

OFFICIAL STATEMENT DATED JUNE 25, 2020

NEW ISSUE – Book-Entry-Only

RATINGS: See “RATINGS” herein

In the opinion of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions existing as of the date hereof and assuming continuing compliance by the City of Linwood with certain covenants described herein, interest on the Bonds (as defined below) (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) interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale of the Bonds are not includable in gross income under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof. See “TAX MATTERS” herein.

\$9,100,000
CITY OF LINWOOD
in the County of Atlantic, State of New Jersey
GENERAL OBLIGATION BONDS, SERIES 2020
(BOOK-ENTRY-ONLY) (CALLABLE) (BANK QUALIFIED)

Dated: Date of Delivery

Due: July 15, as shown on the inside front cover page

The \$9,100,000 aggregate principal amount of General Obligation Bonds, Series 2020 (the “Bonds”), are valid and legally binding general obligations of the City of Linwood, in the County of Atlantic, State of New Jersey (the “City”) and are secured by a pledge of the full faith and credit of the City for the payment of the principal thereof and interest thereon.

The principal of and interest on the Bonds are payable, if not paid from other sources, from *ad valorem* taxes to be levied upon all the taxable property within the City without limitation as to rate or amount. Interest on the Bonds will be payable each January 15 and July 15, commencing January 15, 2021, to and including their respective dates of maturity or earlier redemption. Interest on the Bonds will be credited to the participants of DTC (as hereinafter defined) as listed on the records of DTC as of each next preceding January 1 and July 1 (the “Record Dates” for the payment of interest on the Bonds). The Bonds will be issued in the form of one certificate for the principal amount of Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as Securities Depository. See “DEPOSITORY TRUST COMPANY INFORMATION-Book-Entry-Only System” herein. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof.

The proceeds of the Bonds, along with other available funds of the City, will be used to: (i) currently refund the City’s \$4,935,465 Bond Anticipation Note, dated July 22, 2019 and maturing July 21, 2020; (ii) finance various capital improvements in and by the City; and (iii) pay the costs associated with the authorization, sale and issuance of the Bonds.

The Bonds are subject to redemption prior to their stated maturities. See “THE BONDS-Redemption” herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”). See “BOND INSURANCE” herein.



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

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

The Bonds are offered when, as and if issued, and delivered to the Underwriter, as defined herein, subject to withdrawal or modification of the offer without notice, to the prior approval of legality by the law firm of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the City by its Attorney, Joseph L. Youngblood, Esq., Linwood, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey served as Municipal Advisor to the City in connection with the Bonds. It is expected that delivery of the Bonds in book-entry only form will be made at DTC in New York, New York on or about July 16, 2020.

Baird

\$9,100,000
CITY OF LINWOOD
in the County of Atlantic, State of New Jersey
GENERAL OBLIGATION BONDS, SERIES 2020
(BOOK-ENTRY-ONLY) (CALLABLE) (BANK QUALIFIED)

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS*

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2021	\$600,000	4.00%	0.60%	536172PA1
2022	640,000	4.00	0.62	536172PB9
2023	730,000	4.00	0.65	536172PC7
2024	825,000	4.00	0.70	536172PD5
2025	910,000	4.00	0.85	536172PE3
2026	950,000	4.00	1.00	536172PF0
2027	1,050,000	4.00	1.15	536172PG8
2028	1,095,000	3.00	1.15	536172PH6
2029	1,135,000	2.00	1.50	536172PJ2
2030	1,165,000	2.00	1.60	536172PK9

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

**CITY OF LINWOOD, IN THE
COUNTY OF ATLANTIC, NEW JERSEY**

MAYOR

Darren Matik

CITY COUNCIL

June Byrnes
Stacy DeDomenicis
Todd Gordon
Brian Heun
Ralph Paolone
Eric Ford
Matthew B. Levinson

CITY CHIEF FINANCIAL OFFICER

Anthony Strazzeri

CITY CLERK

Leigh Ann Napoli

CITY SOLICITOR

Joseph L. Youngblood
Linwood, New Jersey

CITY AUDITOR

Ford, Scott and Associates LLC
Ocean City, New Jersey

BOND COUNSEL

Fleishman Daniels Law Offices, LLC
Linwood, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this document, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the City and other sources deemed reliable; however, such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this document 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.

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

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

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on the stock or other securities exchange and neither the Securities and Exchange Commission or any other federal, state, municipal or other governmental entity, other than the City, will have passed upon the accuracy or adequacy of the Official Statement.

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

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix E - Specimen Municipal Bond Insurance Policy”.

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OFFICIAL STATEMENT
Relating to
\$9,100,000
CITY OF LINWOOD
in the County of Atlantic, State of New Jersey
GENERAL OBLIGATION BONDS, SERIES 2020
(BOOK-ENTRY-ONLY) (CALLABLE) (BANK QUALIFIED)

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover page and the appendices attached hereto, has been prepared by the City of Linwood (the "City"), in the County of Atlantic, in the State of New Jersey (the "State") in connection with the \$9,100,000 aggregate principal amount of General Obligation Bonds, Series 2020 (the "Bonds"). This Official Statement has been executed by and on behalf of the City by the Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to 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 historic information and, but only to the extent specifically provided herein, certain projections into the immediate future, and is not necessarily indicative of future or continuing trends in the financial position of the City.

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

THE BONDS

General Description

The Bonds shall be dated and shall bear interest from their date of delivery and will mature in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest, which is payable semiannually on the fifteenth (15th) day of January and July in each year (each constituting an "Interest Payment Date"), commencing January 15, 2021, at the interest rates set forth on the inside front cover page hereof. The record dates for payment of the interest on the Bonds shall be January 1 and July 1 next preceding the Interest Payment Dates. The Bonds may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple of \$1,000 in excess thereof, through book-entries made on the books and the records of The Depository Trust Company, New York, New York ("DTC") and its participants. See "Book-Entry-Only-System". The City will act as the "Bond Registrar/Paying Agent" for the Bonds.

Book-Entry-Only System*

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to

* Source: The Depository Trust Company

DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the City. Accordingly, the City does not make any representations as to the completeness or accuracy of such information.

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

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

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

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

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

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

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

Payments of principal or redemption price of and interest with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City 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 or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or Redemption Price of and interest with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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 does not take any responsibility for the accuracy thereof.

NEITHER THE CITY NOR ANY PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX EXEMPTION")

SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuation of Book-Entry-Only System

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

Redemption

The Bonds of this issue maturing on or prior to July 15, 2027, shall not be subject to redemption prior to their respective maturity dates. The Bonds of this issue maturing on or after July 15, 2028 are redeemable at the option of the City, in whole or in part, on any date on or after July 15, 2027, upon notice as required herein at par (the “Redemption Price”), plus in each case accrued interest to the date fixed for redemption.

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the 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 depository and shall not be sent to the beneficial owners of the Bonds. Any failure of the 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 to be redeemed 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.

AUTHORIZATION AND PURPOSE OF THE BONDS

Authorization

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 bond ordinances duly adopted by the City Council below and published and approved as required by law, and by a resolution duly adopted by the City Council on May 27, 2020.

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

Purpose of the Bonds

The proceeds of the Bonds, along with \$87,465 of other available funds of the City, will be used to: (i) currently refund the City’s \$4,935,465 Bond Anticipation Note, dated July 22, 2019 and maturing July 21, 2020; (ii) finance various capital improvements in and by the City; and (iii) pay the costs associated with the authorization, sale and issuance of the Bonds.

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

General Improvement		
<u>Ordinance No.</u>	<u>Description and Date of Adoption</u>	<u>Amount</u>
10-2011	Providing for Municipal Roadway Improvements, Improvements to Municipal Sewer System and Purchase of Various Equipment for Public Safety and Public Works Departments, finally adopted August 10, 2011.	\$160,000
13-2012	Providing for Various Municipal Roadway Improvements, Purchase of Various Equipment for Public Works Department, and Improvements to Recreation Fields, finally adopted on July 11, 2012.	160,000
12-2014	Providing for the Poplar Avenue School demolition, finally adopted on June 25, 2014.	600,000
14-2014	Providing for Various Municipal Roadway Improvements and Various Improvements to the Municipal Sanitary Sewer System, finally adopted on July 9, 2014.	800,000
06-2015	Providing for Improvements to Municipal Roadways and Sanitary Sewer System; Historical Roof Project; and Purchase of In-car Video Systems for Police Department, finally adopted on June 10, 2015.	885,000
06-2017	Providing for Construction of Various Capital Improvements to Municipal Buildings and Grounds at the All Wars Memorial Park, finally adopted on April 26, 2017.	118,000
04-2018	Providing for Various Improvements to Municipal Recreation Areas, the Purchase of Fire Truck, Vehicles and Various Equipment for Fire Department, Construction of Various Road Sign Improvements and Various Truck Purchases for Public Works Department, and Various Improvements to the Municipal Sanitary Sewer and Storm Water Systems, and the Purchase of Furniture and Portable Mobile Radios for Police Department, finally adopted on February 14, 2018.	1,480,000

09-2018	Providing for Various Water and Sewer Utility Improvements, including Roadway Improvements, finally adopted on June 12, 2018.	475,000
09-2019	Purchase of Vehicles and Equipment for Public Works Department, Purchase of Vehicles and Equipment for Police Department, finally adopted April 24, 2019.	170,000
03-2020	Providing for Construction of Various Recreation and Open Space Improvements, Various Municipal Roadway Improvements, Purchase of Vehicles, Alarm System and Security Cameras and Other Equipment for Public Works Department, Various Improvements to the Municipal Sanitary Sewer System, and Purchase of Vehicles, Body Cameras and Equipment for Police Department, finally adopted on March 11, 2020.	<u>4,532,000</u>
TOTAL:		<u>\$9,380,000</u>

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation

to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

SECURITY AND SOURCE OF PAYMENT

Taxing Power

The Bonds are valid and binding general obligation bonds of the City, and the City has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the City and, unless paid from other sources, the City is required by law to levy *ad valorem* taxes upon all the real property taxable within the City for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount. Enforcement of a claim for the payment of principal of or interest on bonds or notes of the City is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission.

RECENT HEALTHCARE DEVELOPMENTS

COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a Pandemic by the World Health Organization on March 11, 2020. The outbreak of this disease has severely affected travel, commerce and financial markets globally, and is expected to alter the behavior of people and businesses in a manner that will likely have significant negative impacts on the global, national and local economies. The outbreak of COVID-19 across the United States caused the federal government to declare a national state of emergency on March 11, 2020. Prior to the federal government's declaration, on March 9, 2020, New Jersey Governor Phil Murphy had declared a state of emergency. While the potential impact on the State cannot be predicted at this time, the COVID-19 outbreak could have a material adverse effect on the finances of the State, Atlantic County and the City.

The degree of any such financial or economic impacts is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its: (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and healthcare authorities to attempt to contain or mitigate the spread of this virus.

INVESTMENT CONSIDERATIONS

Cyber Security

The City, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a result, it faces certain cybersecurity threats at various times, including but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in cybersecurity and operational safeguards.

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.

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds issued by the City are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the City for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As shown in Appendix "A", the City has not exceeded its statutory debt limit as of December 31, 2019.

Exceptions to Debt Limits - Extensions of Credit

The City may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the City may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the City, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in

such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

Short Term Financing

The City may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

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

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

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

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

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

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

and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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 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.

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

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010, which, among other things, imposes a two percent (2%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, N.J.S.A. 40A:4-45-46) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

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

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

Tax Assessment and Collection Procedure

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

Upon the filing of certified adopted budgets by the local school district, regional 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 with the special districts.

For calendar year municipalities, tax bills are mailed annually in June of the current year by the City's Tax Collector. 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 by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceeding fiscal

year. Due to the outbreak of COVID-19, New Jersey Governor Phil Murphy (the “Governor”) issued Executive Order No. 130, which, among other things, authorized a municipality with a calendar year, such as the City, to adopt a resolution instituting a grace period concluding on a date no later than June 1, 2020 for the payment of second quarter property taxes in 2020.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any excess of \$1,500.00. These interest and penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the City must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 in each year for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations. Due to the outbreak of COVID-19, Chief Justice Stuart Rabner of the New Jersey Supreme Court has delayed the deadline for filing regular and revaluation/assessment tax appeals until the later of May 1 or 30 days following the Governor’s determination that the State of Emergency declared by Executive Order No.103 has ended.

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 governs anticipation of delinquent tax collections: “The maximum which may be anticipated is the sum produced by 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.”

N.J.S.A. 40A:4-41 provides with regard to current taxes that: “Receipts 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 such preceding fiscal year.”

This provision and N.J.S.A. 40A:4-40 require 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 revenue will at least be equal to the tax levy required to balance the budget.

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

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

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2018 for the City is on file with the Clerk and is available for review during business hours.

Operation of Utilities

Municipal public utilities are supported by the revenue 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 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.

TAX MATTERS

Federal Tax Exemption

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

Assuming the City observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

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

Original Issue Premium

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

Additional Federal Income Tax Consequence of Holding the Bonds

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

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

Changes in Federal Tax Law Regarding the Bonds

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

State Taxation

Bond Counsel is of the opinion that, based upon existing law as enacted and construed on the date hereof, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS (INCLUDING, BUT NOT LIMITED TO, THOSE LISTED ABOVE) OR REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

BANK QUALIFICATION

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

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and 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 such Bonds are authorized security for any and all public deposits.

SECONDARY MARKET DISCLOSURE

The City has covenanted for the benefit of bondholders to provide certain financial information and operating data of the City 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 and within the timeframe established in the Continuing Disclosure

Certificate (the “Disclosure Certificate”) to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix “D” hereto, such Disclosure Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the City to assist the purchaser of the Bonds in complying with the Rule.

Within the five years immediately preceding the date of this Official Statement, the City previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2014 and 2015; (ii) operating data for the fiscal years ending December 31, 2014, 2015, 2016, 2017 and 2018; and (iii) adopted budgets for fiscal years ending December 31, 2015, 2016, 2017, 2018 and 2019. Additionally, the City previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) adopted budgets, all as described above. Such notices of events and late filings have since been filed with the MSRB’s Electronic Municipal Market Access Dataport (“EMMA”). The City appointed Phoenix Advisors, LLC in March of 2020 to serve as continuing disclosure agent.

LITIGATION

To the knowledge of Joseph L. Youngblood, Esq. of Youngblood, Franklin, Sampoli & Coombs, P.A., Linwood, New Jersey (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 the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority of the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the City Attorney, no litigation is presently pending or threatened that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided. A certificate to such effect will be executed by the City Attorney and delivered to the purchaser of the Bonds at the closing.

MUNICIPAL BANKRUPTCY

The undertakings of the City should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq. (the “Bankruptcy Code”), as amended by Public Law 94-260, approved April 8, 1976 and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor’s rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner’s creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

Reference to the Bankruptcy Code or the State statute should not create any implication that the City expects to utilize the benefits of their provisions.

PREPARATION OF OFFICIAL STATEMENT

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

Ford, Scott and Associates LLC, Ocean City, New Jersey assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

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.

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

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

RATINGS

S&P is expected to assign a rating of "AA" to the Bonds based upon the issuance of the Policy from BAM at the time of delivery of the Bonds. Moody's Investors Service, Inc. ("Moody's", and together with S&P, the "Rating Agencies"), has assigned its municipal bond rating of "A1" to the Bonds.

The ratings reflect only the view of the Rating Agencies at the time such ratings are issued and an explanation of the significance of such ratings may be obtained from the Rating Agencies. Such ratings are not a recommendation to buy, sell or hold the Bonds. There is no assurance that such ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by the Rating Agencies if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds have been purchased from the City by Robert W. Baird & Co. (the “Underwriter”) at a purchase price of \$9,895,525.02 (the “Purchase Price”) in accordance with the Notice of Sale. The Purchase Price of the Bonds reflects the par amount of the Bonds plus an original issue premium of \$952,874.50, less an Underwriter’s discount of \$132,416.64, less an insurance premium of \$24,932.84. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement, which yields may be changed from time to time by the Underwriter without notice.

MUNICIPAL ADVISOR

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey, Bond Counsel to the City, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix “C”. Certain legal matters will be passed on for the City by the City Attorney.

Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will express no opinion relating thereto.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment of the transaction opined upon, or the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

RISK TO HOLDERS OF BONDS

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

CERTIFICATES OF THE CITY

Upon the delivery of the Bonds, the Underwriter 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 Underwriter shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt

of payment therefore, and a certificate dated as of the date of the delivery of the Bonds and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the Bonds or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds, are issued, and that neither the corporate existence or boundaries of the City, nor the title of any of the said officers to the respective offices, is being contested.

FINANCIAL STATEMENTS

Appendix “B” contains certain unaudited financial data of the City extracted from the City’s Annual Financial Statement for the City’s fiscal year ending December 31, 2019 and certain audited financial data of the City for the City’s fiscal year ending December 31, 2018. The unaudited financial data was compiled by Ford, Scott and Associates LLC, Ocean City, New Jersey (the “Auditor”) and the audited financial data was extracted from the report prepared by the Auditor, to the extent and for the period set forth in their report appearing in Appendix “B”. The Auditor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the financial statements appearing in Appendix “B” hereto) and, accordingly, we will express no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Anthony J. Strazzeri, Chief Financial Officer, City of Linwood, 400 W. Poplar Avenue, Linwood, New Jersey, (609) 926-7974 or Phoenix Advisors, LLC, Municipal Advisor, 625 Farnsworth Avenue, Bordentown, New Jersey (609) 291-0130.

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

MISCELLANEOUS

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

THE CITY OF LINWOOD IN THE COUNTY OF ATLANTIC, NEW JERSEY

By: /s/ Anthony J. Strazzeri
Anthony J. Strazzeri, Chief Financial Officer

Dated: June 25, 2020

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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INFORMATION REGARDING THE CITY¹

The following material presents certain economic and demographic information of the City of Linwood (the “City”), in the County of Atlantic (the “County”), State of New Jersey (the “State”).

General Information

The City is a suburban community comprised of an area of four-square miles. It is approximately nine miles to the west of Atlantic City and bounded by the municipalities of Northfield, Egg Harbor Township, and Somers Point.

Linwood was incorporated as a City in 1903, although the community encompassing the area traces its existence to colonial times. Some homes from that time still remain, are preserved and restored, and are opened to the public for inclusion in historic tours.

Form of Government

The City is governed by a Mayor-Council form of government. The Mayor is elected for a four-year term, six ward Council members are elected for three- year terms on staggered basis, and one at-large council member is elected for a four-year term.

The Council exercises the legislative power of the City by adopting ordinances and resolutions. In addition, the Council is responsible for the approval of the City budget, the establishment of financial controls and setting of all salaries of elected and appointed officers and employees.

Education

The School District operates a kindergarten through 8th grade education system. It currently employs two schools: the Seaview Elementary School, serving preschool handicap and kindergarten through grade four, and the Belhaven Middle School, grades five through eight.

The School District is a constituent district of the Mainland Regional High School District. Its public school students in grades nine through twelve attend the Mainland Regional High School, located in Linwood. The Regional School District is a Type II School District, with members being elected by the voters of the cities of Somers Point, Linwood and Northfield.

Pension and Retirement Systems

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

¹ Source: The City, unless otherwise indicated.

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

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

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

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

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Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>City</u>				
2019	3,165	3,068	97	3.1%
2018	3,108	2,995	113	3.6%
2017	3,078	2,944	134	4.4%
2016	3,199	3,038	161	5.0%
2015	3,254	3,058	196	6.0%
<u>County</u>				
2019	120,728	114,622	6,106	5.1%
2018	118,818	111,885	6,933	5.8%
2017	118,514	109,953	8,561	7.2%
2016	122,411	113,320	9,091	7.4%
2015	126,187	114,085	12,102	9.6%
<u>State</u>				
2019	4,493,127	4,333,334	159,793	3.6%
2018	4,432,520	4,250,795	181,725	4.1%
2017	4,454,681	4,248,741	205,940	4.6%
2016	4,473,780	4,251,209	222,571	5.0%
2015	4,487,309	4,227,640	259,669	5.8%

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

Income (as of 2018)

	<u>City</u>	<u>County</u>	<u>State</u>
Median Household Income	\$95,034	\$59,989	\$79,363
Median Family Income	117,500	74,919	98,047
Per Capita Income	46,492	31,366	40,895

Source: US Bureau of the Census, 2018 American Community Survey 5-Year Estimates

Population

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

<u>Year</u>	<u>City</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2018 Estimate	6,740	-5.0%	265,429	-3.3%	8,882,190	1.0%
2010	7,092	-1.1	274,549	8.7	8,791,894	4.5
2000	7,172	4.5	252,552	12.6	8,414,350	8.9
1990	6,866	11.8	224,327	15.6	7,730,188	5.0
1980	6,144	-0.2	194,119	10.9	7,365,001	2.7

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2019 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Stabilis Master Fund, LLC	\$22,360,000	2.38%
Central Square	9,865,200	1.05%
Brandall Estates, LLC	7,500,000	0.80%
Linwood Care Property LLC	6,829,900	0.73%
Central Park East	4,600,000	0.49%
Linwood Golf & Country Club	4,026,200	0.43%
Individual Taxpayer #1	3,122,900	0.33%
Linwood Professional Plaza	2,300,000	0.25%
Alexon Enterprises	2,490,500	0.27%
Individual Taxpayer #2	<u>1,824,000</u>	<u>0.19%</u>
Total	<u>\$64,918,700</u>	<u>6.92%</u>

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

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2019U	\$32,693,400	\$32,137,828	98.30%
2018	32,370,949	31,579,467	97.55%
2017	32,151,013	31,264,051	97.24%
2016	31,653,760	31,071,507	98.16%
2015	31,883,649	31,036,195	97.34%

U: Unaudited

Source: Annual Audit Reports of the City and 2019 Annual Financial Statement

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2019U	\$49,890	\$230,142	\$280,032	0.86%
2018	42,051	334,365	376,416	1.16%
2017	34,437	387,877	422,315	1.31%
2016	38,454	376,439	414,894	1.31%
2015	81,170	524,904	606,074	1.90%

U: Unaudited
Source: Annual Audit Reports of the City and 2019 Annual Financial Statement

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2019U	\$28,147
2018	28,147
2017	28,147
2016	28,147
2015	28,147

U: Unaudited
Source: Annual Audit Reports of the City and 2019 Annual Financial Statement

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

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

<u>Year</u>	<u>Municipal</u>	<u>Municipal Library</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2019	\$0.930	\$0.031	\$1.336	\$0.712	\$0.471	\$3.480
2018	0.917	0.031	1.262	0.708	0.484	3.402
2017	0.896	0.032	1.231	0.684	0.491	3.334
2016	0.868	0.033	1.211	0.645	0.465	3.222
2015	0.867	0.035	1.203	0.648	0.472	3.225

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

Valuation of Property

<u>Year</u>	<u>Valuation of Real Property</u>	<u>Value of Real Property</u>	<u>Assessed to True Value</u>	<u>Value of Personal Property</u>	<u>Equalized Valuation</u>
2019	\$938,248,800	\$917,423,291	102.27%	\$0	\$917,423,291
2018	949,695,300	896,277,180	105.96	0	896,277,180
2017	961,551,000	905,415,254	106.20	0	905,415,254
2016	978,750,200	933,209,573	104.88	0	933,209,573
2015	986,052,200	965,865,609	102.09	0	965,865,609

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2019	\$14,122,400	\$817,669,500	\$0	\$117,903,400	\$0	\$0	\$949,695,300
2018	14,122,400	817,881,000	0	117,903,400	0	0	949,906,800
2017	15,718,000	828,083,900	0	117,749,100	0	0	961,551,000
2016	17,525,500	842,409,500	914,500	117,900,700	0	0	978,750,200
2015	18,239,300	845,963,100	914,500	120,935,300	0	0	986,052,200

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

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Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020*</u>
Fund Balance Utilized	\$165,000	\$105,000	\$460,000	\$560,000	\$589,000
Miscellaneous Revenues	2,487,558	2,500,984	2,554,166	2,492,740	3,286,577
Receipts from Delinquent Taxes	510,000	400,000	375,000	365,000	245,140
Amount to be Raised by Taxation	<u>9,307,575</u>	<u>9,480,536</u>	<u>9,572,141</u>	<u>9,435,976</u>	<u>9,359,796</u>
Total Revenue:	<u>\$12,470,133</u>	<u>\$12,486,520</u>	<u>\$12,961,307</u>	<u>\$12,853,716</u>	<u>\$13,480,513</u>
<u>Appropriations</u>					
General Appropriations	\$7,954,738	\$8,145,602	\$7,925,576	\$8,004,615	\$8,504,695
Operations (Excluded from CAPS)	1,428,464	1,289,518	1,567,068	1,727,912	2,071,651
Deferred Charges and Statutory Expenditures	40,180	40,180	0	0	0
Local District School Purposes	517,506	581,945	595,642	430,840	425,888
Capital Improvement Fund	196,000	40,250	297,526	9,000	238,500
Municipal Debt Service	1,644,245	1,739,025	1,775,495	1,871,349	1,639,779
Reserve for Uncollected Taxes	<u>689,000</u>	<u>650,000</u>	<u>800,000</u>	<u>810,000</u>	<u>600,000</u>
Total Appropriations:	<u>\$12,470,133</u>	<u>\$12,486,520</u>	<u>\$12,961,307</u>	<u>\$12,853,716</u>	<u>\$13,480,513</u>

*: Introduced
Source: Annual Adopted Budgets of the City

Fund Balance

Current Fund

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

Fund Balance - Current Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2019U	\$1,037,314	\$589,000
2018	967,475	560,000
2017	963,211	460,000
2016	806,739	105,000
2015	286,495	165,000

U: Unaudited
Source: Annual Audit Reports of the City and 2019 Annual Financial Statement

City Indebtedness as of December 31, 2019

General Purpose Debt	
Serial Bonds	\$3,270,713
Bond Anticipation Notes	4,935,465
Bonds and Notes Authorized but Not Issued	1,197,296
Other Bonds, Notes and Loans	945,469
Total:	<u>\$10,348,943</u>
Local School District Debt	
Serial Bonds	\$3,744,377
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$3,744,377</u>
Regional School District Debt	
Serial Bonds	\$8,632,636
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$8,632,636</u>
Self-Liquidating Debt	
Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	<u>\$0</u>
TOTAL GROSS DEBT	<u>\$22,725,956</u>
Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	3,744,377
Regional School District Debt	8,632,636
Self-Liquidating Debt	0
Total:	<u>\$12,377,013</u>
TOTAL NET DEBT	<u>\$10,348,943</u>

Source: Annual Debt Statement of the City

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Overlapping Debt (as of December 31, 2019)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>City Percentage</u>	<u>City Share</u>
Local School District	\$3,744,377	100.00%	\$3,744,377
Regional School District	28,005,000	30.83%	8,632,636
County	156,892,089	2.85%	<u>4,464,334</u>
Net Indirect Debt			\$16,841,346
Net Direct Debt			<u>10,348,943</u>
Total Net Direct and Indirect Debt			<u>\$27,190,289</u>

Debt Limit

Average Equalized Valuation Basis (2017, 2018, 2019)	\$906,371,908
Permitted Debt Limitation (3 1/2%)	31,723,017
Less: Net Debt	<u>10,348,943</u>
Remaining Borrowing Power	<u>\$21,374,074</u>
Percentage of Net Debt to Average Equalized Valuation	1.142%
Gross Debt Per Capita based on 2010 population of 7,092	\$3,204
Net Debt Per Capita based on 2010 population of 7,092	\$1,459

Source: Annual Debt Statement of the City

² City percentage of County debt is based on the City's share of total equalized valuation in the County.

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APPENDIX B

FINANCIAL DATA OF THE CITY

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**UNAUDITED FINANCIAL DATA OF THE CITY
FOR THE YEAR ENDED DECEMBER 31, 2019**

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2019	2018
ASSETS		
Regular Fund:		
Cash:		
Treasurer	\$ 2,285,642.91	1,822,307.48
Clerk	785.79	1,342.79
Change Fund	300.00	300.00
Petty Cash	100.00	100.00
Total Cash	2,286,828.70	1,824,050.27
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	230,141.75	334,365.41
Tax Title and Other Liens	49,839.31	42,051.07
Property Acquired for Taxes - at Assessed Valuation	28,147.00	28,147.00
Sewer Rents Receivable	23,815.00	24,722.79
Revenue Accounts Receivable	10,106.98	6,487.02
Interfund Receivable:		
Animal Control	11,339.21	10,995.92
Grant Fund	212,625.92	207,625.92
Total Receivables and Other Assets	566,015.17	654,395.13
Deferred Charges:		
Overexpenditure of Appropriations	-	18,860.57
Total Deferred Charges	-	18,860.57
Total Regular Fund	2,852,843.87	2,497,305.97
Federal and State Grant Fund:		
Cash	224,624.95	433,960.95
Federal and State Grants Receivable	444,272.79	347,145.89
Total Federal and State Grant Fund	668,897.74	781,106.84
Total Current Fund	\$ 3,521,741.61	3,278,412.81

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

	2019	2018
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 232,662.59	135,701.91
Reserve for Encumbrances/Accounts Payable	168,195.28	148,036.60
Prepaid Taxes	390,380.29	258,284.38
Prepaid Sewer Rents	440,411.73	298,535.97
Overpaid Taxes	-	6,665.16
Overpaid Sewer Rents	575.00	8,668.14
Local School Tax Payable	205.52	-
County Added Tax Payable	6,549.15	9,821.89
Due to State:		
Marriage Licenses	100.00	150.00
Construction Training Fees	1,742.00	2,188.00
Veterans and Senior Citizens	5,296.13	4,587.91
Interfund Payable:		
Due from Other Trusts	2,795.62	2,795.62
	1,248,913.31	875,435.58
Reserve for Receivables and Other Assets	566,015.17	654,395.13
Fund Balance	1,037,915.39	967,475.26
Total Regular Fund	2,852,843.87	2,497,305.97
Federal and State Grant Fund:		
Unappropriated Reserves	1,600.00	166,650.17
Appropriated Reserves	404,459.80	168,676.60
Due to Current Fund	212,625.92	207,625.92
Reserve for Encumbrances	50,212.02	238,154.15
Total Federal and State Grant Fund	668,897.74	781,106.84
Total Current Fund	\$ 3,521,741.61	3,278,412.81

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2019	2018
Revenue and Other Income Realized		
Fund Balance	\$ 560,000.00	460,000.00
Miscellaneous Revenue Anticipated	2,896,980.78	2,541,774.42
Receipts from Delinquent Taxes	333,167.77	402,315.85
Receipts from Current Taxes	32,137,827.69	31,579,466.69
Non Budget Revenue	26,977.79	71,179.35
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	129,166.35	233,040.43
Cancellation of Prior Year Liabilities	5,000.00	44,707.50
Total Income	<u>36,089,120.38</u>	<u>35,332,484.24</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,268,481.00	3,140,655.00
Other Expenses	3,658,830.00	3,788,033.67
Deferred Charges & Statutory Expenditures	962,303.57	911,370.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	1,746,864.94	1,584,047.97
Capital Improvements	299,000.00	297,526.00
Municipal Debt Service	1,871,200.28	1,776,150.01
Local District School Debt Service	430,840.00	602,950.31
Local District School Tax	12,123,298.00	11,420,464.00
Regional District High School Tax	6,677,810.00	6,714,882.00
County Tax	4,408,503.31	4,594,669.30
County Share of Added Tax	6,549.15	9,821.89
Interfund Created	5,000.00	44,707.50
Refund of Prior Year's Revenue	-	1,802.74
Total Expenditures	<u>35,458,680.25</u>	<u>34,887,080.39</u>
Excess in Revenue	<u>630,440.13</u>	<u>445,403.85</u>

**CURRENT FUND
 COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
 IN FUND BALANCE - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31,**

	<u>2019</u>	<u>2018</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year		
Overexpenditure of Appropriations	-	18,860.57
Total Adjustments	<u>-</u>	<u>18,860.57</u>
Statutory Excess to Fund Balance	<u>630,440.13</u>	<u>464,264.42</u>
Fund Balance January 1	<u>967,475.26</u>	<u>963,210.84</u>
	1,597,915.39	1,427,475.26
Decreased by:		
Utilization as Anticipated Revenue	<u>560,000.00</u>	<u>460,000.00</u>
Fund Balance December 31	<u>\$ 1,037,915.39</u>	<u>967,475.26</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 560,000.00		560,000.00	
Total Fund Balance Anticipated	<u>560,000.00</u>	<u>-</u>	<u>560,000.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Other	49,000.00		50,225.08	1,225.08
Fines and Costs:				
Municipal Court	89,500.00		108,159.33	18,659.33
Interest and Costs on Taxes	85,000.00		84,734.15	(265.85)
Interest Earned on Investments and Deposits	28,000.00		27,570.14	(429.86)
Sewer Use Charges	1,172,000.00		1,192,366.79	20,366.79
Parking Permits	8,500.00		7,395.00	(1,105.00)
Planning and Zoning Fees and Permits	2,400.00		5,800.00	3,400.00
Total Section A: Local Revenues	<u>1,434,400.00</u>	<u>-</u>	<u>1,476,250.49</u>	<u>41,850.49</u>
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	571,608.00		571,608.00	-
Type 1 School Debt Service Aid	28,000.00		29,337.00	1,337.00
Total Section B: State Aid Without Offsetting Appropriations	<u>599,608.00</u>	<u>-</u>	<u>600,945.00</u>	<u>1,337.00</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	150,000.00		196,119.00	46,119.00
Total Section C: Uniform Construction Code Fees	<u>150,000.00</u>	<u>-</u>	<u>196,119.00</u>	<u>46,119.00</u>
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Frank H. Stewart Trust Seaview Open Space	166,000.00		166,000.00	-
Municipal Alliance on Alcoholism and Drug Abuse	9,007.00		9,007.00	-
Recycling Tonnage	8,491.09		8,491.09	-
Recycling Tonnage - Unappropriated Reserve	18.37		18.37	-
Body Armor Grant	2,137.98		2,137.98	-
Clean Communities		18,952.70	18,952.70	-
Community Development Block Grant				
Walkway at Recreation Fields	45,000.00		45,000.00	-
Clara Glen Pet Cemetery Grant	631.80		631.80	-
NJ Department of Transportation Trust Fund		290,000.00	290,000.00	-
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	<u>231,286.24</u>	<u>308,952.70</u>	<u>540,238.94</u>	<u>-</u>
Section G: Other Special Items				
Uniform Fire Safety Act	21,446.00		25,724.83	4,278.83
Bell NYNEX Tower	56,000.00		57,702.52	1,702.52
Total Section G: Other Special Items	<u>77,446.00</u>	<u>-</u>	<u>83,427.35</u>	<u>5,981.35</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Total Miscellaneous Revenues:	2,492,740.24	308,952.70	2,896,980.78	95,287.84
Receipts from Delinquent Taxes	365,000.00		333,167.77	(31,832.23)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	8,734,376.57		9,030,068.23	295,691.66
Amount for Local District Tax	402,840.00		402,840.00	-
Library Tax	298,759.00		298,759.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	9,435,975.57	-	9,731,667.23	295,691.66
Budget Totals	12,853,715.81	308,952.70	13,521,815.78	359,147.27
Non- Budget Revenues:				
Other Non- Budget Revenues:			26,977.79	26,977.79
	\$ 12,853,715.81	308,952.70	13,548,793.57	386,125.06

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	32,137,827.69
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Allocated to:

School, County and Other Taxes	23,216,160.46
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Balance for Support of Municipal Budget Appropriations	8,921,667.23
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	810,000.00
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Amount for Support of Municipal Budget Appropriations	<u>9,731,667.23</u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	333,167.77
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Tax Title Lien Collections	<u>-</u>
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Total Receipts from Delinquent Taxes	<u><u>333,167.77</u></u>
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Analysis of Non-Budget Revenue:

Clerk:

Clerk Copies	609.15
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Other Miscellaneous:

Accident Reports and Gun Permits	797.63
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Administration Fees - Senior Citizens & Veterans	1,169.16
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Foreclosure Fees	22,200.00
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Other Refunds	109.38
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Restitution	1,482.47
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Tax Searches	110.00
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Towing Licenses	<u>500.00</u>
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	<u>26,977.79</u>
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Total Miscellaneous Revenue Not Anticipated:	\$	<u><u>26,977.79</u></u>
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**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Other Expenses	\$ 3,600.00	3,600.00	2,203.00	330.81	1,066.19	
Mayor and Council						
Salaries and Wages	65,935.00	65,935.00	65,935.00	-	-	
Municipal Clerk						
Salaries and Wages	141,392.00	141,392.00	140,030.38	-	1,361.62	
Other Expenses	40,350.00	45,350.00	37,823.43	5,390.67	2,135.90	
Elections						
Other Expenses	6,500.00	6,500.00	6,500.00	-	-	
Financial Administration						
Salaries and Wages	76,177.00	76,177.00	76,176.68	-	0.32	
Other Expenses	34,500.00	49,500.00	34,187.26	13,918.03	1,394.71	
Audit Services						
Other Expenses	28,500.00	28,500.00	28,500.00	-	-	
Assessment of Taxes						
Salaries and Wages	32,420.00	32,421.00	32,420.04	-	0.96	
Other Expenses	15,490.00	15,490.00	11,400.00	3,881.35	208.65	
Tax Collector						
Salaries and Wages	85,207.00	84,207.00	77,597.20	-	1,609.80	5,000.00
Other Expenses	14,000.00	14,000.00	11,157.58	1,780.18	1,062.24	
Paying Agent Fees	5.00	5.00	-	-	5.00	
Legal Services						
Other Expenses	145,000.00	145,000.00	115,581.13	-	9,418.87	20,000.00
Engineering & Planning Services						
Other Expenses						
Professional Services	30,000.00	30,000.00	14,239.75	2,139.18	13,621.07	
Public Buildings and Grounds						
Other Expenses	273,250.00	283,250.00	260,262.99	20,179.28	2,807.73	
Shade Tree						
Other Expenses	400.00	400.00	95.00	-	305.00	
INSURANCE						
General Liability	108,438.00	108,438.00	106,601.90	-	1,836.10	
Workers Compensation	341,739.00	341,739.00	325,178.00	-	1,561.00	15,000.00
Employee Group Health	1,104,923.00	1,028,922.00	986,405.07	-	12,516.93	30,000.00
Employee Group Health Waiver	5.00	5.00	-	-	5.00	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	9,560.00	9,560.00	9,559.94	-	0.06	
Other Expenses	35,000.00	35,000.00	20,982.04	7,761.61	6,256.35	
Zoning Board of Adjustment						
Salaries and Wages	2,000.00	2,000.00	359.73	-	1,640.27	
Other Expenses	840.00	840.00	279.90	-	560.10	
PUBLIC SAFETY						
Uniform Fire Safety Act						
Salaries and Wages	11,000.00	12,100.00	12,047.32	-	52.68	
Other Expenses	10,447.00	9,347.00	4,854.01	1,745.18	2,747.81	
Fire						
Salaries and Wages	353,893.00	353,893.00	350,555.78	-	3,337.22	
Other Expenses						
Lease of Fire House	20.00	20.00	-	-	20.00	
Misc. Other Expenses	75,500.00	75,500.00	30,589.24	44,477.01	433.75	
Aid to Volunteer Fire Company						
Operation and Maintenance	6,000.00	6,000.00	6,000.00	-	-	
Police						
Salaries and Wages	1,939,831.00	1,939,831.00	1,857,699.64	-	42,131.36	40,000.00
Other Expenses	137,865.00	137,865.00	82,454.47	51,926.77	3,483.76	
Emergency Management Services						
Salaries and Wages	1,033.00	1,033.00	1,032.00	-	1.00	
Other Expenses	19,692.00	19,692.00	8,651.03	268.07	10,772.90	
SANITATION						
Road Repairs and Maintenance						
Salaries and Wages	431,790.00	436,790.00	430,134.36		6,655.64	
Other Expenses	139,700.00	149,700.00	141,884.65	6,961.46	853.89	
Sewer System						

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Other Expenses						
Finance and Administration	9,000.00	9,000.00	3,516.00	-	5,484.00	
Operations and Maintenance	30,000.00	30,000.00	7,733.04	-	22,266.96	
Miscellaneous Other Expenses	176,568.00	176,568.00	175,842.21	-	725.79	
Landfill-Tipping Fees	440,000.00	440,000.00	425,917.73	2,752.37	11,329.90	
Municipal Services Act - Condos	48,229.00	48,229.00	48,228.89	-	0.11	
HEALTH AND HUMAN SERVICES						
Dog Warden						
Contractual	9,600.00	9,600.00	8,800.00	800.00	-	
Senior Citizens Center						
Other Expenses	100.00	100.00	-	-	100.00	
PARKS AND RECREATION FUNCTIONS						
Parks and Play Grounds						
Salaries and Wages	7,000.00	8,000.00	7,627.00	-	373.00	
Other Expenses	31,850.00	31,850.00	17,837.96	-	14,012.04	
Historian						
Other Expenses	500.00	500.00	480.00	-	20.00	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	120,137.00	150,137.00	146,934.90	-	3,202.10	
Other Expenses	4,820.00	5,820.00	4,643.30	1,088.71	87.99	
UNCLASSIFIED						
Utilities						
Gasoline	50,000.00	50,000.00	42,341.32	-	7,658.68	
Electric	105,000.00	105,000.00	92,880.56	5.60	12,113.84	
Telephone	48,000.00	48,000.00	45,400.89	-	2,599.11	
Natural Gas	30,000.00	30,000.00	29,345.85	-	654.15	
Street Lighting	125,000.00	125,000.00	124,124.92	875.00	0.08	
Fire Hydrant Services	71,000.00	71,000.00	69,477.85	-	1,522.15	
Water and Sewer	6,500.00	6,500.00	6,180.57	-	319.43	
Public Access Channel 2	1,500.00	1,500.00	1,500.00	-	-	
Accumulated Leave						
Salaries and Wages	5.00	5.00	-	-	5.00	
TOTAL OPERATIONS WITHIN "CAPS"	7,036,811.00	7,036,811.00	6,548,191.51	166,281.28	212,338.21	110,000.00

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Contingent	500.00	500.00	-	-	500.00	
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	7,037,311.00	7,037,311.00	6,548,191.51	166,281.28	212,838.21	110,000.00
Detail:						
Salaries and Wages	3,277,380.00	3,313,481.00	3,208,109.97	-	60,371.03	45,000.00
Other Expenses	3,759,931.00	3,723,830.00	3,340,081.54	166,281.28	152,467.18	65,000.00
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
Overexpenditure of Appropriations	18,860.57	18,860.57	18,860.57	-	-	
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	167,082.00	167,082.00	166,999.00	-	83.00	
Public Employees' Retirement System ERI	33,616.00	33,616.00	33,616.00	-	-	
Social Security System (O.A.S.I.)	240,000.00	240,000.00	228,166.13	-	6,833.87	5,000.00
Police and Firemen's Retirement System	437,028.00	437,028.00	437,028.00	-	-	
Police and Firemen's Retirement System ERI	52,717.00	52,717.00	52,717.00	-	-	
Unemployment Compensation Insurance	14,000.00	14,000.00	11,351.40	-	2,648.60	
Defined Contribution Retirement Program	4,000.00	4,000.00	3,190.79	-	809.21	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	967,303.57	967,303.57	951,928.89	-	10,374.68	5,000.00
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	8,004,614.57	8,004,614.57	7,500,120.40	166,281.28	223,212.89	115,000.00

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"					
Maintenance of Free Public Library					
Other Expenses	298,759.00	298,759.00	298,759.00	-	-
Atlantic County Sewerage Authority					
Share of Costs	497,805.00	497,805.00	497,805.00	-	-
City of Northfield's Share of Sewer Rents	11,160.00	11,160.00	11,160.00	-	-
Recycling Tax	8,500.00	8,500.00	8,237.40	-	262.60
Length of Service Award Program	6,900.00	6,900.00	6,900.00	-	-
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)					
Streets & Roads O/E	15,000.00	15,000.00	6,398.90	-	8,601.10
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc)					
Landfill Tipping Fees	2,500.00	2,500.00	2,000.00	-	500.00
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)					
Municipal Clerk O/E	500.00	500.00	-	414.00	86.00
Interlocal Municipal Service Agreements					
Dispatch Shared Services	355,098.00	355,098.00	355,098.00	-	-
Emergency Medical Services	18,000.00	18,000.00	16,500.00	1,500.00	-
Municipal Court Shared Services	137,021.00	137,021.00	137,021.00	-	-
Sewer System Services	142,380.00	142,380.00	142,380.00	-	-
	<u>1,493,623.00</u>	<u>1,493,623.00</u>	<u>1,482,259.30</u>	<u>1,914.00</u>	<u>9,449.70</u>
(A) Public and Private Programs Off-Set by Revenues					
Municipal Alliance-Alcoholism and Drug Abuse					
County Share	9,007.00	9,007.00	9,007.00	-	-
Local Share	3,003.00	3,003.00	3,003.00	-	-
Body Armor Grant	2,137.98	2,137.98	2,137.98	-	-
Frank H. Stewart Trust Seaview Open Space	166,000.00	166,000.00	166,000.00	-	-
Clean Communities Program		18,952.70	18,952.70	-	-
Recycling Tonnage Grant	8,491.09	8,491.09	8,491.09	-	-
Recycling Tonnage Grant-Unappropriated Reserve	18.37	18.37	18.37	-	-
Community Development Block Grant					
Walkway at Recreation Fields	45,000.00	45,000.00	45,000.00	-	-
Clara Glen Pet Cemetery Grant	631.80	631.80	631.80	-	-
Total Public and Private Programs Off-Set by Revenues	<u>234,289.24</u>	<u>253,241.94</u>	<u>253,241.94</u>	<u>-</u>	<u>-</u>

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Total Operations - Excluded from "CAPS"	1,727,912.24	1,746,864.94	1,735,501.24	1,914.00 9,449.70	-
Detail:					
Salaries and Wages	45,000.00				
Other Expenses	1,682,912.24	1,746,864.94	1,735,501.24	1,914.00 9,449.70	-
(C) Capital Improvements					
Capital Improvement Fund	9,000.00	9,000.00	9,000.00	-	-
(C) Public and Private Programs Off-Set by Revenues					
Resurfacing of the Brighton Drive Development Area		290,000.00	290,000.00		-
Total Public and Private Programs Off-Set by Revenues	-	290,000.00	290,000.00	-	-
Total Capital Improvements	9,000.00	299,000.00	299,000.00	-	-
(D) Debt Service					
Payment of Bond Principal	1,220,000.00	1,220,000.00	1,220,000.00	-	-
Payment of Bond Anticipation Notes	257,400.00	257,400.00	257,400.00	-	-
Interest on Bonds	160,392.00	160,392.00	160,391.26	-	0.74
Interest on Notes	137,816.00	137,816.00	137,802.43	-	13.57
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	9,741.00	9,741.00	9,740.42	-	0.58
NJEIT Loans & Bonds	86,000.00	86,000.00	85,866.17	-	133.83
Total Debt Service	1,871,349.00	1,871,349.00	1,871,200.28	-	148.72
(E) Deferred Charges					
None	-	-	-	-	-
Total Deferred Charges	-	-	-	-	-
(N) Transferred to Board of Education for Use of Local Schools (NJSA 40:48-17.1 & 17.3)	-	-	-	-	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>3,608,261.24</u>	<u>3,917,213.94</u>	<u>3,905,701.52</u>	<u>1,914.00</u> <u>9,449.70</u>	<u>148.72</u>
FOR LOCAL DISTRICT SCHOOL PURPOSES - EXCLUDED FROM "CAPS"					
Type 1 District School Debt Service					
Payment of Bond Principal	375,000.00	375,000.00	375,000.00	-	-
Interest on Bonds	55,840.00	55,840.00	55,840.00	-	-
TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE	<u>430,840.00</u>	<u>430,840.00</u>	<u>430,840.00</u>	<u>-</u> <u>-</u>	<u>-</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>12,043,715.81</u>	<u>12,352,668.51</u>	<u>11,836,661.92</u>	<u>168,195.28</u> <u>232,662.59</u>	<u>115,148.72</u>
(M) Reserve for Uncollected Taxes	<u>810,000.00</u>	<u>810,000.00</u>	<u>810,000.00</u>	<u>-</u> <u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 12,853,715.81</u>	<u>13,162,668.51</u>	<u>12,646,661.92</u>	<u>168,195.28</u> <u>232,662.59</u>	<u>115,148.72</u>
Budget		12,853,715.81			115,148.72
Appropriations by 40A:4-87		308,952.70			-
Emergency Appropriations		<u>13,162,668.51</u>			<u>115,148.72</u>
Reserve for Uncollected Taxes			810,000.00		
Federal and State Grants			540,238.94		
Deferred Charges			18,860.57		
Disbursements			11,277,562.41		
			<u>12,646,661.92</u>		

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**AUDITED FINANCIAL STATEMENTS OF THE CITY
FOR THE YEAR ENDED DECEMBER 31, 2018**



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, 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 Linwood, as of December 31, 2018 and 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 Linwood on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Linwood as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 20 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$184,816.93 and \$171,607.32 for 2018 and 2017 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2018 and 2017, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2018 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Linwood’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2019 on our consideration of the City of Linwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Linwood's internal control over financial reporting and compliance.

Very truly yours,

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

July 25, 2019

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Regular Fund:		
Cash:		
Treasurer	\$ 1,822,307.48	4,316,216.28
Clerk	1,342.79	804.79
Change Fund	300.00	300.00
Petty Cash	100.00	100.00
Total Cash	1,824,050.27	4,317,421.07
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	334,365.41	383,147.51
Tax Title and Other Liens	42,051.07	34,437.40
Property Acquired for Taxes - at Assessed Valuation	28,147.00	28,147.00
Sewer Rents Receivable	24,722.79	34,140.00
Revenue Accounts Receivable	6,487.02	3,744.64
Interfund Receivable:		
Animal Control	10,995.92	10,280.92
Grant Fund	207,625.92	162,918.42
Total Receivables and Other Assets	654,395.13	656,815.89
Deferred Charges:		
Overexpenditure of Appropriations	18,860.57	-
Total Deferred Charges	18,860.57	-
Total Regular Fund	2,497,305.97	4,974,236.96
Federal and State Grant Fund:		
Cash	433,960.95	135,524.85
Federal and State Grants Receivable	347,145.89	578,350.56
Total Federal and State Grant Fund	781,106.84	713,875.41
Total Current Fund	\$ 3,278,412.81	5,688,112.37

**CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2018</u>	<u>2017</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 135,701.91	274,046.19
Reserve for Encumbrances/Accounts Payable	148,036.60	135,036.40
Prepaid Taxes	258,284.38	2,564,353.31
Prepaid Sewer Rents	298,535.97	334,917.66
Overpaid Taxes	6,665.16	18,072.87
Overpaid Sewer Rents	8,668.14	3,141.53
Local School Tax Payable	-	100.00
County Added Tax Payable	9,821.89	13,615.08
Due to State:		
Marriage Licenses	150.00	50.00
Construction Training Fees	2,188.00	1,757.00
Veterans and Senior Citizens	4,587.91	8,131.19
Interfund Payable:		
Due from Other Trusts	2,795.62	989.00
	<u>875,435.58</u>	<u>3,354,210.23</u>
Reserve for Receivables and Other Assets	654,395.13	656,815.89
Fund Balance	967,475.26	963,210.84
Total Regular Fund	<u>2,497,305.97</u>	<u>4,974,236.96</u>
Federal and State Grant Fund:		
Unappropriated Reserves	166,650.17	17,497.70
Appropriated Reserves	168,676.60	524,395.40
Due to Current Fund	207,625.92	162,918.42
Reserve for Encumbrances	238,154.15	9,063.89
Total Federal and State Grant Fund	<u>781,106.84</u>	<u>713,875.41</u>
Total Current Fund	<u>\$ 3,278,412.81</u>	<u>5,688,112.37</u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2018	2017
Revenue and Other Income Realized		
Fund Balance	\$ 460,000.00	105,000.00
Miscellaneous Revenue Anticipated	2,541,774.42	2,536,907.28
Receipts from Delinquent Taxes	402,315.85	387,178.59
Receipts from Current Taxes	31,579,466.69	31,264,050.73
Non Budget Revenue	71,179.35	67,041.41
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	233,040.43	181,475.42
Cancellation of Prior Year Liabilities	44,707.50	-
Interfund Returned	-	-
Total Income	<u>35,332,484.24</u>	<u>34,541,653.43</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,140,655.00	3,235,883.00
Other Expenses	3,788,033.67	3,906,579.00
Deferred Charges & Statutory Expenditures	911,370.00	858,640.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	1,584,047.97	1,307,086.32
Capital Improvements	297,526.00	40,250.00
Municipal Debt Service	1,776,150.01	1,725,028.27
Local District School Debt Service	602,950.31	581,944.49
Deferred Charges	-	40,180.00
Local District School Tax	11,420,464.00	11,286,131.00
Regional District High School Tax	6,714,882.00	6,575,874.00
County Tax	4,594,669.30	4,706,895.90
County Share of Added Tax	9,821.89	13,615.08
Interfund Created	44,707.50	-
Refund of Prior Year's Revenue	1,802.74	2,074.66
Total Expenditures	<u>34,887,080.39</u>	<u>34,280,181.72</u>
Excess in Revenue	<u>445,403.85</u>	<u>261,471.71</u>

**CURRENT FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2018	2017
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year		
Overexpenditure of Appropriations	18,860.57	-
Total Adjustments	18,860.57	-
Statutory Excess to Fund Balance	464,264.42	261,471.71
Fund Balance January 1	963,210.84	806,739.13
	1,427,475.26	1,068,210.84
Decreased by:		
Utilization as Anticipated Revenue	460,000.00	105,000.00
Fund Balance December 31	\$ 967,475.26	963,210.84

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated	\$ 460,000.00		460,000.00	
Total Fund Balance Anticipated	<u>460,000.00</u>	<u>-</u>	<u>460,000.00</u>	<u>-</u>
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Other	49,000.00		55,286.25	6,286.25
Fines and Costs:				
Municipal Court	110,000.00		89,536.56	(20,463.44)
Interest and Costs on Taxes	90,000.00		86,811.82	(3,188.18)
Interest Earned on Investments and Deposits	28,000.00		30,655.44	2,655.44
Sewer Use Charges	1,072,000.00		1,093,306.53	21,306.53
Parking Permits	8,400.00		9,025.00	625.00
Planning and Zoning Fees and Permits	4,600.00		2,475.00	(2,125.00)
Total Section A: Local Revenues	<u>1,362,000.00</u>	<u>-</u>	<u>1,367,096.60</u>	<u>5,096.60</u>
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	571,608.00		571,608.00	-
Type 1 School Debt Service Aid	28,000.00		28,809.00	809.00
Total Section B: State Aid Without Offsetting Appropriations	<u>599,608.00</u>	<u>-</u>	<u>600,417.00</u>	<u>809.00</u>

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

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	195,000.00		(43,560.00)
Total Section C: Uniform Construction Code Fees	195,000.00	-	(43,560.00)
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations			
NJ Transportation Trust Fund Authority Act	219,526.00		-
Municipal Alliance on Alcoholism and Drug Abuse	9,007.00		-
Recycling Tonnage	7,079.60		-
Drunk Driving Enforcement Fund	3,453.52		-
Body Armor Grant	1,946.21		-
Clean Communities		16,979.65	-
Linwood Living Shoreline Restoration Grant	17,000.00		-
Clara Glen Pet Cemetery Grant	59,835.99		-
Sustainable Jersey	10,000.00		-
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	327,848.32	16,979.65	-
Section G: Other Special Items			
Uniform Fire Safety Act	16,710.00		4,736.70
Bell NYNEX Tower	53,000.00		3,546.15
Total Section G: Other Special Items	69,710.00	-	8,282.85

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated			Excess or
	Budget	N.J.S. 40A:4-87	Realized	(Deficit)
Total Miscellaneous Revenues:	2,554,166.32	16,979.65	2,541,774.42	(29,371.55)
Receipts from Delinquent Taxes	375,000.00		402,315.85	27,315.85
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	8,702,694.00		8,770,182.50	67,488.50
Amount for Local District Tax	567,642.00		567,642.00	-
Library Tax	301,805.00		301,805.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	9,572,141.00	-	9,639,629.50	67,488.50
Budget Totals	12,961,307.32	16,979.65	13,043,719.77	65,432.80
Non- Budget Revenues:				
Other Non- Budget Revenues:			71,179.35	71,179.35
	\$ 12,961,307.32	16,979.65	13,114,899.12	136,612.15

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	31,579,466.69
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Allocated to:

School, County and Other Taxes	22,739,837.19
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Balance for Support of Municipal Budget Appropriations	8,839,629.50
--	--------------

Increased by:

Appropriation "Reserved for Uncollected Taxes"	800,000.00
--	------------

Amount for Support of Municipal Budget Appropriations	<u>9,639,629.50</u>
---	---------------------

Receipts from Delinquent Taxes:

Delinquent Tax Collection	373,174.53
Tax Title Lien Collections	<u>29,141.32</u>

Total Receipts from Delinquent Taxes	<u>402,315.85</u>
--------------------------------------	-------------------

Analysis of Non-Budget Revenue:

Clerk:

Clerk Copies	27.27
Other Miscellaneous	1,317.79
Election Fees	300.00

Other Miscellaneous:

Accident Reports and Gun Permits	1,071.80
Administration Fees - Senior Citizens & Veterans	1,223.08
Foreclosure Fees	30,900.00
Insurance Reimbursements	7,297.59
Foreclosed Tax Certificate Premium	10,000.00
Miscellaneous	172.67
Other Refunds	544.24
Sales through Auction	17,964.91
Tax Searches	110.00
Towing Licenses	250.00
	<u>71,179.35</u>

Total Miscellaneous Revenue Not Anticipated:	\$	<u>71,179.35</u>
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**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations			Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
General Administration						
Other Expenses	\$ 3,600.00	3,600.00	1,445.00		155.00	2,000.00
Mayor and Council						
Salaries and Wages	65,935.00	65,935.00	65,123.00		812.00	
Municipal Clerk						
Salaries and Wages	135,779.00	135,779.00	134,942.52		836.48	
Other Expenses	40,850.00	40,850.00	37,610.27	2,680.46	559.27	
Elections						
Other Expenses	6,500.00	6,500.00	4,716.42		283.58	1,500.00
Financial Administration						
Salaries and Wages	72,987.00	72,987.00	72,986.90		0.10	
Other Expenses	21,000.00	29,500.00	22,217.00	2,489.30	4,793.70	
Audit Services						
Other Expenses	28,500.00	28,500.00	28,500.00		-	
Assessment of Taxes						
Salaries and Wages	31,719.00	31,719.00	31,719.00		-	
Other Expenses	15,490.00	9,490.00	6,835.00	1,530.00	1,125.00	
Tax Collector						
Salaries and Wages	81,571.00	81,571.00	81,570.84		0.16	
Other Expenses	14,000.00	14,000.00	13,270.76	105.00	624.24	
Paying Agent Fees	2,000.00	2,000.00	-		2,000.00	
Legal Services						
Other Expenses	145,000.00	137,000.00	122,975.85		9,024.15	5,000.00
Engineering & Planning Services						
Other Expenses	30,000.00	30,000.00	21,651.50	7,039.00	1,309.50	
Public Buildings and Grounds						
Other Expenses	202,700.00	215,700.00	201,930.48	12,257.86	1,511.66	
Shade Tree						
Other Expenses	400.00	400.00	95.00		305.00	
INSURANCE						
General Liability	122,781.00	122,781.00	114,148.37		1,132.63	7,500.00
Workers Compensation	346,781.00	346,781.00	331,520.75		260.25	15,000.00
Employee Group Health	1,377,121.00	1,302,121.00	1,254,471.43		7,649.57	40,000.00
Employee Group Health Waiver	2,500.00	2,500.00	2,500.00		-	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		Reserved	(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved		
LAND USE ADMINISTRATION								
Planning Board								
Salaries and Wages	9,353.00	9,353.00	9,352.98			0.02		
Other Expenses	20,000.00	20,000.00	15,339.73		3,305.00	1,355.27		
Zoning Board of Adjustment								
Salaries and Wages	9,353.00	9,353.00	9,353.00			-		
Other Expenses	8,970.00	8,970.00	3,561.91		826.92	4,581.17		
PUBLIC SAFETY								
Uniform Fire Safety Act								
Salaries and Wages	9,720.00	9,720.00	9,193.83			526.17		
Other Expenses	6,990.00	6,990.00	6,523.68		466.32	(0.00)		
Fire								
Salaries and Wages	353,242.00	353,242.00	347,814.84			5,427.16		
Other Expenses	20.00	20.00	-			20.00		
Lease of Fire House	70,721.00	70,721.00	35,305.66		35,187.42	227.92		
Misc. Other Expenses								
Aid to Volunteer Fire Company	6,000.00	6,000.00	6,000.00			-		
Operation and Maintenance								
Police								
Salaries and Wages	1,741,682.00	1,741,682.00	1,729,792.46		2,662.49	9,227.05		
Other Expenses	129,865.00	137,865.00	102,141.79		36,205.88	-		(482.67)
Communications								
Salaries and Wages	1,794.00	1,794.00	1,794.00			-		
Other Expenses	14,692.00	14,692.00	6,625.77		3,307.39	4,758.84		
Emergency Management Services								
Salaries and Wages	1,010.00	1,010.00	1,010.00			-		
Other Expenses	5,000.00	5,000.00	3,141.89		31.96	1,826.15		
SANITATION								
Road Repairs and Maintenance								
Salaries and Wages	440,881.00	462,881.00	439,274.67			23,606.33		
Other Expenses	132,700.00	150,700.00	138,070.88		12,597.71	31.41		
Sewer System								

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Other Expenses						
Finance and Administration	9,000.00	9,000.00	3,516.00		5,484.00	
Operations and Maintenance	30,000.00	30,000.00	21,448.41	56.26	8,495.33	
Miscellaneous Other Expenses	145,000.00	164,475.75	164,475.75		24.25	
Landfill-Tipping Fees	432,000.00	432,000.00	427,388.23	3,825.24	786.53	
Municipal Services Act	48,000.00	48,000.00	47,687.89		312.11	
HEALTH AND HUMAN SERVICES						
Dog Warden						
Contractual	9,600.00	9,600.00	8,800.00	800.00	-	
Senior Citizens Center						
Other Expenses	100.00	100.00	-		100.00	
PARKS AND RECREATION FUNCTIONS						
Parks and Play Grounds						
Salaries and Wages	7,000.00	7,000.00	5,994.68		1,005.32	
Other Expenses	23,600.00	23,600.00	16,505.59	5,109.85	1,984.56	
Historian						
Other Expenses	500.00	500.00	480.00		20.00	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	156,624.00	156,624.00	148,201.90		8,422.10	
Other Expenses	7,070.00	7,070.00	5,218.52	767.71	1,083.77	
UNCLASSIFIED						
Utilities						
Gasoline	45,000.00	45,000.00	41,052.71	3,809.33	137.96	
Electric	100,000.00	100,000.00	92,346.07	146.81	507.12	7,000.00
Telephone	47,000.00	47,000.00	43,176.66	963.99	2,859.35	
Natural Gas	35,000.00	35,000.00	31,212.55		787.45	3,000.00
Street Lighting	125,000.00	125,000.00	124,689.40		310.60	
Fire Hydrant Services	71,000.00	71,000.00	58,511.80	11,100.60	1,387.60	
Water and Sewer	6,500.00	6,500.00	5,519.58	314.10	666.32	
Public Access Channel 2	1,500.00	1,500.00	1,500.00		-	
Accumulated Leave						
Salaries and Wages	5.00	5.00			5.00	
TOTAL OPERATIONS WITHIN "CAPS"	7,008,706.00	7,008,706.00	6,662,252.92	147,586.60	118,349.15	80,517.33

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget			Encumbered	Reserved	
Contingent	500.00	500.00	-	-	500.00		
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	7,009,206.00	7,009,206.00	6,662,252.92	147,586.60	118,849.15	80,517.33	
Detail:							
Salaries and Wages	3,118,655.00	3,140,655.00	3,088,124.62	2,662.49	49,867.89	-	
Other Expenses	3,890,551.00	3,868,551.00	3,574,128.30	144,924.11	68,981.26	80,517.33	
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Deferred Charges:							
None	-	-	-	-	-	-	
Statutory Expenditures:							
Contributions to:							
Public Employees' Retirement System	162,012.00	162,012.00	162,012.00				
Public Employees' Retirement System ERI	33,571.00	33,571.00	33,571.00				
Social Security System (O.A.S.I.)	240,000.00	240,000.00	228,613.60		6,386.40	5,000.00	
Police and Firemen's Retirement System	411,090.00	411,090.00	411,090.00				
Police and Firemen's Retirement System ERI	51,697.00	51,697.00	51,697.00				
Unemployment Compensation Insurance	14,000.00	14,000.00	11,039.00		2,961.00		
Defined Contribution Retirement Program	4,000.00	4,000.00	1,863.82		2,136.18		
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	916,370.00	916,370.00	899,886.42	-	11,483.58	5,000.00	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	7,925,576.00	7,925,576.00	7,562,139.34	147,586.60	130,332.73	85,517.33	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Maintenance of Free Public Library						
Other Expenses						
Atlantic County Sewerage Authority	301,805.00	301,805.00	301,805.00	-	-	
Share of Costs	481,408.00	481,408.00	481,408.00	-	-	
City of Northfield's Share of Sewer Rents	10,230.00	10,230.00	10,230.00	-	-	
Recycling Tax	8,500.00	8,500.00	8,235.81	264.19	-	
Length of Service Award Program	10,000.00	10,000.00	10,000.00	-	-	
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)	7,000.00	7,000.00	3,945.01	3,054.99	-	
Streets & Roads O/E	2,500.00	2,500.00	2,000.00	500.00	-	
Landfill Tipping Fees	500.00	500.00		450.00	50.00	
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)						
Municipal Clerk O/E						
Interlocal Municipal Service Agreements						
Dispatch Shared Services	344,755.00	344,755.00	344,755.00	-	-	
Emergency Medical Services	18,000.00	18,000.00	16,500.00	1,500.00	-	
Municipal Court Shared Services	131,045.00	131,045.00	131,045.00	-	-	
Sewer System Services	140,000.00	140,000.00	140,000.00	0.00	-	
	<u>1,455,743.00</u>	<u>1,455,743.00</u>	<u>1,449,923.82</u>	<u>450.00</u>	<u>5,369.18</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance-Alcoholism and Drug Abuse						
County Share	9,007.00	9,007.00	9,007.00	-	-	
Local Share	3,003.00	3,003.00	3,003.00	-	-	
Body Armor Grant	1,946.21	1,946.21	1,946.21	-	-	
Clean Communities Program		16,979.65	16,979.65	-	-	
Drunk Driving Enforcement Fund	3,453.52	3,453.52	3,453.52	-	-	
Recycling Tonnage Grant	7,079.60	7,079.60	7,079.60	-	-	
Linwood Living Shoreline Restoration Grant	17,000.00	17,000.00	17,000.00	-	-	
Sustainable Jersey	10,000.00	10,000.00	10,000.00	-	-	
Clara Glen Pet Cemetery Grant	59,835.99	59,835.99	59,835.99	-	-	
Total Public and Private Programs Off-Set by Revenues	<u>111,325.32</u>	<u>128,304.97</u>	<u>128,304.97</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Total Operations - Excluded from "CAPS" Detail:	1,567,068.32	1,584,047.97	1,578,228.79	450.00	5,369.18
Salaries and Wages					-
Other Expenses	1,567,068.32	1,584,047.97	1,578,228.79	450.00	5,369.18
(C) Capital Improvements					
Capital Improvement Fund	78,000.00	78,000.00	78,000.00	-	-
(C) Public and Private Programs Off-Set by Revenues					
New Jersey Transportation Trust Fund Authority Act Reconstruction of Bartlett, Van Sant, Marie and Richards Avenues	219,526.00	219,526.00	219,526.00	-	-
Total Public and Private Programs Off-Set by Revenues	219,526.00	219,526.00	219,526.00	-	-
Total Capital Improvements	297,526.00	297,526.00	297,526.00	-	-
(D) Debt Service					
Payment of Bond Principal	1,165,000.00	1,165,000.00	1,165,000.00	-	-
Payment of Bond Anticipation Notes	257,400.00	257,400.00	257,400.00	-	-
Interest on Bonds	196,611.00	196,611.00	196,610.26	-	0.74
Interest on Notes	56,165.00	56,165.00	56,064.54	-	100.46
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	13,569.00	13,569.00	14,388.59	-	(819.59)
NJEIT Loans & Bonds	86,750.00	86,750.00	86,686.62	-	63.38
Total Debt Service	1,775,495.00	1,775,495.00	1,776,150.01	-	(655.01)
(E) Deferred Charges					
Special Emergency Authorizations - 5 years	-	-	-	-	-
Total Deferred Charges	-	-	-	-	-
(N) Transferred to Board of Education for Use of Local Schools (NJSA 40:48-17.1 & 17.3)	-	-	-	-	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,640,089.32	3,657,068.97	3,651,904.80	450.00	5,369.18	(655.01)
FOR LOCAL DISTRICT SCHOOL PURPOSES - EXCLUDED FROM "CAPS"						
Type 1 District School Debt Service						
Payment of Bond Principal	360,000.00	360,000.00	360,000.00			-
Payment of Bond Anticipation Notes	82,000.00	82,000.00	82,000.00			-
Interest on Bonds	78,196.00	78,196.00	67,946.00			10,250.00
Interest on Notes	75,446.00	75,446.00	93,004.31			(17,558.31)
TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE	<u>595,642.00</u>	<u>595,642.00</u>	<u>602,950.31</u>	<u>-</u>	<u>-</u>	<u>(7,308.31)</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>12,161,307.32</u>	<u>12,178,286.97</u>	<u>11,816,994.45</u>	<u>148,036.60</u>	<u>135,701.91</u>	<u>77,554.01</u>
(M) Reserve for Uncollected Taxes	<u>800,000.00</u>	<u>800,000.00</u>	<u>800,000.00</u>		<u>-</u>	
TOTAL GENERAL APPROPRIATIONS	<u>\$ 12,961,307.32</u>	<u>12,978,286.97</u>	<u>12,616,994.45</u>	<u>148,036.60</u>	<u>135,701.91</u>	<u>77,554.01</u>
Budget Appropriations by 40A-4-87 Emergency Appropriations						
		12,961,307.32				96,414.58
		16,979.65				(18,860.57)
		<u>-</u>			Cancelled Overexpended	<u>77,554.01</u>
		<u>12,978,286.97</u>				
Reserve for Uncollected Taxes Federal and State Grants Deferred Charges						
			800,000.00			
			344,827.97			
			<u>-</u>			
Disbursements			11,472,166.48			
			<u>12,616,994.45</u>			

**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2018	2017
<u>ASSETS</u>		
Animal Control Fund:		
Cash - Treasurer	\$ 26,099.41	25,403.61
	26,099.41	25,403.61
LOSAP (unaudited)		
Investment	184,816.93	171,607.32
	184,816.93	171,607.32
Other Funds		
Cash - Treasurer	339,858.54	465,302.26
Due from Current Fund		
Public Defender Fees	989.00	989.00
Payroll Trust	1,806.62	-
	342,654.16	466,291.26
	553,570.50	663,302.19
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund		
Reserve for:		
Dog Expenditures	3,406.80	3,502.00
Cat Expenditures	11,696.69	11,620.69
Due to Current Fund	10,995.92	10,280.92
	26,099.41	25,403.61
LOSAP (unaudited)		
Reserve for LOSAP	184,816.93	171,607.32
	\$ 184,816.93	171,607.32

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

**TRUST FUND
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31,**

	2018	2017
Other Funds		
Payroll Taxes Payable	\$ 1,510.95	2,803.21
Tax Title Lien Redemptions and Premiums	159,467.07	274,798.17
Reserves for Miscellaneous Trusts	181,676.14	188,689.88
	342,654.16	466,291.26
	\$ 553,570.50	663,302.19

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

**GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 1,915,484.03	1,413,093.95
Deferred Charges to Future Taxation -		
Funded	7,218,375.72	8,830,580.32
Unfunded	<u>6,219,161.00</u>	<u>8,233,561.00</u>
	<u>15,353,020.75</u>	<u>18,477,235.27</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	447,529.87	671,332.28
Bond Anticipation Notes Payable	5,021,865.00	5,937,765.00
Serial Bonds Payable	4,490,713.00	5,657,136.00
Green Trust Loan Payable	32,767.72	46,196.17
Environmental Infrastructure Trust Loans Payable	995,608.00	1,069,384.15
School Serial Bonds	1,699,287.00	2,057,864.00
Reserve for Payment Bonds and Notes	125,025.71	86,649.46
Reserve for Improvements to Sewer System	25,000.00	25,000.00
Improvement Authorizations:		
Funded	693,016.82	693,016.82
Unfunded	1,702,761.87	2,088,445.63
Capital Improvement Fund	118,155.00	143,155.00
Fund Balance	1,290.76	1,290.76
	<u>\$ 15,353,020.75</u>	<u>18,477,235.27</u>

There were bonds and notes authorized but not issued at December 31,

2017	2,295,796.00
2018	1,197,296.00

**GENERAL CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Beginning Balance January 1	\$ 1,290.76	1,290.76
No Activity		
Ending Balance December 31	<u>\$ 1,290.76</u>	<u>1,290.76</u>

GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS
AS OF DECEMBER 31,

	<u>2018</u>	<u>2017</u>
General Fixed Assets:		
Land	\$ 2,663,681.92	2,663,681.92
Buildings	5,542,081.82	5,542,081.82
Machinery and Equipment	2,893,388.65	2,575,592.15
Vehicles	<u>3,375,114.57</u>	<u>2,873,228.81</u>
Total General Fixed Assets	<u>14,474,266.96</u>	<u>13,654,584.70</u>
Investment in General Fixed Assets	\$ <u>14,474,266.96</u>	<u>13,654,584.70</u>

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the City of Linwood include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the City of Linwood, as required by N.J.S. 40A:5-5.

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 Linwood Board of Education, Belhaven Avenue, Linwood, NJ 08221 and the Linwood Public Library, 301 Davis Avenue, Linwood, NJ 08221 are component units. However, under the regulatory basis of accounting in New Jersey, the component units are neither blended nor shown in a discrete presentation in the financial statements of the City. The Board of Education does have an independent audit performed and a copy is available at the Board's offices. The Linwood Public Library also has an independent audit performed and a copy is available at the Library.

B. Description of Funds

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

Current Fund -- resources and expenditures for governmental operations of a general nature, including Federal and State grant funds.

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

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

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local governmental units. The more significant policies in New Jersey follow.

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

Revenues -- are recorded as received in cash except for certain amounts which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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 when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

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

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets.

General Fixed Assets -- The City has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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 drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$500 are capitalized.

No depreciation has been provided for in the financial statements.

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

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

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

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2018 and 2017.

	Balance as of 12/31/2017	Adjustments/ Additions	Adjustments/ Deletions	Balance as of 12/31/2018
Land	\$ 2,663,681.92			2,663,681.92
Buildings and Improvements	5,542,081.82			5,542,081.82
Furniture, Fixtures & Equip.	2,575,592.15	321,203.50	3,407.00	2,893,388.65
Vehicles	2,873,228.81	619,858.76	117,973.00	3,375,114.57
Total	13,654,584.70	941,062.26	121,380.00	14,474,266.96

	Balance as of 12/31/2016	Adjustments/ Additions	Adjustments/ Deletions	Balance as of 12/31/2017
Land	2,663,681.92			2,663,681.92
Buildings and Improvements	5,542,081.82			5,542,081.82
Furniture, Fixtures & Equip.	2,324,676.67	263,330.48	12,415.00	2,575,592.15
Vehicles	2,873,228.81			2,873,228.81
Total	\$ 13,403,669.22	263,330.48	12,415.00	13,654,584.70

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the City to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy of the City to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the statutory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. New Jersey municipalities are permitted to accrue a compensated absences liability. The City has begun to accumulate funds for accrued absences. See Note 15 for additional information on the City’s compensated absences policy.

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

D. Required Financial Statements

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenues-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

E. Recent Accounting Pronouncements Not Yet Effective

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83 "Certain Asset Retirement Obligations" This statement, which is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 "Fiduciary Activities". This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, may have an effect on the City's financial reporting.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This statement, which is effective for fiscal periods beginning after June 15, 2019, will not have an effect on the City's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period". This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interest – an amendment of GASB Statement No. 14 and No. 61". This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$800,000.00 and \$650,000.00, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$460,000 and \$105,000, respectively.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these

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

transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2018 and 2017 calendar years:

	<u>2018</u>	<u>2017</u>
Public Buildings & Grounds - Other Expenses	13,000.00	-
Police - Other Expenses	-	(20,500.00)
Legal - Other Expenses	-	16,501.00
Road Repairs & Maintenance - Salaries & Wages	22,000.00	-
Road Repairs & Maintenance - Other Expenses	18,000.00	-
Other Insurance - Other Expenses	-	15,000.00
Health Insurance - Other Expenses	(75,000.00)	-
Sanitation Miscellaneous - Other Expenses	19,500.00	-

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2018 calendar year, City Council approved a budget insertion for Clean Communities in the amount of \$16,979.65. During the 2017 calendar year, City Council approved a budget insertion for Clean Communities in the amount of \$17,567.95.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During the 2018 and 2017 calendar years, no emergency appropriations or special emergencies were approved by City Council.

In addition, NJSA 40A:4-60 permits the Governing Body to cancel, by resolution, any unexpended balances of appropriations prior to year end. The following significant cancellations were approved in the 2018 and 2017 calendar years:

	<u>2018</u>	<u>2017</u>
Insurance		
Workers Comp	\$ 15,000.00	-
Employee Group Health	40,000.00	60,000.00
Legal Services		
Other Expenses	-	20,000.00
Police		
Salaries and Wages	-	20,000.00

Note 3: INVESTMENTS

As of December 31, 2018, and 2017, the municipality had no investments.

Interest Rate Risk. The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days;

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

government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The municipality places no limit on the amount the City may invest in any one issuer.

Unaudited Investments

As more fully described in Note 20, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Mass Mutual Financial Group. Mass Mutual Financial Group is an authorized provider approved by the Division of Local Government Services.

The balance in the account on December 31, 2018 and 2017 amounted to \$182,229.19 and \$163,356.49, respectively. The information on 5% or more invested with Mass Mutual Financial Group is not yet available.

Note 4: CASH

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 municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2018, and 2017, \$0 of the municipality's bank balance of \$4,465,596.99 and \$5,386,813.09 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2018 and 2017 consisted of the following:

	Balance 12/31/2017	Additions	Payments	Ending 12/31/2018	Due in One Year
General	\$ 6,772,716.32		1,253,627.60	5,519,088.72	1,302,996.64
School	2,057,864.00		358,577.00	1,699,287.00	374,910.00
Comp. Absences	582,936.26	249,638.86	196,412.41	636,162.71	18,589.00
Total	<u>9,413,516.58</u>	<u>249,638.86</u>	<u>1,808,617.01</u>	<u>7,854,538.43</u>	<u>1,696,495.64</u>

	Balance 12/31/2016	Additions	Payments	Ending 12/31/2017	Due in One Year
General	7,991,578.88		1,218,862.46	6,772,716.42	1,253,627.60
School	2,410,375.00		352,511.00	2,057,864.00	358,577.00
Comp. Absences	588,985.75	248,922.81	254,972.30	582,936.26	-
Total	<u>\$ 10,990,939.63</u>	<u>248,922.81</u>	<u>1,826,345.76</u>	<u>9,413,516.68</u>	<u>1,612,204.60</u>

As of December 31, 2018, all outstanding bonds are included in the general capital fund and interest and principal reductions are included in the current operating budget of the City.

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

The regulatory basis of accounting in New Jersey does not recognize accumulated absences as long-term debt. Accumulated absence liabilities are more fully described in Note 16.

Summary of Municipal Debt

At December 31, 2018, bonds and loans payable in the General Capital Fund consisted of the following individual issues:

\$4,099,222.00 General Obligation Bonds dated September 1, 2010 for various improvements in the City with a balance due on December 31, 2018 of \$1,230,713.00. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$5,960,000.00 General Obligation Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. The total savings to the City was \$505,852.00, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2018 was \$3,260,000.00.

\$150,000.00 Green Trust Loan dated July 9, 2002 for Lighting at All Wars Memorial Park in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2018 of \$32,767.72. The bonds are payable semiannually on January 15 and July 15. Interest is calculated at 2%. The final payment is due January 15, 2022.

\$360,000.00 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Principal payments on this loan are payable annually on August 1, with a balance due on December 31, 2018 of \$270,000.00, with interest paid semi-annually on February 1 and August 1. Interest rates vary from 2.00% to 5.00%. The final payment is due on August 1, 2031.

\$1,155,931.00 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Semiannual principal payments were due on February 1 and August 1, with a balance due on December 31, 2018 of \$725,608.00. Based on the agreement with the State, this loan is interest free. The final payment is due August 1, 2031.

At December 31, 2018, bonds payable for Type 1 Schools consisted of the following individual issues:

\$230,778.00 School Bonds dated September 1, 2010 for construction and various improvements to the two elementary schools located within the City with a balance due on December 31, 2018 of \$69,287.00. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$1,280,000.00 School Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. As indicated above, the total savings to the City was \$505,852.00, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2018 was \$525,000.00.

\$1,615,000.00 School Refunding Bonds dated December 3, 2014 payable in annual installments through August 1, 2024. Interest is paid semiannually at 3% per annum. The total savings to the City was \$47,073.58, or 3.03% as a result of refunding the 2005 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2018 was \$1,105,000.00.

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

Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

Year Ending December 31,	Principal	Interest	Total
2019	1,677,906.64	229,065.93	1,906,972.57
2020	1,703,090.16	176,675.40	1,879,765.56
2021	1,098,277.38	122,363.19	1,220,640.57
2022	948,598.14	82,672.22	1,031,270.36
2023	978,776.15	48,872.00	1,027,648.15
2024-2028	598,880.75	35,970.00	634,850.75
2029-2031	212,846.50	8,058.00	220,904.50
Total	\$ 7,218,375.72	703,676.74	7,922,052.46

As of December 31, 2018, the carrying value of the above bonds approximates the fair value of the bonds. The debt service for the School Bonds is included in the municipal budget as a component of the Amount to be Raised by Taxation but is levied as a component of the school tax levy. During the calendar years 2018 and 2017, the City's total amount to be raised by taxation included \$567,642.00 and \$553,945.00 respectively, for Local District School Tax.

Summary of Municipal Debt

	Year 2018	Year 2017	Year 2016
Bonds & Notes Issued:			
General	\$ 10,540,953.72	9,348,481.32	10,791,343.88
School	1,699,287.00	5,419,864.00	5,857,375.00
Net Bonds & Notes Issued	12,240,240.72	14,768,345.32	16,648,718.88
Bonds & Notes Authorized But Not Issued:			
General	1,197,296.00	1,945,796.00	1,803,296.00
School	-	350,000.00	350,000.00
Net Bonds & Notes Authorized But Not Issued	1,197,296.00	2,295,796.00	2,153,296.00
Net Bonds & Notes Issued and Authorized But Not Issued	\$ 13,437,536.72	17,064,141.32	18,802,014.88

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.288%.

	Gross Debt	Deductions	Net Debt
Local School Debt	\$ 4,259,287.00	4,259,287.00	-
Regional School District Debt	9,381,875.40	9,381,875.40	-
General Debt	11,738,249.72	-	11,738,249.72
	\$ 25,379,412.12	13,641,162.40	11,738,249.72

Net Debt \$11,738,249.72 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$911,634,002.33 = 1.288%. The above information is in agreement with the Annual Debt Statement filed by the City.

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

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$	31,907,190.08
Net Debt		11,738,249.72
Remaining Borrowing Power	\$	20,168,940.36

Note 6: SHORT TERM OBLIGATIONS

	Balance 12/31/2017	Issued	Paid	Balance 12/31/2018
General Capital Note	\$ 2,575,765.00	2,703,500.00	257,400.00	5,021,865.00
School Note	3,362,000.00		3,362,000.00	-
Special Emergency Note	-			-
	5,937,765.00	2,703,500.00	3,619,400.00	5,021,865.00

	Balance 12/31/2016	Issued	Paid	Balance 12/31/2017
General Capital Note	2,799,765.00		224,000.00	2,575,765.00
School Note	3,447,000.00		85,000.00	3,362,000.00
Special Emergency Note	40,180.00		40,180.00	-
	\$ 6,286,945.00	-	349,180.00	5,937,765.00

As of December 31, 2018, the City had the following bond anticipation notes outstanding:

Bank	2018 Amount	Interest Rate	Date of Maturity
General Capital			
TD Securities, LLC	4,851,865.00	2.75%	7/23/2019
Township of New Brunswick, NJ	170,000.00	2.80%	12/13/2019
Total Special Emergency and Bond Anticipation Notes	\$ 5,021,865.00		

On July 22, 2019, the City renewed the Bond Anticipation Note, after a pay down of \$257,400, for an additional one-year period. The principal amount of the new note is \$4,935,465 and includes funding for Ordinance 9-2019. The note will mature on July 21, 2020. Interest is payable at a rate of 2.00% per annum.

Note 7: LEASES OBLIGATIONS

Operating Leases

In October 2015, the City entered into agreements to lease three (3) copy machines for City Hall and the Police Department under operating leases. The term for the three leases is 48 months and they will expire on October 26, 2019. The total monthly payment for the leases is \$442.00. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In January 2017, the City entered into an agreement to lease one (1) copy machine for the Public Works Department under an operating lease. The term for the lease is 60 months and it will expire on December 31, 2021. The monthly payment for the lease is \$104.00.

The total operating lease payments in 2018 and 2017 were \$6,552.00 and \$5,304.00 respectively.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Capital Leases

The City is leasing three (3) 2016 police vehicles and equipment totaling \$92,710.00 under capital leases. Annual lease payments are made to Ford Motor Credit Company and include interest at a rate of 5.95% per annum.

The City is leasing one (1) 2017 police vehicle totaling \$32,130.54 under a capital lease. Annual lease payments are made to Ford Motor Credit Company and include interest at a rate of 5.95% per annum.

The City is leasing one (1) 2018 police vehicle totaling \$29,300.22 under a capital lease. Annual lease payments are made to Ford Motor Credit Company and include interest at a rate of 6.95% per annum.

The City is leasing one (1) 2018 dump truck with spreader and plow totaling \$73,895.00 under a capital lease. Quarterly lease payments are made to Ford Motor Credit Company and include interest at a rate of 4.95% per annum.

The following is a schedule of the future minimum lease payments under this capital lease and the net minimum lease payments at December 31, 2018.

<u>Year</u>	<u>Operating</u>	<u>Capital</u>
2019	5,668.00	59,034.54
2020	1,248.00	33,810.65
2021	1,248.00	24,920.52
2022	0	4,418.43
Total minimum lease payments	8,164.00	122,181.14
Less amount representing interest	0	11,743.53
Present value of minimum lease payments	\$ 8,164.00	110,440.61

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2018 and 2017 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December 31, 2019 and 2018 were as follows:

	2019	2018
Current Fund	\$ 560,000.00	460,000.00

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the City to appropriate in the 2019 budget is \$967,475.26.

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, the following deferred charges are shown on the balance sheets of the various funds.

	Balance 12/31/2018	2019 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Overexpenditure of Appropriations	\$ 18,860.57	18,860.57	0.00
Total Current Fund	18,860.57	18,860.57	0.00

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

The appropriations in the 2019 budget are not less than that required by statute.

Note 10: SCHOOL TAXES

Local District and Regional High School Taxes have been raised and remitted, or established as a payable, to the respective district in the following amounts:

	2018	2017
Local School District	\$ 11,420,464.00	11,286,131.00
Regional High School District	6,714,882.00	6,575,874.00

Since the school districts operate on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

Note 11: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/2018	Balance 12/31/2017
Prepaid Taxes	\$ 258,284.38	2,564,353.31
Cash Liability for Taxes Collected in Advance	\$ 258,284.38	2,564,353.31

Note 12: PENSION FUNDS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at – <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

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

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee

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

contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15:c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.34% through June 30, 2018 and 7.50% thereafter of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 15.97% of covered payroll. The City's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$177,746.00, \$180,511.00, and \$147,467.65.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The current PFRS rate is 25.72% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2018, 2017, and 2016, were \$411,090.00, \$358,177.00, and \$414,204.00.

The total payroll for the years ended December 31, 2018, 2017, and 2016 was \$3,049,547.46, \$3,270,971.81, and \$3,051,036.66. Payroll covered by PERS was \$1,112,998.00, \$1,227,469.00, and \$1,313,149.00, respectively. Payroll covered by PFRS was \$1,598,350.00, \$1,527,724.00, and \$1,516,298.00, respectively.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.

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

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60th from 1/55th, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

NOTE 13: PENSION LIABILITIES

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2018:

Public Employees' Retirement System

The Municipality has a liability of \$3,623,610 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net

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pension liability was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.01840376470%, which would be a decrease of 3.93% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$53,049. At December 31, 2018, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 69,103	\$ (18,685)
Changes of assumptions	597,111	(1,158,638)
Changes in proportion	105,148	(474,404)
Net difference between projected and actual earnings on pension plan investments		(33,990)
Total	\$ 771,362	\$ (1,685,717)

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2019	\$	36,894
2020		(63,230)
2021		(405,555)
2022		(363,350)
2023		(119,114)
Total	\$	(914,355)

Actuarial Assumptions

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

Inflation rate		2.25%
Salary increases:		
Through 2026		1.65% - 4.15% (based on age)
Thereafter		2.65% - 5.15% (based on age)
Investment rate of return:		7.00%

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond

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Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2043 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 5.66%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.66%) or 1-percentage point higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Municipality's proportionate share of the net pension liability	\$ 4,356,496	\$ 3,623,610	\$ 3,009,135

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Municipality has a liability of \$6,048,919 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.04470200910%, which would be a decrease of 3.76% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$386,340. At December 31, 2018, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

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NOTES TO FINANCIAL STATEMENTS
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 61,540	\$ (25,032)
Changes of assumptions	519,218	(1,550,233)
Changes in proportion	345,672	(682,732)
Net difference between projected and actual earnings on pension plan investments		(33,093)
Total	\$ 926,430	\$ (2,291,090)

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,	
2018	\$ 60,155
2019	(236,742)
2020	(640,166)
2021	(415,104)
2022	(132,805)
Total	\$ (1,364,660)

Actuarial Assumptions

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

Inflation rate	2.25%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.00%

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

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projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through

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June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.

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

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
District's proportionate share of the net pension liability	7,879,572.43	6,048,919.00	4,539,266.37

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under 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 June 30, 2017 State special funding situation net pension liability amount of \$1,838,050,687.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2018 State special funding situation pension expense of \$217,714,180.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2017, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.04470200910% for 2018. The net pension liability amount allocated to the Municipality was \$821,646. For the fiscal year ending June 30, 2018 State special funding situation pension expense of \$97,323.00 is allocated to the Municipality.

Pension plan fiduciary net position.

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

Note 14: OTHER POST-RETIREMENT BENEFITS

General Information about the Plan:

The City offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan with a special funding situation. It covers employees of local government

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

employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post retirement medical coverage for employees and their dependents who:

1) retired on a disability pension;

or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

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

Allocation Methodology:

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the City these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total

**NOTES TO FINANCIAL STATEMENTS
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members of the Plan's non special funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Special Funding Situation:

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Net OPEB Liability:

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2018 is as follows:

	June 30, 2018	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 15,981,103,227	\$ 8,950,057
Plan Fiduciary Net Position	314,485,086	176,124
Net OPEB Liability	\$ 15,666,618,141	\$ 8,773,933
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.97%

At June 30, 2018 the City's proportionate share of the Collective Net OPEB Liability was \$8,773,933. The State's proportionate share for the Special Funding Situation that is associated with the City is \$5,466,878. The City's proportion of the Collective Net OPEB Liability was 0.056004% which was a decrease from the prior year of 2.07%. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.087979% which was an increase from the prior year of 6.47%.

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City's Proportionate Share of Collective Net OPEB Liability	\$	8,773,933
State's proportionate share that is associated with the City		5,466,878
Total	\$	14,240,811

For the Year ended June 30, 2018 the City's Total OPEB Expense was \$3,879 and the State of New Jersey realized Total OPEB Expense in the amount of \$165,489 for its proportionate share of Total OPEB Expense that is associated with the City.

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*:	
Through 2026	1.65% to 8.98%
Thereafter	2.65% to 9.98%

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

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

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

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Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

		<u>1% Decrease (2.87%)</u>		<u>Discount Rate (3.87%)</u>		<u>1% Increase (4.87%)</u>
Collective						
Net OPEB Liability	\$	18,381,085,096	\$	15,666,618,141	\$	13,498,373,388
Proportionate Share						
Net OPEB Liability	\$	10,294,143	\$	8,773,933	\$	7,559,629

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

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

		<u>1% Decrease</u>		<u>Healthcare Cost Trend Rate</u>		<u>1% Increase</u>
Collective						
Net OPEB Liability	\$	13,068,471,450	\$	15,666,618,141	\$	19,029,006,023
Proportionate Share						
Net OPEB Liability	\$	7,318,867	\$	8,773,933	\$	10,657,005

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

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	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (3,180,882,321)	\$	\$ (1,781,421)
Changes of assumptions		(3,974,042,874)		(2,225,623)
Net difference between projected and actual earnings on OPEB plan investments		8,279,239		4,637
Changes in proportion and differences between contributions and proportionate share of contributions		2,106,728,269		(2,075,379)
Total	\$	\$ 2,115,007,508	\$	\$ (6,082,423)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Collective Totals	Proportionate Share
2019	\$ (1,049,390,011)	\$ (892,442.13)
2020	(1,049,390,011)	(892,442.13)
2021	(1,049,390,011)	(892,442.13)
2022	(1,050,264,681)	(893,185.98)
2023	(1,051,678,489)	(894,388.34)
Thereafter	(1,896,532,753)	(1,612,885.30)
Total	\$ (7,146,645,956)	\$ (6,077,786.00)

Detailed information about the plan's fiduciary net position is available in the separately issued OPEB financial report.

Collective OPEB Expenses reported by the State of New Jersey

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2018 are as follows:

Service cost	\$ 896,235,148
Interest on Total OPEB Liability	764,082,232
Expected Investment Return	(9,389,460)
Administrative Expenses	8,200,113
Current Period Recognition (Amortization) of Deferred Inflow s/ Outflow s of Resources:	
Differences between Expected and Actual Experience	(445,501,726)
Changes in Assumptions	(606,176,763)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	2,288,478
Total Collective OPEB Expense	\$ 609,738,022

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Schedule of City's Share of Net OPEB Liability

	2018
City's Proportionate Share of Net OPEB Liability	5.600400%
City's Share of Net OPEB Liability	\$ 8,773,933
City's Covered Payroll	1,112,998
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	788.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

Note 15: INTER-LOCAL AGREEMENT

Effective March 13, 2013, the City entered into a one-year agreement with the Atlantic County Utilities Authority (ACUA) where the ACUA will provide solid waste and bulk waste collection services for the City. This contract automatically renewed for an additional one-year period and continued to renew automatically each year through March 17, 2018. After the fifth year, the City had the option to extend the agreement for an additional five-year term. This option was exercised by City Council at their February 13, 2018 meeting. The City was obligated to pay \$165,700.00 for these services during the initial term of the contract. Any increases in cost will not exceed the percentage increase in the CPI-U for the Philadelphia SMSA of August of the contract year over August of the preceding year. In addition, the ACUA will assume ownership of a 2012 CNG Freightliner trash truck at a value of \$171,500.00. The value of this truck will be recaptured over five years, or \$34,300.00 per year. This value will be deducted from the annual contract costs. Invoices will be provided to the City each month for collections made during the preceding month. The City paid \$284,150.02 and \$280,146.90 for these services during the 2018 and 2017 calendar years respectively.

Note 16: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$636,162.71 in 2018 and \$582,936.26 in 2017. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. It is the City's policy to negotiate the final amount of each payment of accrued sick and vacation pay on an individual basis. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated liability. The City does not accrue the liability.

Note 17: ECONOMIC DEPENDENCY

The City of Linwood is not economically dependent on any one business or industry as a major source of tax revenue for the City.

Note 18: LITIGATION

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a contingent liability to the City.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Note 19: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2018 and 2017 the City did not incur claims in excess of the coverage and the amount of coverage did not significantly decrease.

The City of Linwood is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a liability limit of \$10,000,000.00 under MEL. There has not been a reduction in coverage and there have not been any claims in excess of coverage.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the City is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for the years ended December 31, 2018 and 2017 was \$11,038.65 and \$11,145.06 respectively.

Note 20: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 2003 the voters of the City of Linwood approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the City of Linwood by referendum at the general election in November of 2003. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as firefighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The balance is subject to the general creditors of the City. Contributions by the City for qualified participants were \$10,000.00 and \$9,000.00 for 2018 and 2017 respectively.

Note 21: TAX ABATEMENT PROGRAM

The tax abatement program was established to encourage commercial and industrial development in the City. It is a five-year program where real estate taxes on the approved buildings are abated and payments are made in lieu. Specific qualifications for properties are delineated in the Code Book of the City. Qualifying properties are tax exempt until the project is complete. Once completed, the taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years. During the 2018 and 2017 calendar years, the tax abatement program generated \$0 in revenue for the City.

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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Note 22: UNION CONTRACTS

As of December 31, 2018, the City's employees are organized in five collective bargaining units.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>	<u>Term</u>
PBA	Police	All uniformed police excluding Chief and Superior Officers	1/1/16-12/31/21
PBA	Police	Superior Officers	1/1/16-12/31/21
IAFF	Firefighters	All uniformed firefighters	1/1/15-12/31/19
Teamsters	Public Works	All public works employees excluding Superintendent, and police secretary	1/1/18-12/31/22

Note 23: INTERFUND BALANCES

As of December 31, 2018, the following interfunds were included on the balance sheets of the various funds of the City of Linwood:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Animal Control Fund	\$ 10,995.92	
Grant Fund	207,625.92	
Public Defender Trust		989.00
Payroll Trust		1,806.62
Grant Fund:		
Current Fund		207,625.92
Trust Fund:		
Current Fund -		
Public Defender Trust	989.00	
Payroll Trust	1,806.62	
Animal Control Fund		10,995.92
	<u>\$ 221,417.46</u>	<u>221,417.46</u>

The amounts due to the Current Fund from the Animal Control Fund is the result of excess funds in the reserve for dog expenditures. The amount due to the Public Defender Trust represents fees collected through the municipal court. The amount due to the Payroll Trust is to cover payroll liabilities. The amount due from the Grant Fund to the Current Fund is the result of grant expenditures that have not yet been reimbursed by the funding agencies.

Note 24: DEFERRED COMPENSATION

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

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

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Note 25: SUBSEQUENT EVENTS

On April 24, 2018, City Council adopted capital ordinance #9-2019 which authorized the following projects to be completed. This bond ordinance increases the City's authorized debt by \$171,000.

Project	Appropriation And Estimated Cost	Estimated Maximum Amount of Bonds & Notes
Purchase of Vehicles and Equipment for Public Works Department	\$ 102,400.00	97,280.00
Purchase of Vehicles and Equipment for Police Department	77,600.00	73,720.00
Total	<u>\$ 180,000.00</u>	<u>171,000.00</u>

The City has evaluated subsequent events through July 25, 2019, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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FLEISHMAN • DANIELS LAW OFFICES, LLC

A NEW JERSEY LIMITED LIABILITY COMPANY
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Linwood, New Jersey 08221

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Please refer to: 20006-76

John W. Daniels, Esquire
(2002-2016)

July 16, 2020

The Mayor and City Council
of the City of Linwood, in the
County of Atlantic, New Jersey

Robert W. Baird & Co., Inc
777 East Wisconsin Avenue - 25th Floor
Milwaukee, WI 53202

RE: *City of Linwood in the County of Atlantic, New Jersey*
\$9,100,000 Aggregate Principal Amount General Obligation Bonds, Series 2020

Ladies and Gentlemen:

This office has served as Bond Counsel in connection with the issuance and sale by the City of Linwood, in the County of Atlantic, New Jersey (the "City") of \$9,100,000 aggregate principal amount General Obligation Bonds, Series 2020 (the "Bonds").

The Bonds are authorized to be issued pursuant to (i) the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1, *et seq.* (the "Local Bond Law"); (ii) Resolution No. 113-2020 Determining the Form and Details of the Bonds adopted by the City Council on May 27, 2020 (the "Bond Resolution"); (iii) Resolution No. 112-2020 adopted by the City Council on May 27, 2020 (the "Combining Resolution") combining into a single issue of bonds the following bond ordinances heretofore adopted by the City Council: Bond Ordinance No. 10-2011, finally adopted on August 10, 2011; Bond Ordinance No. 13-2012, finally adopted on July 11, 2012; Bond Ordinance No. 12-2014, finally adopted on June 25, 2014; Bond Ordinance No. 14-2014, finally adopted on July 9, 2014; Bond Ordinance No. 6-2015, finally adopted on June 10, 2015; Bond Ordinance No. 6-2017, finally adopted on April 26, 2017; Bond Ordinance No. 4-2018, finally adopted on February 14, 2018; Bond Ordinance No. 9-2018, finally adopted on June 12, 2018; Bond Ordinance No. 9-2019, finally adopted on April 24, 2019; and Bond Ordinance No. 3-2020, finally adopted on March 11, 2020, in all respects duly approved and published as required by the law (collectively, the "Bond Ordinances"; and together with the Bond Resolution and the Combining Resolution being collectively referred to as the "Local Proceedings").

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The Mayor and City Council of the
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The Bonds are being issued: (i) for the purpose of providing funds to permanently finance the costs of certain general capital improvements as described in the Bond Ordinances (the "Projects"); and (ii) to pay the costs of issuance of the Bonds.

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

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the fifteenth (15th) day of July and January (each an "Interest Payment Date"), commencing January 15, 2021, in each year until maturity. The Bonds shall mature on July 1 in each of the years, in the principal amounts and at the interest rates as follows:

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The Mayor and City Council of the
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<u>Year</u>	<u>General Obligation Bonds</u>	<u>Interest Rates</u>
2021	\$600,000	4.000%
2022	\$640,000	4.000%
2023	\$730,000	4.000%
2024	\$825,000	4.000%
2025	\$910,000	4.000%
2026	\$950,000	4.000%
2027	\$1,050,000	4.000%
2028	\$1,095,000	3.000%
2029	\$1,135,000	2.000%
2030	\$1,165,000	2.000%

The Bonds of this issue maturing on or after July 15, 2028 are subject to optional redemption, in whole or in part, prior to their stated maturities, on any date on or after July 15, 2027, at par, plus in each case accrued interest to the date fixed for redemption.

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

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The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of the issuance of the Bonds. On the date hereof, the City has covenanted in its Arbitrage and Tax Certificate (the "Tax Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to the Code. In the event the City continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the City in the Tax Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and is not an item of tax preference under Section 57 of the Code for purposes of computing 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 enacted and construed on the date hereof.

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

For purposes of this Opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles now or hereafter enacted by any state or by the federal government relating to the enforcement of creditors' rights generally, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would be available as a remedy in every situation (regardless of whether enforcement is considered in proceedings at law or in equity).

The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no

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responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This Opinion is rendered as of the date hereof and we express no opinion as to any matters not set forth above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy, or completeness of, the Preliminary Official Statement or the Official Statement prepared in respect of the Bonds, including the appendices thereto, and make no representation that we have independently verified the contents thereof.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (“**Disclosure Certificate**”) is executed and delivered as of this 16th day of July, 2020, by the City of Linwood, County of Atlantic, New Jersey (the “**City**”) pursuant to Resolution No. 113-2020, entitled “*RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$9,380,000 GENERAL OBLIGATION BONDS, SERIES 2020, OF THE CITY OF LINWOOD, IN THE COUNTY OF ATLANTIC, NEW JERSEY AND PROVIDING FOR THEIR SALE*”, adopted on May 27, 2020 (the “**Bond Resolution**”); Bond Ordinance No. 10-2011, finally adopted on August 10, 2011; Bond Ordinance No. 13-2012, finally adopted on July 11, 2012; Bond Ordinance No. 12-2014, finally adopted on June 25, 2014; Bond Ordinance No. 14-2014, finally adopted on July 9, 2014; Bond Ordinance No. 6-2015, finally adopted on June 10, 2015; Bond Ordinance No. 6-2017, finally adopted on April 26, 2017; Bond Ordinance No. 4-2018, finally adopted on February 14, 2018; Bond Ordinance No. 9-2018, finally adopted on June 12, 2018; Bond Ordinance No. 9-2019, finally adopted on April 24, 2019; and Bond Ordinance No. 3-2020, finally adopted on March 11, 2020, in connection with the issuance and sale by the Issuer of \$9,100,000 aggregate principal amount General Obligation Bonds, Series 2020 (the “**Bonds**”).

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Underwriter 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.

“**Bondholder**” or “**Holder**” or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

“**Continuing Disclosure Information**” shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the City with EMMA (as defined herein) pursuant to Section 3 of this Disclosure Certificate, and (iii) any notice of a Listed Event required to be filed by the City with EMMA pursuant to Section 5 of this Disclosure Certificate.

“**Disclosure Representative**” shall mean the 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, an internet-based filing system created and maintained 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.

“Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The City shall provide or cause to be provided to the Dissemination Agent not later than September 15 of each year, commencing September 15, 2021 (for the calendar year ending December 31, 2020), until termination of the City’s reporting obligations under this Disclosure Certificate pursuant to the provisions of Section 6 hereof, the Annual Report prepared for the preceding fiscal year of the City. Each Annual Report provided to the Dissemination Agent by the City shall comply with the requirements of Section 4 of this Disclosure Certificate but 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 30 of each year (commencing September 30, 2021), the Dissemination Agent shall file with EMMA a copy of the Annual Report 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. 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) Certain financial information and operating data of the City consisting of: (a) City indebtedness; (b) the City's most current adopted budget; (c) property valuation information; and (d) tax rate, levy and collection data.

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. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
7. Modifications to the rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a financial obligation¹ of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the City, if any such event reflects financial difficulties.

¹ The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

The City shall, in a timely manner not in excess of ten (10) business days after the occurrence of any Listed Event, file a notice of the occurrence of such Listed Event with the MSRB 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 City may, but shall not be required to, rely conclusively on an opinion of counsel.

(b) Whenever the City has or obtains knowledge of the occurrence of any of the Listed Events, 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. 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 Phoenix Advisors, LLC. 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 8. Prior Compliance with the Rule. Within the five (5) years immediately preceding the date of this Disclosure Certificate, the City previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2014 and 2015; (ii) operating data for the fiscal years ending December

31, 2014, 2015, 2016, 2017 and 2018; and (iii) adopted budgets for fiscal years ending December 31, 2015, 2016, 2017, 2018 and 2019. Additionally, the City previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; and (iii) adopted budgets, all as described above. Such notices of events and late filings have since been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The City appointed Phoenix Advisors, LLC in March of 2020 to serve as continuing disclosure agent.

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 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, any Bondholder or Beneficial Owner of the Bonds may, at the Bondholder's or Beneficial Owner's cost and expense, 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 negligence or willful misconduct. To the extent permitted by law, the City further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Underwriter, 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:

City of Linwood
400 Poplar Avenue
Linwood, New Jersey 08225
Attn: Anthony Strazzeri, Chief Financial Officer
Telecopy No.: (609) 926-7974
Email: astrazzeri@linwoodcity.org

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

Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505
Attn: Anthony Inverso
Telecopy No.: (609) 291-9940
Email: ainverso@muniadvisors.com

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.

IN WITNESS WHEREOF, THE CITY OF LINWOOD, COUNTY OF ATLANTIC, has caused this Disclosure Certificate to be executed on its behalf by the Mayor and Chief Financial Officer and its corporate seal to be hereunto affixed, attested by the Municipal Clerk, all as of the day and year first above written.

[SEAL]
Attest:

CITY OF LINWOOD
ATLANTIC COUNTY, NEW JERSEY

Leigh Ann Napoli, RMC, CMR, MPA
Municipal Clerk

By: _____
Darren Matik, Mayor

By: _____
Anthony Strazzeri
Chief Financial Officer

EXHIBIT "A"

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Linwood, Atlantic County, New Jersey
Name of Bond Issue: \$9,100,000 General Obligation Bonds, Series 2020
CUSIP No. 536172
Date of Issuance: July 16, 2020

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 Continuing Disclosure Certificate for the Bonds dated as of July 16, 2020 executed by the City.

Dated: _____, ____

Dissemination Agent
(on behalf of the City)

cc: City of Linwood

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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