, Structures & Equipment	\$ 75,350	\$ -	\$ -	\$ 75,350

NOTE 10 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 Sewer 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>	<u>2016</u>
Issued		
General		
Bonds, Notes and Loans	\$ 63,778,925	\$ 54,869,988
Sewer Utility		
Bonds, Notes and Loans	28,547,505	30,151,828
	92,326,430	85,021,816
Less Funds Temporarily Held to Pay Bonds and Notes	802,072	605,840
Net Debt Issued	91,524,358	84,415,976
Authorized But Not Issued		
General		
Bonds and Notes	19,624,541	25,391,578
Sewer Utility		
Bonds and Notes	10,476,190	5,476,211
	30,100,731	30,867,789
Net Bonds and Notes Issued and Authorized But Not Issued	\$ 121,625,089	\$ 115,283,765

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 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 .933% and .918% at December 31, 2017 and 2016, respectively.

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 83,403,466	\$ 800,487	\$ 82,602,979
School Debt	6,125,000	6,125,000	
Utility Debt	<u>39,023,695</u>	<u>32,855,325</u>	<u>6,168,370</u>
Total	<u>\$ 128,552,161</u>	<u>\$ 39,780,812</u>	<u>\$ 88,771,349</u>

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 80,261,566	\$ 604,255	\$ 79,657,311
School Debt	8,372,000	8,372,000	
Utility Debt	<u>35,628,039</u>	<u>28,453,024</u>	<u>7,175,015</u>
Total	<u>\$ 124,261,605</u>	<u>\$ 37,429,279</u>	<u>\$ 86,832,326</u>

Statutory Borrowing Power

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

	<u>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 333,088,713	\$ 330,913,095
Less: Net Debt	<u>88,771,349</u>	<u>86,832,326</u>
Remaining Borrowing Power	<u>\$ 244,317,364</u>	<u>\$ 244,080,769</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

<u>General Obligation Bonds</u>	<u>2017</u>	<u>2016</u>
\$12,671,158 (\$14,065,000 Combined Issue), 2009 Refunding Bonds due in annual installments of \$702,702 to \$725,224 through December 2022, interest at 3.50% to 4.50%	\$ 3,585,581	\$ 4,274,770
\$12,704,545 (\$16,854,000 Combined Issue), 2010 Bonds due in annual installments of \$1,718,644 to \$2,592,318 through February 2021, interest at 3.125% to 3.375%	8,215,666	9,399,132
\$8,312,139 (\$8,910,000 Combined Issue), 2011 Refunding Bonds due in annual installments of \$834,946 to \$867,597 through August 2022, interest at 3.00% to 5.00%	4,230,702	5,051,654
\$5,272,806 (\$6,780,000 Combined Issue), 2011 Bonds due in annual installments of \$342,188 through November 2027, interest at 3.00% to 4.25%	3,421,880	3,764,068
\$4,894,044 (\$6,170,000 Combined Issue), 2012 Refunding Bonds due in annual installments of \$380,736 through June 2020, interest at 4.00%	1,142,208	1,951,272
\$12,479,000 2013 Bonds due in annual installments of \$860,000 to \$1,450,000 through October 2025, interest at 3.00% to 4.00%	9,309,000	10,169,000
\$4,519,763 (\$5,600,000 Combined Issue), 2014 Refunding Bonds due in annual installments of \$443,905 to \$456,012 through August 2026, interest at 3.00% to 5.00%	4,043,571	4,503,618
\$2,554,472 (\$3,165,000 Combined Issue), 2016 Refunding Bonds due in annual installments of \$230,024 to \$274,414 through April 2026, interest at 1.960%	2,276,023	2,554,472
\$4,756,000, 2016 Bonds due in annual installments of \$275,000 to \$550,000 through September 2027, interest at 2.00% to 4.00%	4,455,000	4,756,000
	<u>\$ 40,679,631</u>	<u>\$ 46,423,986</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

General Intergovernmental Loans Payable

The City has entered into loan agreements with the New Jersey Department of Environmental Protection for the financing relating to the Athenia Steel Recreation Complex Project. 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:

General Intergovernmental Loans Payable

	<u>2017</u>	<u>2016</u>
<u>Green Acres</u>		
\$400,000, 2010 Loan due in Semi-annual installments of \$9,698 to \$12,314 through March, 2030, interest at 2.00%	\$ 273,894	\$ 293,002
\$893,400, 2017 Loan due in Semi-annual installments of \$18,843 to \$27,502 through August, 2037, interest at 2.00%	<u>893,400</u>	<u>-</u>
	<u><u>\$ 1,167,294</u></u>	<u><u>\$ 293,002</u></u>

Sewer Utility Bonds

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

Sewer Utility Bonds

	<u>2017</u>	<u>2016</u>
\$1,393,842 (\$14,065,000 Combined Issue), 2009 Refunding Bonds due in annual installments of \$75,811 to \$77,297 through December 2022, interest at 3.50% to 4.50%	\$ 394,418	\$ 470,230
\$4,149,455 (\$16,854,000 Combined Issue), 2010 Bonds due in annual installments of \$561,336 to \$846,682 through February 2021, interest at 3.00% to 3.375%	2,683,334	3,069,868
\$597,861 (\$8,910,000 Combined Issue), 2011 Refunding Bonds due in annual installments of \$60,055 to \$62,402 through August 2022, interest at 3.00% to 5.00%	304,299	363,347

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Sewer Utility Bonds (Continued)

	<u>2017</u>	<u>2016</u>
\$1,507,194 (\$6,780,000 Combined Issue), 2011 Bonds due in annual installments of \$97,812 through November 2027, interest at 3.00% to 4.25%	\$ 978,120	\$ 1,075,932
\$1,275,956 (\$6,170,000 Combined Issue), 2012 Refunding Bonds due in annual installments of \$99,264 through June 2020, interest at 4.00%	297,792	508,728
\$4,802,000, 2013 Bonds due in annual installments of \$265,000 to \$320,000 through October 2031, interest at 3.00% to 4.00%	4,322,000	4,482,000
\$1,080,237 (\$5,600,000 Combined Issue), 2014 Refunding Bonds due in annual installments of \$106,095 to \$108,989 through August 2026, interest at 3.00% to 5.00%	966,429	1,076,382
\$610,528 (\$3,165,000 Combined Issue), 2016 Refunding Bonds due in annual installments of \$54,977 to \$65,586 through April 2026, interest at 1.960%	543,978	610,528
\$7,850,000, 2016 Bonds due in annual installments of \$225,000 to \$450,000 through September 2036, interest at 2.00% to 4.00%	<u>7,625,000</u>	<u>7,850,000</u>
	<u>\$ 18,115,370</u>	<u>\$ 19,507,015</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Sewer Utility Intergovernmental Loans Payable

The City has entered into loan agreements with the New Jersey Department of Environmental Protection for the financing relating to the City's replacement of the Martin Avenue Pump Station. 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:

Sewer Utility Intergovernmental Loans Payable

	<u>2017</u>	<u>2016</u>
<u>NJ Environmental Infrastructure Trust</u>		
\$245,000, 2010 Loan due in annual installments of \$10,000 to \$20,000 through August, 2029, interest at 3.00% to 5.00%	\$ 175,000	\$ 185,000
 \$741,000, 2010 Loan due in semi-annual installments of \$12,559 to \$25,119 through August, 2029, interest free	 <u>452,135</u>	 <u>489,813</u>
	<u>\$ 627,135</u>	<u>\$ 674,813</u>
 <u>Wastewater Trust</u>		
\$1,785,000, 1997 Loan	\$ -	\$ 140,000
	<u>\$ -</u>	<u>\$ 140,000</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</u>		<u>Sewer Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	\$ 5,938,171	\$ 1,448,345	\$ 1,647,843	\$ 582,257	\$ 9,616,615
2019	6,113,864	1,259,495	1,661,952	530,793	9,566,104
2020	6,306,837	1,045,378	1,715,147	477,013	9,544,375
2021	6,488,838	817,847	1,818,338	420,819	9,545,843
2022	4,539,691	576,571	1,199,701	356,354	6,672,317
2023-2027	11,897,907	1,003,940	5,262,168	1,223,660	19,387,675
2028-2032	298,529	41,426	3,637,356	539,233	4,516,544
2033-2037	<u>263,087</u>	<u>14,686</u>	<u>1,800,000</u>	<u>129,938</u>	<u>2,207,710</u>
	<u>\$ 41,846,925</u>	<u>\$ 6,207,689</u>	<u>\$ 18,742,505</u>	<u>\$ 4,260,065</u>	<u>\$ 71,057,183</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Debt Guarantees

Changes in Long-Term Municipal Debt

The City's long-term capital debt activity for the years ended December 31, 2017 and 2016 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</u>					
<u>General Capital Fund</u>					
Bonds Payable	\$ 46,423,986		\$ 5,744,355	\$ 40,679,631	\$ 5,899,834
Intergovernmental Loans Payable	<u>293,002</u>	<u>\$ 893,400</u>	<u>19,108</u>	<u>1,167,294</u>	<u>38,336</u>
General Capital Fund Long-Term Liabilities	<u>\$ 46,716,988</u>	<u>893,400</u>	<u>\$ 5,763,463</u>	<u>\$ 41,846,925</u>	<u>\$ 5,938,170</u>
<u>Sewer Capital Fund</u>					
Bonds Payable	\$ 19,507,015		\$ 1,391,645	\$ 18,115,370	\$ 1,600,165
Intergovernmental Loans Payable	<u>814,813</u>	<u>-</u>	<u>187,678</u>	<u>627,135</u>	<u>47,678</u>
General Capital Fund Long-Term Liabilities	<u>\$ 20,321,828</u>	<u>\$ -</u>	<u>\$ 1,579,323</u>	<u>\$ 18,742,505</u>	<u>\$ 1,647,843</u>
	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>					
<u>General Capital Fund</u>					
Bonds Payable	\$ 46,820,797	\$ 7,310,472	\$ 7,707,283	\$ 46,423,986	\$ 5,744,355
Intergovernmental Loans Payable	<u>311,734</u>	<u>-</u>	<u>18,732</u>	<u>293,002</u>	<u>19,108</u>
General Capital Fund Long-Term Liabilities	<u>\$ 47,132,531</u>	<u>\$ 7,310,472</u>	<u>\$ 7,726,015</u>	<u>\$ 46,716,988</u>	<u>\$ 5,763,463</u>
<u>Sewer Capital Fund</u>					
Bonds Payable	\$ 12,754,203	\$ 8,460,528	\$ 1,707,716	\$ 19,507,015	\$ 1,391,645
Intergovernmental Loans Payable	<u>997,491</u>	<u>-</u>	<u>182,678</u>	<u>814,813</u>	<u>187,678</u>
General Capital Fund Long-Term Liabilities	<u>\$ 13,751,694</u>	<u>\$ 8,460,528</u>	<u>\$ 1,890,394</u>	<u>\$ 20,321,828</u>	<u>\$ 1,579,323</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	Balance, December 31, <u>2016</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2017</u>
<u>2017</u>						
<u>General Capital Fund</u>						
Various Capital Improvements	2.25%	10/4/2018	\$ 8,153,000	\$ 21,932,000	\$ 8,153,000	\$ 21,932,000
			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Capital Fund			<u>\$ 8,153,000</u>	<u>\$ 21,932,000</u>	<u>\$ 8,153,000</u>	<u>\$ 21,932,000</u>
<u>Sewer Utility Capital Fund</u>						
Various Sewer Improvements	2.25%	10/4/2018	\$ 7,830,000	\$ 7,805,000	\$ 7,830,000	\$ 7,805,000
Bonsal Preserve Sewer Improvements	2.25%	10/4/2018	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
Total Sewer Capital Fund			<u>\$ 9,830,000</u>	<u>\$ 9,805,000</u>	<u>\$ 9,830,000</u>	<u>\$ 9,805,000</u>
<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	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>						
Various Capital Improvements	2.00%	10/12/2017	\$ 2,884,976	\$ 8,153,000	\$ 2,884,976	\$ 8,153,000
Acquisition of Technology Equipment	2.00%		702,324		702,324	-
Various Road Improvements	2.00%		1,423,442		1,423,442	-
Soil Remediation of Phase II and III of Athenia Recreation Complex	2.00%		<u>285,500</u>	<u>-</u>	<u>285,500</u>	<u>-</u>
Total General Capital Fund			<u>\$ 5,296,242</u>	<u>\$ 8,153,000</u>	<u>\$ 5,296,242</u>	<u>\$ 8,153,000</u>
<u>Sewer Utility Capital Fund</u>						
Various Sewer Improvements	2.00%	10/12/2017	\$ 5,756,218	\$ 7,830,000	\$ 5,756,218	\$ 7,830,000
Bonsal Preserve Sewer Improvements	2.00%	10/12/2017	<u>4,000,000</u>	<u>2,000,000</u>	<u>4,000,000</u>	<u>2,000,000</u>
Total Sewer Capital Fund			<u>\$ 9,756,218</u>	<u>\$ 9,830,000</u>	<u>\$ 9,756,218</u>	<u>\$ 9,830,000</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

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 sewer utility activities are accounted for in the 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.

NOTE 11 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2017</u>		
Patricia Place Area Sewer Improvements	\$430,700	2018
Bonsel Preserve Sewer Improvements	4,985,000	2018
Police Firing Range HVAC	727,500	2018
Renaissance Drive Roadway Rehab.	413,700	2018
Athenia Park Recreation Complex – Phase II	3,644,500	2018
Valley Road Improvements Phase II	300,000	2018
Arts Center Building and HVAC Upgrades	746,500	2018
Weasel Brook Rehab	303,900	2018
2017 Roadway Resurfacing Project	2,083,000	2018
<u>2016</u>		
Patricia Place Area Sewer Improvements	\$1,290,400	2017
Sanitary and Storm Improvements	871,500	2017
Woodlawn Ave. Drainage Improvements	622,800	2017
2016 Roadway Resurfacing Project	2,773,900	2017
Mahar Ave. Street Improvements	220,700	2017
Dwasline Road Sidewalk Improvements	249,800	2017
Bergen, Arlington, Vernon and Christie St. Improvements	439,200	2017
Bonsal Preserve Sewer Improvements	4,985,000	2017

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

As of December 31, the City has other significant commitments as follows:

	Purpose	Remaining Commitment	Estimated Date of Completion
<u>2017</u>			
	Retrofit Five (5) DPW Salt Trucks	\$372,000	2018
	Emergency Generators	383,400	2018
<u>2016</u>			
	Retrofit of Salt Truck Bodies	\$427,800	2017

NOTE 12 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Under the existing policies and labor agreements of the City, employees are allowed to accumulate (with certain restrictions) unused vacation benefits, personal, sick leave and compensation time in lieu of overtime 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.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$14,736,537 and \$15,072,083 at December 31, 2017 and 2016, 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 and 2016, the City has reserved in the Other Trust Fund \$4,045,483 and \$3,404,558, 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 \$3,531,897 and will be paid back with interest over 15 years beginning in the 2012 year. The City is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (7.65% effective July 1, 2016 and 7.90% effective July 1, 2012 through June 30, 2016 at December 31, 2017 and 2016 is \$3,085,896 and \$3,388,601, respectively.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 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, 2017 and 2016 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</u>					
Compensated Absences	\$ 15,072,083		\$ 335,546	\$ 14,736,537	
Deferred Pension Obligation	3,388,601	\$ 235,794	538,499	3,085,896	\$ 544,154
Net Pension Liability - PERS	57,657,421		10,730,141	46,927,280	
Net Pension Liability - PFRS	175,120,102		36,011,230	139,108,872	
Net OPEB Obligation	71,116,551	24,234,618	6,522,615	88,828,554	
Self-Insurance Claims Liability	3,734,647	24,583,242	25,104,138	3,213,751	-
Total	<u>\$326,089,405</u>	<u>\$ 49,053,654</u>	<u>\$ 79,242,169</u>	<u>\$295,900,890</u>	<u>\$ 544,154</u>
	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	\$ 17,424,557		\$ 2,352,474	\$ 15,072,083	
Deferred Pension Obligation	3,634,674	\$ 287,139	533,212	3,388,601	\$ 538,499
Net Pension Liability - PERS	45,840,836	13,546,058	1,729,473	57,657,421	
Net Pension Liability - PFRS	150,165,415	32,429,211	7,474,524	175,120,102	
Net OPEB Obligation	57,400,593	19,509,318	5,793,360	71,116,551	
Self-Insurance Claims Liability	3,884,042	21,676,695	21,826,090	3,734,647	-
Total	<u>\$278,350,117</u>	<u>\$ 87,448,421</u>	<u>\$ 39,709,133</u>	<u>\$326,089,405</u>	<u>\$ 538,499</u>

NOTE 13 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.

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.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 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.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 billion, respectively.

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, 2016 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) 7.00% for investment rate of return for all the retirement systems 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.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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, 7.20% for PERS and 5.50% for DCRP of employee's annual compensation for 2017.

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 and 2016 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, 2016 and 2015, the City, was required to contribute for normal cost pension contributions and accrued liability pension contributions the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2017	\$ 7,474,524	\$ 1,647,261	\$ 17,820
2016	7,328,189	1,755,650	14,496
2015	6,716,437	1,654,947	11,186

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, 2017 and 2016, the City reported a liability of \$46,927,280 and \$57,657,421, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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, 2017, the City's proportionate share was .20159 percent, which was an increase of .00691 percent from its proportionate share measured as of June 30, 2016 of .19468 percent.

CITY OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the City's pension expense to be \$3,217,529 and \$5,037,014, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the City's financial statements of \$1,647,261 and \$1,755,650, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 1,104,975		\$ 1,072,253	
Changes of Assumptions	9,454,230	\$ 9,419,569	11,943,538	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	319,543		2,198,530	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>1,549,309</u>	<u>1,809,346</u>	<u>433,147</u>	<u>\$ 2,393,445</u>
Total	<u>\$ 12,428,057</u>	<u>\$ 11,228,915</u>	<u>\$ 15,647,468</u>	<u>\$ 2,393,445</u>

At December 31, 2017 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:

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ 890,570
2019	1,450,548
2020	897,587
2021	(1,231,418)
2022	(808,145)
Thereafter	<u>-</u>
	<u>\$ 1,199,142</u>

CITY OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 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, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15% Based on Age	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age	2.65-5.15% Based on Age
Investment Rate of Return	7.00%	7.65%
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, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

CITY OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

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>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%

CITY OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 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, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, 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 (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
<u>2017</u>			
City's Proportionate Share of the PERS Net Pension Liability	<u>\$ 58,216,476</u>	<u>\$ 46,927,280</u>	<u>\$ 37,521,981</u>
	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>\$ 70,652,440</u>	<u>\$ 57,657,421</u>	<u>\$ 46,928,906</u>

The sensitivity analysis was based on the proportionate share of the City's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the City's net pension liability was not provided by the pension system.

CITY OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 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, 2017 and 2016, the City reported a liability of \$139,108,872 and \$175,120,102, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, 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, 2017, the City's proportionate share was .90108 percent, which was a decrease of .01566 percent from its proportionate share measured as of June 30, 2016 of .91674 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the City pension expense to be \$13,763,467 and \$20,304,107, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the City's financial statements of \$7,474,524 and \$7,328,189, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 902,456	\$ 816,453		\$ 1,147,938
Changes of Assumptions	17,153,674	22,781,966	\$ 24,255,573	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,654,523		12,270,313	
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	<u>4,174,203</u>	<u>1,960,010</u>	<u>5,741,025</u>	<u>-</u>
Total	<u>\$ 24,884,856</u>	<u>\$ 25,558,429</u>	<u>\$ 42,266,911</u>	<u>\$ 1,147,938</u>

CITY OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 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, 2017 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:

<u>Year</u> <u>Ending</u> <u>December 31,</u>	<u>Total</u>
2018	\$ 2,895,819
2019	5,702,068
2020	443,657
2021	(6,610,900)
2022	(3,104,217)
Thereafter	-
	<u>\$ (673,573)</u>

Actuarial Assumptions

The City's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The 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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

PFRS

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98%	2.10-8.98%
	Based on Age	Based on Age
Thereafter	3.10-9.98%	3.10-9.98%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.65%
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, 2016 and July 1, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

CITY OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

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>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

CITY OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 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, 2057

Municipal Bond Rate * From July 1, 2057
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, 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 (5.14% and 4.55 %, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
City's Proportionate Share of the PFRS Net Pension Liability	<u>\$183,287,395</u>	<u>\$ 139,108,872</u>	<u>\$ 102,811,192</u>
	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>\$225,804,531</u>	<u>\$ 175,120,102</u>	<u>\$ 133,789,999</u>

The sensitivity analysis was based on the proportionate share of the City's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the City's net pension liability was not provided by the pension system.

CITY OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13 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 of the net pension liability, deferred outflows and inflows determined under GASB Statement No. 68 is zero percent and the State's proportionate share is 100% for PFRS under this legislation.

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the City for the PFRS special funding situation is \$15,581,365 and \$14,705,745, respectively. For the years ended December 31, 2017 and 2016, 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 \$1,905,953 and \$1,878,270, respectively, which is more than the actual contributions the State made on behalf of the City of \$779,134 and \$563,481, 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.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

The City provides a post employment healthcare plan for its eligible retirees and their dependents. The plan is a single-employer defined benefit healthcare plan administered by the City. In accordance with City ordinances, contracts and/or policies, the City provides post-retirement health coverage to its eligible retired employees and their dependents at the time of retirement at cost to the retiree as there would be, if any, if they remained an employee. Coverage for a retiree's spouse and/or dependents under certain agreements continues upon the death of the retiree. For an employee to qualify for employer provided post-retirement medical benefits, they shall have retired in compliance with the requirements of the Public Employees Retirement System, the Police and Firemen's Retirement System or eligible for retirement under Senate Bill 3026 and have not attained the age of 70 or 75 years depending on the employment contract. Under the various employment contracts, post-retirement medical benefits can begin for eligible employees upon retirement for a period beginning from age 45 and ending at age 75 depending on the employment contract. Under certain employment contracts, employee provided post-retirement medical benefits are provided to certain employees and their dependents upon permanent disability or death in the line of duty.

Funding Policy

The required contribution is funded on a pay-as-you-go basis with an additional amount to prefund benefits as determined annually by the City. For the year 2017, 2016 and 2015 the City contributed \$6,050,050, \$5,370,337 and \$3,784,402, respectively to the plan. For the years 2017, 2016 and 2015 plan members receiving benefits contributed \$472,565, \$423,023 and \$631,962, respectively to the plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (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) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year 2017 and 2016, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan.

	<u>2017</u>	<u>2016</u>
Annual Required Contribution	\$ 20,263,294	\$ 16,155,212
Interest on Net OPEB Obligation	3,200,245	2,583,027
Adjustment to Annual Required Contribution	771,079	771,079
Total Annual OPEB Cost (Expense)	24,234,618	19,509,318
Contributions Made	(6,522,615)	(5,793,360)
Increase in Net OPEB Obligation	17,712,003	13,715,958
Net OPEB Obligation - Beginning of Year	71,116,551	57,400,593
Net OPEB Obligation - End of Year	<u>\$ 88,828,554</u>	<u>\$ 71,116,551</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 14 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2017, 2016 and 2015 were as follows:

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2017	\$ 24,234,618	27%	\$ 88,828,554
2016	19,509,318	30%	71,116,551
2015	18,859,382	23%	57,400,593

Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$189,221,737, and the actuarial value of assets was zero resulting in an unfunded actuarial accrued liability (UAAL) of \$189,221,737.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2017, actuarial valuation, the projected unit credit funding method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten (10) years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017 was twenty (20) years.

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 15 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 has established a group health benefit insurance plan for its employees and their eligible dependents. The City and its retirees contribute to fund the entire cost of the plan. Claims are paid directly by the plan up to a maximum benefit per person, per lifetime of \$150,000 with any excess benefit being reimbursed through a Re-Insurance Agreement with Symetra Life Insurance. The City has not created a liability for loss reserves for claims incurred which were unpaid at December 31, 2017 and 2016. In addition, the City has not created a liability for reserves for any potential unreported losses which have taken place but in which the City has not received notices or report of losses. The effect on the financial statements from these omissions could not be determined, but is probably material. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company might be unable to meet their obligations to the City under existing reinsurance agreements. As of December 31, 2017 and 2016 the City has available in the Self Insurance Trust Fund \$4,417,994 and \$5,422,086, respectively for the payment of group health benefit self-insurance claims.

Estimates of claims incurred, but not reported (IBNR) at December 31, 2017 and 2016 for self-funded group health benefits were determined based on claim information supplied by the claims administrator and actuary. The unpaid claims liability of \$1,205,000 and \$1,460,000 at December 31, 2017 and 2016, respectively is determined based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The City has also established a workers compensation benefit plan for its employees and their eligible dependents. The City contributes to fund the entire cost of the plan. Claims are paid directly by the plan up to a maximum benefit per person, per lifetime of \$750,000 with any excess benefit being reimbursed through a Re-Insurance Agreement. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company might be unable to meet their obligations to the City under existing reinsurance agreements. As of December 31, 2017 and 2016 the City has available in the Self- Insurance Trust Fund \$593,687 and \$667,207, respectively for the payment of unpaid self-insurance workers compensation claims.

Estimates of claims payable and claims incurred, but not reported (IBNR) at December 31, 2017 and 2016 for the workers compensation benefit plans were determined based on claim information supplied by the claims administrators and actuary. The unpaid claims liability of \$2,008,751 and \$2,274,647 at December 31, 2017 and 2016, respectively is determined based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The City has estimated that the balances of claims liabilities for the group insurance medical benefit plan and workers compensation plan for the years ended December 31, 2017 and 2016 are as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Estimated Claims Liabilities		
Workers Compensation	\$2,008,751	\$2,274,647
Medical Benefits	<u>1,205,000</u>	<u>1,460,000</u>
	<u>\$3,213,751</u>	<u>\$3,734,647</u>

CITY OF CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 15 RISK MANAGEMENT (Continued)

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.

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>
2017	\$ 8,600	\$ 61,986	\$ 88,468	\$ 98,488
2016	8,400	63,360	111,811	116,370
2015	None	65,322	97,307	156,421

NOTE 16 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, 2017 and 2016. 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 and 2016, the City reserved \$1,469,982 and \$442,675, 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 and 2016, 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 CLIFTON
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 17 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 and 2016, the City has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2017 and 2016, the City provided property tax abatements through certain programs authorized under State statutes. These programs include the Long Term Tax Exemption Law (the "LTTE Law"), and the Senior Citizen Nonprofit Rental Housing Tax Law.

- 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.
- Prior to the enactment of the Long Term Tax Exempt Law (NJSA 40A:20 et.seq.) and under the provisions of the Senior Citizens Nonprofit Rental Housing Tax Law (NJSA 55:141-1), which has since been repealed, allows for the clearance, re-planning, development and or redevelopment of blighted areas by means of a non-profit rental housing project for the elderly that is developed, erected and owed by non-profit corporations under the Federal Senior Citizens Housing Loan Program, and pursuant to section 202 of the Federal Housing Act of 1959, as amended; authorizing and providing for the exemption in part of such non-profit rental housing projects from taxation under the law. A qualified municipality could abate for up to 50 years the property taxes on newly constructed senior housing. The process being when the municipality passes by ordinance or resolution, as appropriate, that such residential rental senior housing projects shall be exempt from property tax provided that an agreement is entered into with the housing sponsor to make a PILOT payment to the municipality in an amount equal to a percentage of the annual gross revenue from each senior housing project.

For the years ended December 31, 2017 and 2016 the City abated property taxes totaling \$3,772,039 and \$1,950,897, respectively under the LTTE and Senior Citizens Nonprofit Rental Housing programs. The City received \$1,069,441 and \$232,271 in PILOT payments under these programs for the years ended December 31, 2017 and 2016, respectively.

APPENDIX C

FORM OF APPROVING LEGAL OPINION FOR THE BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]



90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

_____, 2018

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

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of the \$11,560,000 aggregate principal amount of General Obligation Bonds, Series 2018, consisting of \$6,975,000 aggregate principal amount of General Improvement Bonds, Series 2018 (the "General Improvement Bonds") and \$4,585,000 aggregate principal amount of Sewer Utility Bonds, Series 2018 (the "Sewer Utility Bonds" and together with the General Improvement Bonds, the "Bonds"), of the City of Clifton, in the County of Passaic (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: (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) various bond ordinances duly adopted by the City Council of the City and published as required by law; (iii) a resolution combining bond ordinances for the purpose of sale of the General Improvement Bonds duly adopted by the City Council of the City on August 21, 2018; (iv) a resolution combining bond ordinances for the purpose of sale of the Sewer Utility Bonds duly adopted by the Council of the City on August 21, 2018 and (v) a resolution determining the form and other details of the Bonds duly adopted by the City Council of the City on August 21, 2018.

The Bonds are issued in fully registered, book-entry only 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 Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$1,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required. 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 Paying Agent duly appointed by the City) directly to Cede & Co., as nominee for DTC.

Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of February and August (each an "Interest Payment Date") in each year until maturity or prior redemption, commencing February 1, 2019. The Bonds shall mature on August 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>General Improvement Bonds</u>	<u>Sewer Utility Bonds</u>	<u>Combined Principal Amounts</u>	<u>Interest Rates</u>
2019	\$230,000	\$130,000	\$360,000	5.000%
2020	230,000	130,000	360,000	5.000%
2021	230,000	130,000	360,000	5.000%
2022	460,000	130,000	590,000	5.000%
2023	460,000	250,000	710,000	5.000%
2024	460,000	250,000	710,000	5.000%
2025	460,000	250,000	710,000	5.000%
2026	460,000	255,000	715,000	5.000%
2027	460,000	255,000	715,000	3.000%
2028	460,000	255,000	715,000	3.000%
2029	460,000	255,000	715,000	3.000%
2030	460,000	255,000	715,000	3.000%
2031	460,000	255,000	715,000	3.125%
2032	460,000	255,000	715,000	3.125%
2033	415,000	255,000	670,000	3.250%
2034	405,000	255,000	660,000	3.250%
2035	<u>405,000</u>	255,000	660,000	3.500%
2036		255,000	255,000	3.500%
2037		255,000	255,000	3.625%
2038		<u>255,000</u>	<u>255,000</u>	3.625%
	\$6,975,000	\$4,585,000	\$11,560,000	

The Bonds of this issue maturing prior to August 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after August 1, 2026 are redeemable at the option of the City, in whole or in part, on any date on or after August 1, 2025, upon notice as required therein, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

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 Local Bond Law, (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 full 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"), establishes 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 interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The City has covenanted in its tax certificate relating to the Bonds to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the City with the aforementioned covenant, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

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

The Bonds maturing on August 1 of the years 2019 through 2027, inclusive (collectively, the "Premium Bonds"), have been sold to the public at a premium. Section

171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on August 1 in the years 2029 through 2038, inclusive (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar person or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for Federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.

Except as stated in the preceding four (4) 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 the Bonds, as executed by the City, and, in our opinion, the form of each Bond and their execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

APPENDIX D

FORM OF APPROVING LEGAL OPINION FOR THE NOTES

[THIS PAGE INTENTIONALLY LEFT BLANK]



90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

_____, 2018

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

Ladies and Gentlemen:

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

\$17,988,000
BOND ANTICIPATION NOTES, SERIES 2018
CONSISTING OF
\$13,701,000 GENERAL IMPROVEMENT NOTES, SERIES 2018
AND
\$4,287,000 SEWER UTILITY NOTES, SERIES 2018

NON-CALLABLE

CITY OF CLIFTON
IN THE COUNTY OF PASSAIC
STATE OF NEW JERSEY

Dated: October 3, 2018

The \$17,988,000 Bond Anticipation Notes, Series 2018, consisting of \$13,701,000 General Improvement Notes, Series 2018 (the "General Improvement Notes") and \$4,287,000 Sewer Utility Notes, Series 2018 (the "Sewer Utility Notes", and together with the General Improvement Notes, the "Notes") of the City, are dated October 3, 2018, mature October 2, 2019 and bear interest at the rate of three and zero hundredths per centum (3.00%) per annum. The Notes are issued in fully registered form without coupons, initially registered in the name of, and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. Individual purchases of the Notes will be made in book-entry only form in the principal amount of \$1,000 or any integral multiple thereof, with a minimum purchase of \$5,000 required. The Notes are issued in book-entry only form and are not subject to redemption prior to maturity. So long as DTC or its nominee is the registered owner of the Notes, payments of principal of and interest on the Notes will be made by the City or a duly designated paying agent directly to Cede & Co., as nominee for DTC.

The bonds in anticipation of which the Notes are issued have been authorized pursuant to various bond ordinances of the City having been in all respects duly adopted, approved and published as required by law. The Notes are being issued to: (i) refund, on a current basis (along with \$935,276 in available funds), a \$18,813,276 portion of the Prior Notes; and (ii) temporarily finance the cost of various other capital improvements by and in the City in the amount of \$110,000.

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

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Notes in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Notes to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Notes. The City has covenanted in its tax certificate relating to the Notes to maintain the exclusion of the interest on the Notes from gross income for Federal income tax purposes pursuant to section 103(a) of the Code.

In our opinion, under existing law, and assuming continuing compliance by the City 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. The Notes are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Notes will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

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

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

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

We have examined the form of the unexecuted Notes and, in our opinion, the form is regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated _____, 2018 (the "Disclosure Certificate") is executed and delivered by the City of Clifton, in the County of Passaic, State of New Jersey (the "City" or the "Issuer") in connection with the issuance of its \$11,560,000 aggregate principal amount of General Obligation Bonds, Series 2018, consisting of \$6,975,000 aggregate principal amount of General Improvement Bonds, Series 2018 (the "General Improvement Bonds") and \$4,585,000 aggregate principal amount of Sewer Utility Bonds, Series 2018 (the "Sewer Utility Bonds" and together with the General Improvement Bonds, the "Bonds"), all such Bonds being dated their date of delivery. The Bonds are being issued pursuant to various bond ordinances duly adopted by the City Council of the City approved and published as required by law, and, as applicable, resolutions combining City bond ordinances for purposes of sale of the Bonds and a resolution entitled, "RESOLUTION (A) DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF \$11,893,000 GENERAL OBLIGATION BONDS, SERIES 2018, OF THE CITY OF CLIFTON, IN THE COUNTY OF PASSAIC, STATE OF NEW JERSEY, CONSISTING OF \$7,213,000 GENERAL IMPROVEMENT BONDS, SERIES 2018 AND \$4,680,000 SEWER UTILITY BONDS, SERIES 2018 AND PROVIDING FOR THEIR SALE AND DETERMINING CERTAIN OTHER MATTERS WITH RESPECT THERETO AND (B) AUTHORIZING THE SALE AND ISSUANCE OF \$17,988,000 BOND ANTICIPATION NOTES" (the "Bond Resolution"), being duly adopted by the City Council of the City on August 21, 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 Holders of the Bonds and Beneficial Owners of the Bonds and in order to assist the Participating 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, as applicable (including persons holding Bonds, as applicable through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds, as applicable, for Federal income tax purposes.

"Continuing Disclosure Information" shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the City with the EMMA (as defined herein)

pursuant to Section 3 of this Disclosure Agreement, and (iii) any notice of a Listed Event required to be filed by the Authority with EMMA pursuant to Section 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Chief Financial Officer of the City or her 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 (as defined herein) and approved by the SEC (as defined herein) 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 Portable Document File (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(b)(5) adopted by the Securities and Exchange Commission (“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.

“Underwriters” shall mean any of the original underwriters 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 August 15 of each year, (commencing August 15, 2019), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the 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 such date, 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 1 of each year (commencing September 1, 2019) the Dissemination Agent shall file with 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 file the Annual Report with 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 provided to EMMA pursuant to this Disclosure Certificate, 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 of each year).

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, Department of Community Affairs, State of New Jersey (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

(2) The most current annual debt statement of the City (as of December 31); and.

(3) The general financial information and operating data of the City consistent with the information set forth in Appendix A to the Official Statement dated September 19, 2018, prepared in connection with the sale of the Bonds (the "Official Statement") contained (a) under the caption entitled, "Debt Information of the City" under the subheadings entitled, "Debt Incurring Capacity as of December 31, 2017", "Gross and Statutory Net Debt as of December 31," and "Statement of Indebtedness as of December 31, 2017", (b) under the caption entitled, "Tax Information of the City" under the

subheadings entitled, "Current Tax Collections", "Delinquent Taxes and Tax Title Liens", "Assessed Valuations of Property Owned by the City of Clifton Acquired for Taxes", "Ten Largest Taxpayers", "Assessed Valuations Land and Improvements by Class", "Assessed Valuations Net Valuation Taxable", "Total Tax Requirements Including School and County Purposes", "Components of Real Estate Tax Rate (Per \$100 of Assessment)" and (c) under the caption entitled, "Summary of Municipal Budgets" under the subheading entitled, "Comparative Schedule of Fund Balances."

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. 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 County;
13. The consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, 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 County 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 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, the County 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, the City shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the City determines that the occurrence of a Listed Event 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 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 EMMA, 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)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner 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 EMMA in accordance with the provisions of Section 5(e) hereof.

SECTION 7. Compliance with the Rule. The City is currently in compliance with all previous undertakings, if any, to provide secondary market disclosure pursuant to the Rule.

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 or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Refunding Bond Resolution 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 Underwriters, 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 of Education:

City of Clifton
900 Clifton Avenue
Clifton, New Jersey 07013
Attention: Chief Financial Officer

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

City of Clifton
900 Clifton Avenue
Clifton, New Jersey 07013
Attention: Chief Financial Officer

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

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

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

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

CITY OF CLIFTON

By: _____
JOSEPH KUNZ,
Chief Financial Officer

EXHIBIT A

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

Name of Issuer: City of Clifton,
in the County of Passaic, State of New Jersey

Name of Issue: \$11,560,000 General Obligation Bonds, Series 2018
Consisting of:
\$6,975,000 General Improvement Bonds, Series 2018
and \$4,585,000 Sewer Utility Bonds, Series 2018
Dated: October 3, 2018
(CUSIP Number: 1870904F9)

Date of Issuance: October 3, 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 for the General Obligation Bonds dated October 3, 2018 executed by the City.

DATED: _____

DISSEMINATION AGENT
(on behalf of the City)

cc: The City

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

I, JOSEPH KUNZ, Chief Financial Officer of the City of Clifton, in the County of Passaic (the "City"), a body politic and corporate organized and existing under the laws of the State of New Jersey, DO HEREBY CERTIFY on behalf of Oppenheimer & Co., Philadelphia, Pennsylvania, the purchaser (the "Purchaser") of \$17,988,000 aggregate principal amount of Bond Anticipation Notes of the City dated October 3, 2018 and maturing October 2, 2019 (the "Notes"), in connection with the issuance of the Notes, that pursuant to the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented (the "Rule"), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the City will provide notice of certain material events (the "Notice") to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access system ("EMMA") as a PDF file to www.emma.msrb.org, of any of the following events with respect to the Notes herein described, as applicable, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events effecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls; (9) defeasances; (10) release, substitution or sale of property securing repayment of the securities; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event; (13) consummation of a merger, consolidation, or acquisition, or sale of all or substantially all of the assets of the City, entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action; or (14) appointment of a successor or additional trustee or change of name of a trustee.

Whenever the City obtains actual knowledge of the occurrence of any of the aforementioned events and when the occurrence of such events will constitute material information to the holders of the Notes, the City shall file a Notice of each such occurrence with the MSRB via EMMA on a timely basis.

The City's obligations under this Certificate shall terminate upon the defeasance, prior redemption or payment in full of the Notes.

In the event the City fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. Notwithstanding the above, the remedy for a breach of the provisions of this Certificate or the City's failure to perform hereunder shall be limited to bringing an action to compel specific performance.

This Certificate shall inure solely to the benefit of the City, the Purchaser and the holders from time to time of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the City and caused the official seal of the City to be hereunto affixed and attested to by the Clerk of the City this 3rd day of October, 2018.

CITY OF CLIFTON

(SEAL)

JOSEPH KUNZ,
Chief Financial Officer

NANCY FERRIGNO,
City Clerk