

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 10, 2019

NEW ISSUE

**RATINGS: Moody's: "A1" (Bonds)
"MIG 1" (Note)
(See "RATINGS" herein)**

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

BOROUGH OF CARTERET IN THE COUNTY OF MIDDLESEX, NEW JERSEY

\$24,900,000*
GENERAL IMPROVEMENT BONDS, SERIES 2019
(Book-Entry-Only) (Callable)

\$12,800,000
BOND ANTICIPATION NOTE, SERIES 2019
(Book-Entry-Only) (Non-Callable)

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

Dated: Date of Delivery
Due: January 31, 2020

The \$24,900,000* General Improvement Bonds, Series 2019 (the "Bonds"), of the Borough of Carteret, in the County of Middlesex, New Jersey (the "Borough"), are being issued pursuant to the Local Bond Law of the State of New Jersey, constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law"), and the various bond ordinances described herein. Proceeds of the Bonds will be used to: (i) currently refund \$9,400,000 of the Borough's \$14,400,000 Bond Anticipation Note, dated and issued on February 1, 2018 and maturing on February 1, 2019; (ii) currently refund \$10,750,000 of the Borough's \$10,750,000 Bond Anticipation Note, dated and issued on May 31, 2018 and maturing on February 1, 2019; (iii) currently refund \$4,750,000 of the Borough's \$12,550,000 Bond Anticipation Note, dated and issued on October 24, 2018 and maturing on February 1, 2019; and (iv) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

Interest on the Bonds will be payable semiannually on June 1 and December 1 in each year until maturity or earlier redemption, commencing on June 1, 2019. Principal of and interest due on the Bonds will be paid to DTC (as defined herein) by the Borough or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding May 15 and November 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to redemption prior to their stated maturities. See "THE OBLIGATIONS - Redemption" herein.

The Bonds will be issued in the form of one certificate for the aggregate principal amount of the 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 "THE OBLIGATIONS - Book-Entry-Only System" herein.

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

The \$12,800,000 Bond Anticipation Note, Series 2019 (the "Note" and, together with the Bonds, the "Obligations"), is being issued pursuant to the Local Bond Law and the various bond ordinances described herein. Proceeds of the Note will be used to: (i) currently refund \$5,000,000 of the Borough's \$14,400,000 Bond Anticipation Note, dated and issued on February 1, 2018 and maturing on February 1, 2019; (ii) currently refund \$7,800,000 of the Borough's \$12,550,000 Bond Anticipation Note, dated and issued on October 24, 2018 and maturing on February 1, 2019; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Note.

The Note will be issued in the form of one certificate and when issued will be registered in the name of DTC, which will act as securities depository. Interest on the Note will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to the maturity date set forth above. See "THE OBLIGATIONS - Book-Entry-Only System" herein.

The Note is a valid and legally binding obligation of the Borough, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the Borough without limitation as to rate or amount.

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

The Obligations are offered when, as and if issued, and delivered to the Underwriters (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Obligations. Delivery is anticipated to be via DTC in New York, New York on or about January 31, 2019.

BID PROPOSALS WILL BE ACCEPTED ONLY BY ELECTRONIC SUBMISSION VIA PARITY ELECTRONIC BID SYSTEM ON THURSDAY, JANUARY 17, 2019 UNTIL 11:00 A.M. FOR THE BONDS AND UNTIL 11:30 A.M. FOR THE NOTE. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICES OF SALE POSTED AT WWW.MUNIHUB.COM.

* Preliminary, subject to change.

**BOROUGH OF CARTERET,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

\$24,900,000* GENERAL IMPROVEMENT BONDS, SERIES 2019

MATURITIES, INTEREST RATES, YIELDS AND CUSIPS

December 1 <u>Year</u>	Principal <u>Amount</u>*	Interest <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>**
2019	\$650,000	%	%	
2020	650,000			
2021	750,000			
2022	750,000			
2023	750,000			
2024	775,000			
2025	800,000			
2026	825,000			
2027	850,000			
2028	900,000			
2029	925,000			
2030	950,000			
2031	975,000			
2032	1,000,000			
2033	1,025,000			
2034	1,075,000			
2035	1,100,000			
2036	1,225,000			
2037	1,225,000			
2038	1,250,000			
2039	1,250,000			
2040	1,300,000			
2041	1,300,000			
2042	1,300,000			
2043	1,300,000			

\$12,800,000 BOND ANTICIPATION NOTE, SERIES 2019

INTEREST RATE: ___ %

YIELD: ___ %

CUSIP : _____**

* Preliminary, subject to change.

** 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 Bond and Note holders only at the time of issuance of the Obligations and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Obligations 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 Obligations.

**BOROUGH OF CARTERET,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

MAYOR

Daniel J. Reiman

BOROUGH COUNCIL MEMBERS

Susan Naples, President
Vincent Bellino
Jorge Diaz
Dennis DiMascio
Ajmar Johal
Randy Krum

BOROUGH CLERK

Kathleen M. Barney

CHIEF FINANCIAL OFFICER

Patrick J. DeBlasio, CPA, CMFO, CGFM

BOROUGH ATTORNEY

Robert J. Bergen, Esquire
Carteret, New Jersey

AUDITOR

Hodulik & Morrison, P.A.
Highland Park, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

McManimon, Scotland & Baumann, LLC
Roseland, New Jersey

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

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

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Borough since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Obligations referred to herein and may not be used, in whole or in part, for any other purpose.

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 Obligations in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or the Underwriters.

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 THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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

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IN THE COUNTY OF MIDDLESEX, NEW JERSEY Appendix B

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OFFICIAL STATEMENT
Relating to the
BOROUGH OF CARTERET,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY
\$24,900,000* GENERAL IMPROVEMENT BONDS, SERIES 2019
and
\$12,800,000 BOND ANTICIPATION NOTE, SERIES 2019

INTRODUCTION

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Borough of Carteret (the “Borough”), in the County of Middlesex (the “County”), New Jersey (the “State”), in connection with the sale and the issuance of \$24,900,000* General Improvement Bonds, Series 2019 (the “Bonds”) and a \$12,800,000 Bond Anticipation Note, Series 2019 (the “Note” and, together with the Bonds, the “Obligations”). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and may be distributed in connection with the sale of the Obligations described herein.

This Official Statement contains specific information relating to the Obligations 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 Borough from its records, except for information expressly attributed to other sources.

THE OBLIGATIONS

General Description

The Bonds will be dated their date of delivery, will mature on December 1 in the years and in the amounts set forth on the inside front cover page hereof, and will bear the interest from their dated date. Interest on the Bonds will be payable semiannually on June 1 and December 1 in each year until maturity or earlier redemption, commencing on June 1, 2019 at the rates set forth on the inside front cover page hereof. Principal of and interest due on the Bonds will be paid to DTC (as defined herein) by the Borough or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding May 15 and November 15 (the “Record Dates” for the payment of interest on the Bonds). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the principal amount of \$5,000, or any integral multiple thereof, through book-entries made on the books and records of The Depository Trust Company, New York, New York (“DTC”) and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is

* Preliminary, subject to change.

the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to Cede & Co. (or any successor or assign), as nominee for DTC.

The Note is dated, will mature on the date and in the amounts and will bear interest payable at the interest rate as set forth on the inside cover page hereof. Interest shall be computed on the basis of a 30-day month/360-day year. The Note will be issued in the form of one certificate for the aggregate principal amount of the Note and when issued may be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository. The Note is issuable as a fully registered book-entry note. Interest on the Note will be credited to the participants of DTC as listed on the records of DTC as of one business day prior to maturity. See “Book-Entry Only System” herein.

Book-Entry-Only System*

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully registered obligations 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 year of maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC. One fully registered Note certificate will be issued for the Note in the aggregate principal amount of the Note 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 and 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 Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“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 Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants

* Source: The Depository Trust Company

acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

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

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

Redemption proceeds, if any, and principal and interest payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the paying agent, if any, 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 shall be the responsibility of such Participant and not of DTC or its nominee, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

THE INFORMATION CONTAINED IN THIS SUBSECTION “BOOK-ENTRY-ONLY SYSTEM” HAS BEEN PROVIDED BY DTC. THE BOROUGH MAKES NO REPRESENTATIONS AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

THE BOROUGH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO BOND OR NOTE HOLDERS; (III) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST DUE ON THE OBLIGATIONS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY CEDE & CO., AS NOMINEE OF DTC AND THE REGISTERED OWNER OF THE OBLIGATIONS. THE RULES APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE PROCEDURES OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

Discontinuation of Book-Entry-Only System

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

Redemption

The Bonds

The Bonds maturing prior to December 1, 2026 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 1, 2026 are redeemable at the option of the Borough in whole or in part on any date on or after December 1, 2025 upon notice as required herein at par, plus in each case unpaid 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 Borough or a duly appointed Bond registrar. Any failure of the securities depository to advise any of its Participants or any failure of any Participant to notify any Beneficial Owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Borough. The Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Borough shall send redemption notices only to Cede & Co.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with unpaid accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

The Note

The Note is not subject to optional redemption prior to its stated maturity.

AUTHORIZATION AND PURPOSE OF THE OBLIGATIONS

The Bonds

The Bonds have been authorized and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the “Local Bond Law”), the bond ordinances adopted by the Borough Council referred to in the chart below and by a resolution adopted by the Borough Council on December 27, 2018 (the “Resolution”).

Proceeds from the sale and issuance of the Bonds will be used by the Borough to: (i) currently refund \$9,400,000 of the Borough’s \$14,400,000 Bond Anticipation Note, dated and issued on February 1, 2018 and maturing on February 1, 2019, together with \$5,000,000 from the issuance of the Note; (ii) currently refund \$10,750,000 of the Borough’s \$10,750,000 Bond Anticipation Note, dated and issued on May 31, 2018 and maturing on February 1, 2019; (iii) currently refund \$4,750,000 of the Borough’s \$12,550,000 Bond Anticipation Note, dated and issued on October 24, 2018 and maturing on February 1, 2019, together with \$7,800,000 from the issuance of the Note; and (iv) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

Number of Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Amount of Bonds to be Issued
#11-28	Providing for various improvements within the Special Improvement District, finally adopted December 19, 2011.	\$ 10,750,000
#12-6	Various park improvements, finally adopted April 12, 2012.	\$1,900,000
#14-1	Providing for various capital improvements, finally adopted January 23, 2014.	9,400,000
#18-03	2018 Municipal Road Program, finally adopted February 22, 2018.	<u>2,850,000</u>
	Total:	\$ 24,900,000

The Note

The Note is issued pursuant to the Local Bond Law and the bond ordinances of the Borough set forth below. Proceeds from the sale and issuance of the Note will be used by the Borough to: (i) currently refund \$5,000,000 of the Borough’s \$14,400,000 Bond Anticipation Note, dated and issued on February 1, 2018 and maturing on February 1, 2019, together with \$9,400,000 from the issuance of the Bonds; (ii) currently refund \$7,800,000 of the Borough’s \$12,550,000 Bond Anticipation Note, dated and issued on October 24, 2018 and maturing on February 1, 2019, together with \$4,750,000 from the issuance of the

Bonds; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Note.

Number of Bond Ordinance	Description of Improvement and Date of Adoption of Ordinance	Amount of Note to be Issued
#12-07	Various park improvements, finally adopted April 12, 2012.	\$ 4,800,000
#16-11	Carteret Waterfront Development Project, finally adopted June 2, 2016.	1,500,000
#17-11	Carteret Waterfront Marina Project, finally adopted July 6, 2017.	<u>6,500,000</u>
	Total:	\$ 12,800,000

SECURITY AND SOURCE OF PAYMENT

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

The Note is a valid and legally binding obligation of the Borough, payable in the first instance from the proceeds of the sale of bonds in anticipation of which the Note is issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real property within the Borough without limitation as to rate or amount.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Borough, as annually determined by the State Director of Taxation is \$2,418,242,106.

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

The Borough has not exceeded its statutory debt limit. As of December 31, 2018, the statutory net debt as a percentage of average equalized valuation was 2.078%. As noted above, the statutory limit is 3½%.

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

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

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 (the “Director”) prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

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

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

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

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

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

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the 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, payment of compensated absences 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 appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations, except that transfers may be made between debt service principal and interest.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated

by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

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

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

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the 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 Borough's local school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in the State for various special services rendered to the properties located within the special districts.

Tax bills are typically mailed annually in June or following the adoption of the State budget, at which time state aid is certified, by the Borough's Tax Collector. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under State statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State 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 Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2017 for the Borough is on file with the Clerk and is available for review during business hours.

TAX MATTERS

Exclusion of Interest on the Obligations From Gross Income for Federal Tax Purposes

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

Assuming the Borough observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC ("Bond Counsel") is of the opinion that, under existing law, interest on the Obligations 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 Obligations is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

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

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

Payments of interest on tax-exempt obligations, including the Obligations, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of the Obligations 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 Obligations may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds" or "Premium Note"). The excess, if any, of the tax basis of the Premium Bonds or Premium Note to a purchaser (other than a purchaser who holds such Premium Bonds or Premium Note 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 or Premium Note 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 or Premium Note. Accordingly, an owner of a Premium Bond or

Premium Note may have taxable gain from the disposition of the Premium Bond or Premium Note, even though the Premium Bond or Premium Note is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond or Premium Note. Bond premium amortizes over the term of the Premium Bonds or Premium Note under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds or Premium Note 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 or Premium Note.

Bank Qualification

The Obligations will not be designated as qualified under Section 265 of the Code by the Borough for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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

Additional Federal Income Tax Consequences of Holding the Obligations

Prospective purchasers of the Obligations should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Obligations, 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 Obligations from gross income pursuant to Section 103 of the Code and interest on the Obligations not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Obligations should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Obligations.

Changes in Federal Tax Law Regarding the Obligations

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 Obligations. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Obligations will not have an adverse effect on the tax status of interest on the Obligations or the market value or marketability of the Obligations. 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 Obligations from gross income for federal or state income tax purposes for all or certain taxpayers.

State Taxation

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

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE OBLIGATIONS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE OBLIGATIONS, 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 OBLIGATIONS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

FINANCIAL STATEMENTS

Appendix “B” contains audited financial statements of the Borough for the year ended December 31, 2017. The audited financial statements of the Borough for the year ended December 31, 2017 were audited by Hodulik & Morrison, P.A., Highland Park, New Jersey (the “Auditor”) as stated in their report appearing in Appendix “B” to this Official Statement. 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, will express no opinion with respect thereto. See “APPENDIX B – Audited Financial Statements of the Borough of Carteret, in the County of Middlesex, New Jersey”.

LITIGATION

To the knowledge of the Borough Attorney, Robert J. Bergen, Esquire, Carteret, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Obligations, or the levy or the collection of any taxes to pay the principal of or the interest on the Obligations, or in any manner questioning the authority or the proceedings for the issuance of the Obligations or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided.

SECONDARY MARKET DISCLOSURE

The Bonds

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

(a) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31, 2018, to the Municipal Securities Rulemaking Board through the Electronic

Municipal Market Access Data Port (the “MSRB”) annual financial information with respect to Borough consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Borough and certain financial information and operating data consisting of (i) Borough indebtedness, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB;

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

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

(c) in a timely manner to the MSRB, notice of failure of the Borough to provide required annual financial information on or before the date specified in the undertaking.

The Note

The Borough has covenanted for the benefit of the Noteholders and the beneficial owners of the Note to provide certain secondary market disclosure information pursuant to the Rule. Specifically, for so long as the Note remains outstanding (unless the Note has been wholly defeased), the Borough will provide in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any Material Events with respect to the Note.

The Obligations

In the event that the Borough fails to comply with the above-described undertakings and covenants, the Borough shall not be liable for any monetary damages, remedy of the beneficial owners of the Obligations being specifically limited in the undertaking to specific performance of the covenants.

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

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ended December 31, 2013, 2014 and 2015; (ii) operating data for the fiscal years ended December 31, 2013, 2014, 2015 and 2016; and (iii) adopted budgets for fiscal years ending December 31, 2014, 2015, and 2016. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; (iii) adopted budgets, all as described above; and late filing notices and/or event notices in connection with certain bond insurer rating changes in 2014. Such notices of events and late filings have since been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The Borough appointed Phoenix Advisors, LLC, Bordentown, New Jersey in May of 2018 to serve as continuing disclosure agent.

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

MUNICIPAL BANKRUPTCY

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

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Obligations are subject to the approval of Bond Counsel to the Borough, whose approving legal opinions will be delivered with the Obligations substantially in the forms set forth in Appendix “C” attached hereto. Certain legal matters will be passed on for the Borough by its Borough Attorney.

UNDERWRITING

The Bonds

The Bonds have been purchased from the Borough at a public sale by _____ (the “Bond Underwriter”) at a price of \$ _____ (consisting of the par amount of the Bonds plus an original issue premium of \$ _____). The Bond Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement.

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

The Note

The Note has been purchased from the Borough at a public sale by _____ (the “Note Underwriter” and, together with the Bond Underwriter, the “Underwriters”) at a price of \$ _____ (consisting of the par amount of the Note plus an original issue premium of \$ _____).

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

RATINGS

Moody’s Investor Services, Inc. (the “Rating Agency”) has assigned a rating of “A1” to the Bonds and a short-term rating of “MIG 1” to the Note.

The ratings reflect only the views of the Rating Agency and an explanation of the significance of such ratings may only be obtained from the Rating Agency. The Borough furnished to the Rating Agency certain information and materials concerning the Obligations and the Borough. There can be no assurance that the ratings will be maintained for any given period of time or that they may not be raised, lowered or withdrawn entirely if, in the Rating Agency’s judgment, circumstances so warrant. Any downward change in or withdrawal of such ratings may have an adverse effect on the marketability or market price of the Obligations.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Borough with respect to the issuance of the Obligations (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.

PREPARATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects, and it will confirm same to the purchasers of the Obligations by a certificate signed by the Mayor and Chief Financial Officer.

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

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Patrick J. DeBlasio, CPA, CMFO, CGFM, Chief Financial Officer, Borough of Carteret, 61 Cooke Avenue, Carteret, New Jersey 07008, (732) 541-3820 or the Municipal Advisor, Phoenix Advisors, LLC at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Obligations. 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 Obligations made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borough since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

BOROUGH OF CARTERET, IN THE COUNTY OF MIDDLESEX, NEW JERSEY

Patrick J. DeBlasio, CPA, CMFO, CGFM
Chief Financial Officer

Dated: January __, 2019

APPENDIX A

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE BOROUGH OF
CARTERET IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

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GENERAL INFORMATION REGARDING THE BOROUGH¹

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

General

The Borough, an area of five (5) square miles, is located approximately twelve (12) miles from New York City. The Borough serves as both a residential community and as a place of employment for many. Employment within the Borough is supplied by small and large industrial, professional and mercantile companies. Employment opportunities exist, not only within the Borough, but throughout the surrounding communities of Woodbridge, Perth Amboy, Rahway, and Elizabeth. In addition to the Carteret Industrial Complex, the Borough is drawing new industrial and warehousing businesses to its Urban Enterprise Zone (the “UEZ”). The UEZ Program reduces sales tax to 3.3125%. Many new commercial construction projects are flooding the Urban Enterprise Zone.

The Borough is situated at Exit 12 of the New Jersey Turnpike and is only eight (8) miles from Newark International Airport. The Borough is also in close proximity to the Garden State Parkway and Routes 1 and 9.

Borough Government

The Borough, incorporated in 1906, operates under the Mayor and Council form of Government. The governing body consists of six (6) council members elected at large and a chief executive officer, the Mayor, who is elected separately from the Council. The Mayor is elected by a majority vote of the electorate and serves a four-year term. The Mayor and Council meet on the first and third Thursdays of each month, with the second and fourth Thursdays designated as agenda meetings.

The executive power of the Borough is exercised by the Mayor. Under the Mayor’s direction, the Borough Administration is organized under many professional departments, including Administration, Finance, Public Safety, Public Works, Health and Welfare, Municipal Courts, Economic Development and Parks and Recreation.

Borough Services

The Borough is served by a police department consisting of 63 officers, 53 assigned to the Uniform Division and 10 assigned to the Investigation and administrative personnel and a fleet of 31 marked and 13 unmarked vehicles. Fire protection is provided on a 24-hour, seven day-a-week basis through its 22-member Firefighter/EMT full-time department, 25 per diem EMT personnel and supplemented by 24 volunteer fire fighters. The fire department’s modern firefighting equipment consists of three (3) engine pumpers, one (1) ladder truck, three (3) chief’s vehicles, two (2) utility trucks, two (2) foam pumper fire engines, one (1) foam tender, one (1) fire

¹ Source: The Borough, unless otherwise indicated.

prevention car, four (4) ambulances and one (1) fire boat. A volunteer first aid squad provides emergency treatment and transportation when required for accident or illness.

The Borough provides garbage collection through contracted services with a private third-party firm. Recycling containers are collected biweekly by the Borough Public Works Department.

Utilities are provided by Public Service Electric & Gas Company, NUI, Verizon, and Middlesex Water Company. The Borough's sewerage is currently being treated by the Middlesex County Utilities Authority.

The Borough's streets and roads are maintained by the Borough Public Works Department. County and State roads located within the Borough are maintained by the County Road Department and State Department of Transportation, respectively.

Library

The Borough Free Public Library is operated under the control of a nine (9) member Board of Trustees. Five (5) members are appointed by the Mayor and approved by the Borough Council. The Mayor and Superintendent of schools are also members of the Library Board of Trustees.

The Library system, which is administered by the Library Director, consists of a main library building located at the Borough's Municipal Complex.

Education

The Carteret Board of Education (the "Board") provides education for all pupils grade Pre-Kindergarten (Pre-K) through twelve (12). The Board operates as a Type II district under education law, codified as Title 18A of the New Jersey Statutes. The Board has nine (9) elected members who are residents of the Borough. The Borough has three (3) elementary schools, one (1) middle school and one (1) high school. There is also a parochial school located within the Borough.

Parks and Recreation

Within the Borough there are eleven (11) parks, which offer a variety of activities to all residents, accommodating football, synthetic turf soccer field, baseball leagues, tennis, basketball, miniature golf, fishing pier, boat launch and numerous playground equipment structures.

The Borough recently completed a state-of-the-art artificial turf baseball and softball fields at the Carteret Park. The Borough offers various summer programs every year. The Borough's recreational, cultural and social programs are available to all members of the community and include special programs for the physically challenged and senior citizens.

Building Permits

A summary of the number of building permits issued in the Borough and the value of new construction in the borough during the past ten (10) years is presented below.

<u>Year</u>	<u>Number of Permits</u>	<u>Value of Construction</u>
2017	997	\$51,132,589
2016	942	54,749,858
2015	1,095	52,673,859
2014	571	26,657,864
2013	1,116	49,231,189
2012	1,086	25,747,129
2011	1,120	48,559,329
2010	1,102	54,373,181
2009	926	37,415,999
2008	1,203	71,274,875

Source: Borough Construction Code Official

Redevelopment

Lower Roosevelt Avenue Business District Redevelopment Area – This redevelopment area is approximately eight (8) acres within the Borough’s Chrome section. The designated redeveloper, Kaplan at Carteret, LLC, constructed a mix of 384 townhomes, luxury rental apartments and approximately 14,000 square feet of commercial/retail space. The project was exempted by the Borough under the Long Term Tax Exemption Law, N.J.S.A. 40A:20-1 et seq. The Carteret Redevelopment Agency (the “Agency”) issued bonds pursuant to the Redevelopment Area Bond Financing Law, N.J.S.A. 40A:12A-67-1 et seq., the proceeds of which were used to help finance various pre-development and infrastructure costs. The Annual Service Charges paid by the Redeveloper and assigned by the Borough to the Agency are used to pay the debt service on the bonds, and the Borough retains the balance of the revenues. The Annual Service Charges have always been sufficient to cover the debt service and, for 2017 and 2018, the excess PILOT revenue retained by the Borough amounted to \$605,000 and \$610,000 respectively.

Washington Avenue Greyfields Redevelopment Area – This redevelopment area spans a large portion of Washington Avenue and currently includes the new Burger Express restaurant. The plans also include a next phase of redevelopment, which is currently underway and includes 13,000 square feet of retail space and 60-80 two bedrooms luxury residential units.

West Carteret Minue Street Retail Redevelopment Area – AJ Richard & Sons, Inc., the designated redeveloper for most of this redevelopment area, completed the renovation and expansion of an existing warehouse and another existing building, and now houses a mix of warehouse, office and retail uses. This site is now the home of PC Richard & Son, one of the

Borough's largest employers. Redevelopment of the area will continue with construction of a 125-room Marriot Hotel beginning in Spring 2019.

Chrome/Waterfront Roosevelt Avenue Redevelopment Area – This area has been redeveloped to include Meridian Square, a 160-unit apartment complex and Meridian II, a 190-unit rental apartment complex.

180-182 Roosevelt Avenue – RVN purchased property from the Borough and is constructing thereon a project consisting of 60 market rate residential units; RVN is expected to complete construction in February 2019. Upon its completion, the project is expected to generate approximately \$190,000 in Annual Service Charges, in addition to the permit and impact fees associated with the construction.

Pershing Avenue Redevelopment Area – RVN and the Borough have exchanged a Term Sheet outlining the terms for the redevelopment of this principally Borough-owned area, on which RVN will construct approximately 54 rental residential units, along with ancillary retail space, tenant amenities and a rooftop terrace. The Redeveloper will purchase the property from the Borough for over \$1,750,000, and the Redeveloper is expected to pay an Annual Service Charge to the Borough in an amount equal to 15% of its annual gross revenues, in addition to permit and impact fees associated with the construction. The Borough projects such Annual Service Charges to start at about \$150,000 per year.

The Hampshire Companies – one of the most prolific developers in New Jersey, has made an unparalleled commitment in the Borough, undertaking multiple redevelopment projects over the last few years, in several different sections of the Borough. For example:

- **West Carteret Redevelopment Area** at 50 Bryla – This project included the construction of an approximately 500,000 square foot warehouse facility on Bryla Street. This project is generating over \$1,000,000 per year in Annual Service Charges, in addition to the permit and impact fees associated with the construction. The new building, developed by the Hampshire Group, is now home to Performance Team, a leading provider of ecommerce, distribution and transportation services to the retail, fashion, and automotive industries, and the only New Jersey distributor for TJ Maxx and Home Goods.
- **Federal Boulevard Redevelopment Area, Phase I:**
 - 1500 Blair Road – This project included the construction of an approximately 156,000 square foot warehouse facility on Blair Road. This project was completed in 2018 and will generate over \$350,000 per year in Annual Service Charges, in addition to the permit and impact fees associated with the construction.
 - 700 Federal Boulevard – An affiliate of the Hampshire Companies has been designated as redeveloper for this site. The parties have negotiated a redevelopment agreement and are expected to execute same in January 2019. Under the Redevelopment Agreement, the Redeveloper will construct two (2)

warehouse/distribution buildings, totaling approximately 490,000 square feet. Upon the completion of this project, it is expected to generate approximately \$1,347,500 per year in Annual Service Charges, in addition to the permit and impact fees associated with the construction. Although the parties have not yet executed such redevelopment agreement, the redeveloper has obtained site plan approval for this project from the Carteret Planning Board.

- Raskulinecz – An affiliate of the Hampshire Companies has been designated as redeveloper for this site. The parties have negotiated a redevelopment agreement and are expected to execute same in January 2019. Under the Redevelopment Agreement, the Redeveloper will construct an approximately 91,000 square foot warehouse/distribution building. Upon the completion of this project, it is expected to generate approximately \$250,000 per year in Annual Service Charges, in addition to the permit and impact fees associated with the construction. Although the parties have not yet executed such redevelopment agreement, the redeveloper has obtained site plan approval for this project from the Carteret Planning Board.
- **48 Lefferts Street Self-Storage Facility** – This project includes the construction of an approximately 75,000 square foot self-storage facility on Lefferts Street. This project was completed in 2018 and will generate almost \$137,000 per year in Annual Service Charges upon stabilization, in addition to the permit and impact fees associated with the construction.
- **Locust Street Redevelopment Area** – The Hampshire Companies and the Borough have exchanged a Term Sheet outlining the terms for the redevelopment of this partially Borough-owned area, on which Hampshire will construct between 200-300 rental residential units, along with ancillary retail space and tenant amenities. The Redeveloper will purchase the property from the Borough for \$32,500 per unit, and the Redeveloper is expected to pay an Annual Service Charge to the Borough in an amount equal to 15% of its annual gross revenues, in addition to permit and impact fees associated with the construction.

Federal Boulevard Redevelopment Area, Phase II – This completed project includes two (2) parcels along Federal Boulevard in the Western section of the Borough, and a renovated, abandoned 230,000 square foot warehouse which houses Berje, Inc., a 40+ year-old privately owned company engaged in the distribution, mixing and packaging of perfume materials, essential oils, fragrances and other bases.

Roosevelt Avenue Light Industrial District Redevelopment Area – F. Greek Newco 377, LLC, constructed a 259,000 Square Foot warehouse/office building on this site. This site is now the home of ASA Apple, one of the Borough's largest employers.

I Port 12 Project – This project includes the capping of the former Borough landfill and the construction of a state-of-the-art warehouse/distribution center by the designated redeveloper, Titan-PDC Carteret, LLC, and an Urban Renewal Entity created by Titan-PDC. This property was

exempted by the Borough under the Long Term Tax Exemption Law, N.J.S.A. 40A:20-1 et seq. In 2006, the Agency borrowed funds through the New Jersey Environmental Infrastructure Trust and issued bonds pursuant to the Redevelopment Area Bond Financing Law, N.J.S.A. 40A:12A-64 et seq. to evidence its loan repayment obligation. The Agency used the proceeds of this loan to help remediate the property, and the Annual Service Charges paid by the redeveloper, and assigned by the Borough to the Agency, are used to pay the debt service on these bonds. While the Borough guarantees this debt, the Annual Service Charges are sufficient to cover the debt service and have always been paid in a timely manner.

Cooke Avenue Scattered Sites Redevelopment Area – The redevelopment of this area included the construction of the 36,000 square foot RWJ Barnabus Health and Wellness Center, which includes Weight and Exercise Rooms, an 8,600 square foot Multi-Purpose Sports Room, a 7,000 square foot Aquatics Center with a Swimming Pool and Viewing Area, a Day-Care Center, Physical Therapy facilities, a Café, and related office space. The Center opened on November 1, 2011 and is operated by Robert Wood Johnson University Hospital Rahway.

Kinder Morgan Redevelopment Area – This completed redevelopment site is located in a heavy industrial zone in the northern portion of the Borough and occupies an area of 13.5 acres.

Middlesex Avenue Redevelopment Area – Middlesex Industrial, LLC acquired a portion of this area from the Agency and constructed thereon a 35,000 square foot refrigerated warehouse. Middlesex Food Stores, LLC acquired another portion of this area from the Agency and constructed thereon a state-of-the-art service station containing six (6) fueling pump and 12 fueling positions, and an approximately 3,200 square foot convenience store. This formerly tax-exempt property now generates almost \$170,000 per year in tax revenue as a result of these two projects.

AMAX Property Redevelopment Area – This area includes 56 acres of environmentally contaminated land adjacent to the Arthur Kill, and is currently under remediation. It will ultimately include warehouse and/or other light industrial uses.

Cooke Avenue Mixed-Use Redevelopment Area – Urban Lofts has been designated as the redeveloper of a portion of this redevelopment area, which is in the heart of the Borough. This redeveloper will purchase the property located in this area, which is currently owned by the Borough, and will construct thereon a project consisting of 240 luxury rental residential units over a first-floor restaurant and retail/office space, along with a rooftop bar with views of the New York City skyline. Buildings and other improvements have been demolished, so the site is ready for development once the designated redeveloper obtains necessary land use approvals. The Borough acquired another portion of this redevelopment area in August 2014. This portion of the area formerly housed the Ritz Theater from 1928 – 1965. The Borough intends to restore the site to its original use and create the cornerstone of what will become a local arts district, which will include a 1,250-seat auditorium, to be known as the Carteret Performing Arts Center, which will host theatrical and musical performances, along with an adjacent movie theater.

27 Washington Ave – This mixed-use residential development located in the heart of the Borough's upcoming Downtown Arts District was approved in 2014 and features 67 residential units to be constructed above 12,000 square feet of commercial space. It will wrap around the

recently completed, 450 space, Carteret Business Partnership-owned parking garage that will provide parking for Borough residents, downtown shoppers and patrons of the soon to be constructed Carteret Performing Arts Center.

Port Carteret – A unique industrial seaport complex located on the Arthur Kill River with easy access to all major national and international modes of transportation. It was built on the old US Metals property and is 184 acres. Upon completion, Port Carteret will consist of 2,100,000 square feet of industrial space within seven (7) buildings.

Rahway Arch Remediation Zone – The project, which preserves and enhances 40 acres of wetlands, while remediating 85 acres of contaminated ground, received strong approval from the state Department of Environmental Protection and has the enthusiastic support of municipal and county officials. Recycled soil is being used to cap contaminated sludge, which had been exposed to humans, wildlife and the elements for decades. Workers are controlling the sludge pits through engineering controls surpassing modern-day environmental regulation, finally cutting off the tons of cyanide and other harmful materials seeping into the Rahway River each year. As operators of a project-specific Class B Recycling facility, Soil Safe is producing the engineered product needed to remediate the site. Meanwhile, millions of dollars are being generated from the recycling revenues as host community benefits which are used for other recreational and environmental improvements in the Borough.

Carteret UEZ Program – The ongoing New Jersey Enterprise Zone (UEZ) Program offers participating businesses an advantage by providing incentives that encourage business growth and stimulate local economies. Enacted in 1983, the UEZ Program was designed to foster an economic climate that revitalizes and stimulates designed urban communities. The UEZ Program encourages business development and growth to create private-sector jobs through public and private investment. The Borough was designed a UEZ Zone in 1995. The UEZ Program has been called the “best in the nation” by the non-partisan national Association of State Development Agencies. The UEZ Program provides the following benefits to businesses: (i) reduced sales tax to 3.3125%; (ii) tax free purchases on certain items such as capital equipment, facility expansions, and upgrades; (iii) financial assistance from State agencies such as the NJEDA; (iv) subsidized unemployment insurance for employees who earn less than \$4,500 per quarter; (v) energy sales tax exemption for qualified manufacturing firms with at least 250 employees, of which 50% are working in manufacturing; and (vi) tax credit options of either \$1,500 for each new permanent full-time employee hired or up to 8% corporate business tax credit on qualified investments.

Retirement Systems

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

Pension Information²

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost.

Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State. The unemployment rate is estimated to be 3.2% as of October 2018.

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2017	11,827	11,204	623	5.3%
2016	11,804	11,159	645	5.5%
2015	11,867	11,071	796	6.7%
2014	11,754	10,881	873	7.4%
2013	11,710	10,648	1,062	9.1%
<u>County</u>				
2017	442,313	424,201	18,112	4.1%
2016	442,068	422,500	19,568	4.4%
2015	440,742	418,062	22,680	5.1%
2014	436,315	409,691	26,624	6.1%
2013	432,108	399,543	32,565	7.5%
<u>State</u>				
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%
2013	4,548,569	4,173,815	374,738	8.2%

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

² Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

Income (as of 2016)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$67,776	\$80,716	\$72,062
Median Family Income	75,079	95,823	87,999
Per Capita Income	24,926	35,209	36,359

Source: US Bureau of the Census 2016 Estimate

Population

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	24,084	5.43%	842,798	4.07%	8,944,469	1.74%
2010	22,844	10.31	809,858	7.96	8,791,894	4.49
2000	20,709	8.85	750,162	11.67	8,414,350	8.85
1990	19,025	-7.64	671,780	12.74	7,730,188	4.96
1980	20,598	-10.97	595,893	2.07	7,365,001	2.75

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
GATX/Kinder Morgan	\$132,000,000	5.44%
50 Bryla HPFVIII Urban Renewal	72,551,900	2.99%
KTR UR REN c/o Prologis	58,981,800	2.43%
KTR Carteret c/o Prologis	57,262,683	2.36%
Federal Blvd LLC	47,319,600	1.95%
Bristol Tic LLC Etal	41,748,000	1.72%
T-C 200 Milk Street LLC	38,296,500	1.58%
Keystone c/o Prologis Tax	35,488,000	1.46%
Cypres Amax c/o Freeport	35,347,500	1.46%
GATX/Kinder Morgan	<u>34,129,200</u>	<u>1.41%</u>
Total	<u>\$553,125,183</u>	<u>22.80%</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>
2017	\$67,071,650	\$65,930,150	98.30%
2016	63,909,417	63,039,505	98.64%
2015	62,347,782	61,431,270	98.53%
2014	59,210,215	58,290,007	98.45%
2013	57,379,334	56,385,421	98.27%

Source: Annual Audit Reports of the Borough

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>
2017	\$61,093	\$528,453	\$589,545	0.88%
2016	36,983	787,949	824,932	1.29%
2015	32,311	681,087	713,398	1.14%
2014	30,985	784,085	815,070	1.38%
2013	29,716	828,197	857,913	1.50%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2017	\$896,900
2016	896,900
2015	896,900
2014	896,900
2013	896,900

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	Local			<u>Total</u>
	<u>Municipal</u>	<u>School</u>	<u>County</u>	
2018	\$1.195	\$1.162	\$0.370	\$2.727
2017R	1.160	1.113	0.357	2.630
2016	1.325	1.394	0.448	3.167
2015	1.291	1.376	0.454	3.121
2014	1.239	1.340	0.406	2.985

R=Revaluation

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

Valuation of Property

<u>Year</u>	Aggregate Assessed Valuation of Real Property	Aggregate True Value of Real Property	Ratio of Assessed to True Value	Assessed Value of Personal Property	Equalized Valuation
2018	\$2,422,766,503	\$2,516,637,066	96.27%	\$2,965,620	\$2,519,602,686
2017R	2,449,904,983	2,281,740,694	107.37	2,818,532	2,284,559,226
2016	1,898,266,165	2,456,348,557	77.28	2,494,459	2,458,843,016
2015	1,893,083,140	2,142,466,206	83.36	2,444,838	2,144,911,044
2014	1,883,883,407	2,171,373,222	86.76	2,830,406	2,174,203,628

R=Revaluation

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2018	\$50,741,800	\$1,243,002,320	\$0	\$274,207,900	\$729,064,683	\$125,749,800	\$2,422,766,503
2017R	54,547,300	1,245,829,200	0	279,228,900	741,107,283	129,192,300	2,449,904,983
2016	40,092,400	1,066,429,882	0	209,102,500	489,878,983	92,762,400	1,898,266,165
2015	49,410,800	1,066,310,457	0	225,843,500	458,755,983	92,762,400	1,893,083,140
2014	42,044,200	1,065,493,007	0	220,603,200	469,660,300	86,082,700	1,883,883,407

R=Revaluation

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fund Balance Utilized	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,600,000
Miscellaneous Revenues	11,394,624	12,507,605	13,551,270	13,481,917	14,338,835
Receipts from Delinquent Taxes	810,000	785,000	675,000	750,000	548,000
Amount to be Raised by Taxation	<u>22,824,100</u>	<u>23,901,350</u>	<u>24,634,200</u>	<u>27,738,057</u>	<u>28,259,530</u>
Total Revenue:	<u>\$37,528,724</u>	<u>\$39,693,955</u>	<u>\$41,360,470</u>	<u>\$44,469,974</u>	<u>\$45,746,364</u>
<u>Appropriations</u>					
General Appropriations	\$28,811,068	\$29,927,069	\$27,922,800	\$29,867,300	\$33,995,895
Operations (Excluded from CAPS)	3,725,671	3,822,278	3,753,379	3,194,720	4,239,093
Deferred Charges and Statutory Expenditures	100,000	100,000	3,244,056	3,873,670	0
Capital Improvement Fund	1,412,857	1,587,470	1,447,399	2,120,597	2,196,455
Municipal Debt Service	1,979,128	2,957,138	3,742,836	3,913,687	3,939,922
Reserve for Uncollected Taxes	<u>1,500,000</u>	<u>1,300,000</u>	<u>1,250,000</u>	<u>1,500,000</u>	<u>1,375,000</u>
Total Appropriations:	<u>\$37,528,724</u>	<u>\$39,693,955</u>	<u>\$41,360,470</u>	<u>\$44,469,974</u>	<u>\$45,746,364</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2017	\$5,885,801	\$2,600,000
2016	5,780,027	2,500,000
2015	5,862,257	2,500,000
2014	6,365,681	2,500,000
2013	4,525,301	2,500,000

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2018

General Purpose Debt

Serial Bonds	\$11,030,000
Bond Anticipation Notes	37,700,000
Bonds and Notes Authorized but Not Issued	6,959,265
Other Bonds, Notes and Loans	<u>37,971,220</u>
Total:	\$93,660,484

Local School District Debt

Serial Bonds	\$9,690,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$9,690,000

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$103,350,484

Less: Statutory Deductions

General Purpose Debt	\$43,403,926
Local School District Debt	9,690,000
Self-Liquidating Debt	<u>0</u>
Total:	\$53,093,926

TOTAL NET DEBT

\$50,256,558

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2017)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$9,690,000	100.00%	\$9,690,000
Carteret Redevelopment Agency	\$27,519,413	100.00%	27,519,413
County	690,097,707	2.17%	<u>14,961,284</u>
Net Indirect Debt			\$52,170,697
Net Direct Debt			<u>55,413,454</u>
Total Net Direct and Indirect Debt			<u>\$107,584,152</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$2,418,242,106
Permitted Debt Limitation (3 1/2%)	84,638,474
Less: Net Debt	<u>50,256,558</u>
Remaining Borrowing Power	<u>\$34,381,916</u>
Percentage of Net Debt to Average Equalized Valuation	2.078%
Gross Debt Per Capita based on 2010 population of 22,844	\$4,524
Net Debt Per Capita based on 2010 population of 22,844	\$2,200

Source: Annual Debt Statement of the Borough

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

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE BOROUGH OF CARTERET,
IN THE COUNTY OF MIDDLESEX, NEW JERSEY**

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HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)
(E-MAIL) admin@hm-pa.net

ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Carteret
County of Middlesex, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets – regulatory basis of the various funds and governmental fixed assets of the Borough of Carteret, County of Middlesex, New Jersey, as of and for the years ended December 31, 2017 and 2016 and the related statements of operations and changes in fund balance – regulatory basis for the years then ended and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis for the year ended December 31, 2017 and the related notes to the 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 financial reporting provisions of 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 misstatement, whether due to error or fraud.

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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 opinion.

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

As described in Note 2, these financial statements were prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, United States of America, that demonstrate compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. These prescribed principles are designed primarily for determining compliance with legal provisions and budgetary restrictions, and as a means of reporting on the stewardship of public officials with respect to public funds. Accordingly, the accompanying financial statements – regulatory basis are not intended to present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. The effect on the financial statements between these regulatory accounting practices 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 in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial positions of the Borough of Carteret, County of Middlesex, New Jersey, as of December 31, 2017 and 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and governmental fixed assets of the Borough of Carteret, County of Middlesex, New Jersey as of December 31, 2016 and 2015 and the results of operations and changes in fund balance – regulatory basis for the year then ended and the related statements of revenues – regulatory basis and statements of expenditures – regulatory basis of the various funds for the year ended December 31, 2017, on the basis of accounting described in Note 2.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that pension plan information, including the Notes thereto, (Required Supplementary Information – Part II), as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

/s/HODULIK & MORRISON, P.A.
Certified Public Accountants
Registered Municipal Accountants
Public School Accountants
Highland Park, New Jersey
June 21, 2018

HODULIK & MORRISON, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
1102 RARITAN AVENUE, P.O. BOX 1450
HIGHLAND PARK, NJ 08904
(732) 393-1000
(732) 393-1196 (FAX)
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ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

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NEW JERSEY SOCIETY OF CPA'S
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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Carteret
County of Middlesex, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis, of the Borough of Carteret, County of Middlesex as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough of Carteret, County of Middlesex's financial statements and have issued our report thereon dated June 21, 2018. Our report was modified due to the departure from accounting principles generally accepted in the United States of America, as disclosed in Note 2, that are embodied in the Other Comprehensive Basis of Accounting Utilized for financial statements presentations and was unmodified based upon that Other Comprehensive Basis of Accounting.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Carteret's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Carteret's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Carteret's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Carteret's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance, Accordingly, this communication is not suitable for any other purpose.

/s/HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Highland Park, New Jersey
June 21, 2018

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>REF.</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
Current Fund:				Liabilities:			
Cash and Investments	A-4	\$ 9,418,358.96	\$ 8,549,641.41	Appropriation Reserves	A-3,A-14	\$ 588,061.85	\$ 319,115.44
Cash - Change Funds	A-5	350.00	350.00	Reserve For Encumbrances	A-3,A-14	1,843,860.31	1,471,934.46
Due from State of NJ- Sr Citizen & Veterans' Ded	A-6	<u>2,275.33</u>	<u>395.19</u>	Prepaid Taxes	A-16	647,211.03	390,200.11
		<u>9,420,984.29</u>	<u>8,550,386.60</u>	Sewer Overpayments	A-17	16,679.17	11,236.46
				Tax Overpayment	A-18	110,254.45	218,914.48
				Various Accounts Payable	A-19	308,008.65	347,715.57
				Various Reserves	A-19	<u>21,107.53</u>	<u>11,242.80</u>
Receivables and Other Assets						3,535,182.99	2,770,359.32
With Full Reserves:				Reserve for Receivables and Other Assets	Reserve	1,951,165.91	2,292,418.32
Delinquent Property Taxes Receivable	A-7	528,452.69	787,948.86	Fund Balance	A-1	<u>5,885,801.30</u>	<u>5,780,027.28</u>
Tax Title Liens Receivable	A-9	61,092.75	36,983.13				
Sewer Rents Receivable	A-11	318,736.24	442,572.09				
Sewer Liens Receivable	A-12	6,300.91	5,850.91				
Property Acquired for Taxes - Assessed Value	A-8	896,900.00	896,900.00				
Demolition Liens Receivable	A-13	9,000.00	9,000.00				
Revenue Accounts Receivable	A-10	<u>130,683.32</u>	<u>113,163.33</u>				
		<u>1,951,165.91</u>	<u>2,292,418.32</u>				
Total Current Fund		<u>11,372,150.20</u>	<u>10,842,804.92</u>	Total Current Fund		<u>11,372,150.20</u>	<u>10,842,804.92</u>
Federal and State Grant Fund				Federal and State Grant Fund:			
Grants Receivable	A-22	<u>2,194,475.40</u>	<u>2,193,543.69</u>	Due to Capital Fund	A-21	511,516.43	474,709.97
				Reserve for Encumbrances	A-23	449,180.14	119,449.33
				Reserve for Grants - Unappropriated	A-24	43,804.54	61,886.31
				Reserve for Grants - Appropriated	A-23	<u>1,189,974.29</u>	<u>1,537,498.08</u>
Total Grant Fund		<u>2,194,475.40</u>	<u>2,193,543.69</u>	Total Grant Fund		<u>2,194,475.40</u>	<u>2,193,543.69</u>
		<u>\$ 13,566,625.60</u>	<u>\$ 13,036,348.61</u>			<u>\$ 13,566,625.60</u>	<u>\$ 13,036,348.61</u>

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

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

<u>REVENUE AND OTHER INCOME</u>	<u>REF.</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
Fund Balance Utilized	A-1,A-2	\$ 2,500,000.00	\$ 2,500,000.00
Miscellaneous Revenue Anticipated	A- 2	14,435,332.00	14,688,727.23
Receipts from Delinquent Taxes	A- 2	731,818.38	655,772.42
Receipts from Current Taxes	A- 2	65,930,149.63	63,039,505.13
Non-Budget Revenue	A- 2	878,064.93	451,119.29
Revenue Accounts Receivable - Sewer Loan	A-10	3,650.43	
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-14	297,475.58	347,687.75
Cancellation of State and Federal Grants Appropriated	A-15	-	4,779,784.93
Cancellation of Accounts Payable	A-19	171,280.87	9,490.95
Cancellation of Tax Overpayments	A-18	32,045.98	22,462.51
		<hr/>	<hr/>
Total Income		84,979,817.80	86,494,550.21
		<hr/>	<hr/>
<u>EXPENDITURES</u>			
Budget Appropriations			
Operations			
Salaries and Wages	A- 3	15,551,300.00	15,456,000.00
Other Expenses	A- 3	17,954,970.40	16,707,670.39
Capital Improvements	A- 3	2,120,597.00	1,447,399.00
Municipal Debt Service	A- 3	3,903,854.15	3,722,300.29
Deferred Charges and Statutory Expenditures	A- 3	3,194,720.00	3,244,056.00
County Taxes	A-20	8,742,438.13	8,492,331.80
County Share of Added and Omitted Taxes	A-20	4,189.75	133,535.06
Local District School Taxes	A-20	27,289,885.00	26,489,010.00
Special District Taxes	A-20	2,552,203.00	2,442,650.00
Municipal Open Space Tax	A-20	736,169.15	579,160.53
Refund State Tax Appeals	A-4	311,874.73	524,049.74
Cancellation of State and Federal Grants Receivable	A-15	-	4,830,069.10
Prior Year Senior Citizens' and Veterans' Deductions Allowed/Disallowed (Net)	A- 6	11,842.47	8,547.95
		<hr/>	<hr/>
Total Expenditures		82,374,043.78	84,076,779.86
		<hr/>	<hr/>
Excess in Revenue		2,605,774.02	2,417,770.35
		<hr/>	<hr/>
Regulatory Excess to Fund Balance		2,605,774.02	2,417,770.35
		<hr/>	<hr/>
Fund Balance, January 1	A	5,780,027.28	5,862,256.93
		<hr/>	<hr/>
		8,385,801.30	8,280,027.28
Decreased by:			
Utilization as Anticipated Revenue	A-1	2,500,000.00	2,500,000.00
		<hr/>	<hr/>
Fund Balance, December 31	A	\$ 5,885,801.30	\$ 5,780,027.28
		<hr/>	<hr/>

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	REF.	ANTICIPATED 2017 BUDGET	N.J.S.A. 40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Surplus Anticipated	A- 1	\$ 2,500,000.00		\$ 2,500,000.00	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-10	30,000.00		32,752.00	2,752.00
Other	A-10	40,000.00		34,631.16	(5,368.84)
Fees and Permits	A-10	1,010,000.00		1,014,751.20	4,751.20
Municipal Court - Fines and Costs	A-10	410,000.00		567,946.08	157,946.08
Interest and Costs on Taxes	A-10	275,000.00		286,161.83	11,161.83
Interest on Investments and Deposits	A-10	30,000.00		118,553.72	88,553.72
Sewer User Fees	A-11	5,400,000.00		5,731,706.54	331,706.54
Payment in Lieu of Taxes	A-10	2,100,000.00		2,451,740.42	351,740.42
Energy Receipts Taxes	A-10	2,224,217.00		2,224,217.00	-
Consolidated Municipal Property Tax Relief Act	A-10	358,894.00		358,894.00	-
Uniform Construction Code Fees	A-10	1,250,000.00		1,060,990.00	(189,010.00)
Engineering Fees	A-10	10,000.00		15,408.70	5,408.70
Uniform Fire Safety Act	A-10	30,000.00		62,272.47	32,272.47
Carteret Hazmat Funding	A-10	250,000.00		300,000.00	50,000.00
Clean Communities Grant	A-22		37,974.12	37,974.12	-
Municipal Alliance on Alcoholism and Drug Abuse	A-22		17,500.00	17,500.00	-
Body Armor	A-22	4,991.12	5,642.09	10,633.21	-
Older Americans Act	A-22	17,208.00		17,208.00	-
County Historic Grant	A-22	1,920.00		1,920.00	-
Click It Or Ticket It	A-22	15,000.00		15,000.00	-
Federal Coastal Zone Management	A-22	9,949.50		9,949.50	-
Municipal Court-DWI	A-22	2,477.69		2,477.69	-
Recycling Tonnage Grant	A-22		37,154.91	37,154.91	-
Municipal Recycling Assistance	A-22	12,260.00		12,260.00	-
Summer Food	A-22		13,229.45	13,229.45	-
Total Miscellaneous Revenues		13,481,917.31	111,500.57	14,435,332.00	841,914.12

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	ANTICIPATED 2017 <u>BUDGET</u>	N.J.S.A. <u>40A:4-87</u>	<u>REALIZED</u>	EXCESS OR <u>(DEFICIT)</u>
Receipts from Delinquent Taxes		<u>750,000.00</u>	<u> </u>	<u>731,818.38</u>	<u>(18,181.62)</u>
Subtotal General Revenues		<u>16,731,917.31</u>	<u>111,500.57</u>	<u>17,667,150.38</u>	<u>823,732.50</u>
Amount to be Raised by Taxes for Support of:					
Municipal Budget	A-7	27,024,342.67		27,391,550.33	367,207.66
Library Tax	A-7	<u>713,714.27</u>		<u>713,714.27</u>	<u>-</u>
Subtotal Amount to be Raised by Taxes		27,738,056.94		28,105,264.60	367,207.66
Total General Revenues		<u>44,469,974.25</u>	<u>111,500.57</u>	<u>45,772,414.98</u>	<u>1,190,940.16</u>
Non-Budget Revenues		<u> </u>	<u> </u>	<u>878,064.93</u>	<u>878,064.93</u>
		<u>\$ 44,469,974.25</u>	<u>\$ 111,500.57</u>	<u>\$ 46,650,479.91</u>	<u>\$ 2,069,005.09</u>
Adopted Budget	A- 3	\$ 44,469,974.25			
Added by N.J.S.A. 40A:4-87	A- 3	<u>111,500.57</u>			
		<u>\$ 44,581,474.82</u>			

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

CURRENT FUND
 STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	ANTICIPATED 2017 <u>BUDGET</u>	N.J.S.A. 40A:4-87	<u>REALIZED</u>	EXCESS OR (<u>DEFICIT</u>)
<u>Analysis of Realized Revenues</u>					
Allocation of Current Tax Collections:					
Prepaid Taxes Prior Year		\$ 390,200.11			
Cash Collected 2017		65,380,947.46			
State Share of Sr Citizens & Vet. Deductions Allowed		<u>159,002.06</u>			
			\$ 65,930,149.63		
Allocated to:					
School, County and Special District Taxes			<u>39,324,885.03</u>		
			26,605,264.60		
Add: Reserve for Uncollected Taxes			<u>1,500,000.00</u>		
Amount for Support of Municipal Budget			<u><u>\$ 28,105,264.60</u></u>		

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY
 CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Operations Within "CAPS"						
<u>GENERAL GOVERNMENT</u>						
Mayor and Council						
Salaries and Wages	\$ 167,000.00	\$ 167,000.00	166,986.27	\$	13.73	\$
Other Expenses	10,300.00	13,300.00	11,183.61	1,725.00	391.39	
Municipal Clerk						
Salaries and Wages	475,000.00	470,000.00	469,495.23	504.77	0.00	
Other Expenses	43,000.00	48,000.00	44,994.92	1,703.36	1,301.72	
Financial Administration						
Salaries and Wages	350,000.00	340,000.00	329,592.25	7,000.00	3,407.75	
Other Expenses	59,000.00	69,000.00	62,371.21	5,787.00	841.79	
Annual Audit						
Other Expenses	33,000.00	33,000.00		33,000.00	-	
Revenue Administration						
Salaries and Wages	189,000.00	189,000.00	186,497.13	2,502.87	(0.00)	
Other Expenses	21,000.00	24,000.00	19,570.59	3,464.96	964.45	
Assessment of Taxes						
Salaries and Wages	124,000.00	104,000.00	100,871.76	1,100.00	2,028.24	
Other Expenses	50,000.00	37,800.00	26,318.95	9,424.49	2,056.56	
Legal Services and Costs						
Salaries and Wages	178,000.00	193,000.00	186,222.75	3,500.00	3,277.25	
Other Expenses	450,000.00	470,000.00	411,604.72	41,014.52	17,380.76	
Engineering Services and Costs						
Salaries and Wages	346,000.00	326,000.00	317,042.44	6,500.00	2,457.56	
Other Expenses	350,000.00	480,000.00	322,811.70	157,043.33	144.97	
Economic Development Agency						
Salaries and Wages	60,000.00	45,000.00	38,249.97	1,000.00	5,750.03	
Other Expenses	101,500.00	101,500.00	1,471.71		28.29	100,000.00
Municipal Land Use Law (N.J.S.A. 40:55D-1)						
Planning Board						
Salaries and Wages	38,000.00	18,000.00	12,559.45	250.00	5,190.55	
Other Expenses	3,000.00	3,000.00	129.00	801.00	2,070.00	
Zoning Board						
Salaries and Wages	38,000.00	18,000.00	13,014.69	350.00	4,635.31	
Other Expenses	1,500.00	1,500.00	185.00		1,315.00	

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY
 CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>EXPENDED</u>			UNEXPENDED BALANCE <u>CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Contribution to Redevelopment Agency	125,000.00	125,000.00	125,000.00		-	
Contribution to Port Authority	500,000.00	500,000.00	500,000.00		-	
Contribution to Historical Society	5,000.00	5,000.00	2,611.35		2,388.65	
Central Jersey Arts Council	155,000.00	155,000.00	96,641.70		18,358.30	40,000.00
Special Improvement District	100,000.00	100,000.00	100,000.00		-	
Insurance						
Liability Insurance and Surety Bond Premium	810,000.00	810,000.00	806,052.33		3,947.67	
Worker Compensation Insurance	445,000.00	445,000.00	346,939.57		98,060.43	
Employee Group Insurance	5,500,000.00	5,500,000.00	4,939,239.39	450,085.57	10,675.04	100,000.00
Unemployment Insurance	70,000.00	70,000.00	70,000.00		-	
<u>PUBLIC SAFETY</u>						
Police						
Salaries and Wages:						
Permanent Full Time	7,200,000.00	7,045,000.00	6,783,037.13	261,962.87	0.00	
School Crossing Guards	300,000.00	300,000.00	286,452.44	13,547.56	(0.00)	
Other Expenses	186,000.00	286,000.00	166,749.41	67,105.06	52,145.53	
Police Dispatch/911						
Salaries and Wages	445,000.00	460,000.00	448,571.76	11,428.24	(0.00)	
Emergency Management Services						
Salaries and Wages	8,800.00	8,800.00	7,452.95	1,347.05	0.00	
Other Expenses	10,000.00	10,000.00	5,440.46	688.92	3,870.62	
Emergency Medical Services						
Salaries and Wages	400,000.00	360,000.00	349,350.43	10,649.57	0.00	
Other Expenses:	66,000.00	66,000.00	57,583.32	8,416.68	-	
Aid to Volunteer Fire Companies	57,000.00	47,000.00	17,046.09	13,521.29	16,432.62	
Fire						
Salaries and Wages	2,335,000.00	2,505,000.00	2,422,020.82	82,979.18	0.00	
Other Expenses:						
Miscellaneous Other Expenses	474,500.00	474,500.00	405,203.95	48,547.82	20,748.23	
Carteret Hazmatt Assoc Agreement						
Salaries and Wages	176,000.00	176,000.00	176,000.00		-	
Other Expenses:	91,000.00	91,000.00	19,524.95	20,564.91	50,910.14	
Municipal Prosecutor						
Salaries and Wages	36,000.00	44,000.00	43,100.65	899.35	(0.00)	

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY
 CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>STREETS AND ROADS</u>						
Road Repairs and Maintenance						
Salaries and Wages	600,000.00	590,000.00	583,847.45	6,152.55	0.00	
Other Expenses	125,000.00	175,000.00	110,786.06	59,674.15	4,539.79	
<u>SANITATION</u>						
Street Cleaning						
Salaries and Wages	175,000.00	155,000.00	151,885.77	3,114.23	0.00	
Other Expenses	1,500.00	1,500.00		584.00	916.00	
Garbage and Trash Removal						
Other Expenses	1,330,000.00	1,350,000.00	1,246,434.26	85,272.15	18,293.59	
Public Buildings and Grounds						
Salaries and Wages	185,000.00	175,000.00	166,205.23	7,000.00	1,794.77	
Other Expenses	106,500.00	126,500.00	111,604.40	12,392.29	2,503.31	
Municipal Garage						
Salaries and Wages	200,000.00	180,000.00	169,468.61	7,000.00	3,531.39	
Other Expenses	106,500.00	121,500.00	70,122.05	48,267.94	3,110.01	
<u>HEALTH AND WELFARE</u>						
Board of Health						
Other Expenses	102,000.00	102,000.00	69,624.96	29,864.31	2,510.73	
Animal Control Services						
Other Expenses	30,000.00	30,000.00	10,666.64	7,249.98	12,083.38	
Municipal Court						
Salaries and Wages	270,000.00	287,000.00	285,776.37	1,223.63	0.00	
Other Expenses	39,700.00	39,700.00	34,714.48	4,689.44	296.08	
Public Defender						
Salaries and Wages	11,000.00	11,000.00	9,809.42	250.00	940.58	

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY
 CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>RECREATION AND EDUCATION</u>						
Recreation Commission						
Salaries and Wages	-				-	
Other Expenses	72,000.00	82,000.00	71,378.60	2,200.00	8,421.40	
Parks and Playgrounds						
Salaries and Wages	670,000.00	545,000.00	532,155.79	12,844.21	(0.00)	
Other Expenses	280,000.00	290,000.00	169,717.34	17,712.27	2,570.39	100,000.00
Senior Citizens Transportation						
Salaries and Wages	72,000.00	72,000.00	65,725.84	2,500.00	3,774.16	
Other Expenses	6,000.00	8,000.00	5,771.35	904.54	1,324.11	
Office of the Handicapped						
Salaries and Wages	7,000.00	7,000.00	6,727.00		273.00	
Other Expenses	2,500.00	2,500.00	568.57		1,931.43	
Handicapped Recreation						
Salaries and Wages	13,500.00	13,500.00	7,637.99		5,862.01	
Other Expenses	11,500.00	11,500.00	1,538.71	1,427.03	8,534.26	
<u>UTILITY EXPENSES & BULK PURCHASING</u>						
Electricity	400,000.00	470,000.00	427,102.51	42,347.50	549.99	
Street Lighting	468,000.00	488,000.00	467,574.44	20,000.00	425.56	
Telephone	330,000.00	255,000.00	216,031.02	16,170.65	22,798.33	
Water	120,000.00	130,000.00	119,127.03	10,000.00	872.97	
Gas-Natural	60,000.00	60,000.00	48,039.55	7,578.70	4,381.75	
Gasoline	200,000.00	180,000.00	146,081.76	27,103.48	6,814.76	
Telecommunications Costs S&W	91,000.00	86,000.00	80,394.59	1,600.00	4,005.41	
Telecommunications Costs OE	100,000.00	100,000.00	67,460.37	14,867.57	17,672.06	
Postage	45,000.00	45,000.00	32,346.13	10,000.00	2,653.87	
Sewerage Treatment Plant						
Salaries and Wages	315,000.00	300,000.00	288,030.71	7,000.00	4,969.29	
Other Expenses	83,500.00	88,500.00	67,417.97	16,218.86	4,863.17	

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY
 CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>EXPENDED</u>			UNEXPENDED BALANCE <u>CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>UNIFORM CONSTRUCTION CODE - APPROPS. OFFSET BY DEDICATED REVENUES (NJAC 5:23-4.17)</u>						
Building Inspector						
Salaries and Wages	260,000.00	250,000.00	240,154.69	5,000.00	4,845.31	
Other Expenses	26,500.00	26,500.00	16,352.66	4,360.17	5,787.17	
<u>OTHER COMMON OPERATING FUNCTIONS (UNCLASSIFIED)</u>						
Older Americans Act						
Salaries and Wages	128,000.00	111,000.00	104,164.50	2,500.00	4,335.50	
Other Expenses	1,000.00	1,000.00	43.35		956.65	
Accumulated Sick & Vacation	100,000.00				-	
Celebration of Public Events	130,000.00	150,000.00	131,402.25	9,718.83	8,878.92	
Total Operations Within "CAPS"	29,857,300.00	29,851,100.00	27,229,082.47	1,773,203.85	508,813.68	340,000.00
Contingent	10,000.00	10,000.00	7,762.62	2,232.44	4.94	
Total Operations Including Contingent Within "CAPS"	29,867,300.00	29,861,100.00	27,236,845.09	1,775,436.29	508,818.62	340,000.00
<u>DETAIL:</u>						
Salaries and Wages	15,963,300.00	15,551,300.00	15,028,502.08	461,706.08	61,091.84	-
Other Expenses (Including Contingent)	13,904,000.00	14,309,800.00	12,208,343.01	1,313,730.21	447,726.78	-
<u>Statutory Expenditures:</u>						
<u>Contribution to:</u>						
Public Employees' Retirement System	668,538.00	668,538.00	668,538.00		-	
Police/Fire Pension	1,894,782.00	1,894,782.00	1,894,782.00		-	
Social Security System (O.A.S.I.)	620,000.00	620,000.00	620,000.00		-	
DCRP	2,000.00	2,000.00	2,000.00		-	
Consol. Police & Firemen's Fund	9,400.00	9,400.00	9,365.76		34.24	
Total Deferred Charges and Statutory Expend. Municipal Within "CAPS"	3,194,720.00	3,194,720.00	3,194,685.76	-	34.24	-
Total General Appropriations for Municipal Purposes Within "CAPS"	33,062,020.00	33,055,820.00	30,431,530.85	1,775,436.29	508,852.86	340,000.00

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY
 CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 <u>BUDGET</u>	BUDGET AFTER <u>MODIFICATION</u>	<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELLED</u>
			<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
<u>Operations Excluded From "CAPS"</u>						
<u>Other Operations Excluded from "CAPS"</u>						
Length of Service Award Program - Volunteer Fire	30,000.00	30,000.00			30,000.00	
Maintenance of Free Public Library (Ch. 82 & 54, P.L. 1985)	819,613.52	819,613.52	715,406.50	63,549.02	40,658.00	
Middlesex County Utilities Authority Sewage Treatment - Contractual	2,950,000.00	2,950,000.00	2,941,449.01		8,550.99	
NJDEP Fees	5,250.00	5,250.00	5,250.00		-	
Total Other Operations Excluded from "CAPS"	3,804,863.52	3,804,863.52	3,662,105.51	63,549.02	79,208.99	-
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
Municipal Recycling Assistance	12,260.00	12,260.00	12,260.00		-	
Municipal Alliance- Alcohol & Drug Match	5,000.00	5,000.00	5,000.00		-	
Municipal Court-DWI	2,477.69	2,477.69	2,477.69		-	
County Historic Grant	1,920.00	1,920.00	1,920.00		-	
Body Armor Grant	4,991.12	10,633.21	10,633.21		-	
Click It or Ticket It	15,000.00	15,000.00	15,000.00		-	
Summer Food		13,229.45	13,229.45		-	
Clean Communities		37,974.12	37,974.12		-	
Older American	17,208.00	17,208.00	17,208.00		-	
Federal Coastal Zone Management	9,949.50	9,949.50	9,949.50		-	
Municipal Alliance		17,500.00	17,500.00		-	
Recycle Tonnage		37,154.91	37,154.91		-	
Total Public and Private Programs Excluded from "CAPS"	68,806.31	180,306.88	180,306.88	-	-	-
Total Operations - Excluded from "CAPS"	3,873,669.83	3,985,170.40	3,842,412.39	63,549.02	79,208.99	-
<u>DETAIL:</u>						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	3,873,669.83	3,985,170.40	3,842,412.39	63,549.02	79,208.99	-

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

	2017 BUDGET	BUDGET AFTER MODIFICATION	EXPENDED			UNEXPENDED BALANCE CANCELLED
			PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>Capital Improvements - Excluded from "CAPS"</u>						
Capital Improvement Fund	1,800,000.00	1,800,000.00	1,800,000.00		-	
Reserve for Sewer Improvements	310,597.00	310,597.00	310,597.00		-	
Purchase of Trees	10,000.00	10,000.00	5,125.00	4,875.00	-	
Total Capital Improvements - Excluded from "CAPS"	2,120,597.00	2,120,597.00	2,115,722.00	4,875.00	-	-
<u>Municipal Debt Service - Excluded from "CAPS"</u>						
Payment of Bond Principal	1,140,000.00	1,140,000.00	1,140,000.00		-	
Interest of Bonds	447,368.76	447,368.76	447,368.76		-	
Payment of Note Principal	1,000,000.00	1,000,000.00	1,000,000.00		-	
Interest of Notes	616,697.21	616,697.21	616,697.19		-	0.02
Loan Payable Green Acres Principal/Interest	59,677.11	65,877.11	65,830.96		-	46.15
Loan Payable - NJEIT	220,091.43	220,091.43	213,684.47		-	6,406.96
Loan Payable Lake&Stream	18,654.96	18,654.96	18,654.96		-	-
MCIA - Loans Payable	267,887.95	267,887.95	267,887.95		-	-
MCIA - Lease Payable	120,810.00	120,810.00	111,229.86		-	9,580.14
Loan Principal - Demo Loan	22,500.00	22,500.00	22,500.00		-	-
Total Municipal Debt Service - Excluded from "CAPS"	3,913,687.42	3,919,887.42	3,903,854.15	-	-	16,033.27
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	9,907,954.25	10,025,654.82	9,861,988.54	68,424.02	79,208.99	16,033.27
Subtotal General Appropriations	42,969,974.25	43,081,474.82	40,293,519.39	1,843,860.31	588,061.85	356,033.27
Reserve for Uncollected Taxes	1,500,000.00	1,500,000.00	1,500,000.00			-
Total General Appropriations	\$ 44,469,974.25	\$ 44,581,474.82	\$ 41,793,519.39	\$ 1,843,860.31	\$ 588,061.85	\$ 356,033.27

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BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY
 CURRENT FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2017

		<u>2017 BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>		<u>EXPENDED</u>		<u>UNEXPENDED BALANCE CANCELLED</u>
				<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>	
Adopted Budget	A- 2		\$ 44,469,974.25				
Inserted by NJSA 40A:4-87	A-1,A-2		<u>111,500.57</u>				
			<u>\$ 44,581,474.82</u>				
Reserve for Uncollected Taxes	A- 2			\$ 1,500,000.00			
Cash Disbursed	A- 4			40,113,212.51			
Transfer to State and Federal Grant Fund	A-15			<u>180,306.88</u>			
				<u>\$ 41,793,519.39</u>			

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS AT DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2017</u>	<u>BALANCE DEC. 31, 2016</u>	<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>REF.</u>	<u>BALANCE DEC. 31, 2017</u>	<u>BALANCE DEC. 31, 2016</u>
Animal Control Fund:				Animal Control Fund:			
Cash	B- 1	\$ <u>13,082.89</u>	\$ <u>7,813.90</u>	Due to State of New Jersey	B- 1	\$ -	\$ -
				Res. for Animal Control Fund Expend.	B- 1	<u>13,082.89</u>	<u>7,813.90</u>
Total Animal Control Fund		<u>13,082.89</u>	<u>7,813.90</u>	Total Animal Control Fund		<u>13,082.89</u>	<u>7,813.90</u>
Other Trust Fund:				Other Trust Fund:			
Cash and Investments	B- 1	<u>3,630,310.99</u>	<u>3,826,329.53</u>	Reserve for Encumbrances	B- 1	108,528.25	110,594.89
				Res. for Payroll Deductions	B- 1	621,346.73	692,377.97
				Res. for Unemploy. Expends.	B- 1	99,730.26	66,489.50
				Trust Fund Reserves	B- 1	<u>2,800,705.75</u>	<u>2,956,867.17</u>
Total Other Trust Fund		<u>3,630,310.99</u>	<u>3,826,329.53</u>	Total Other Trust Fund		<u>3,630,310.99</u>	<u>3,826,329.53</u>
Open Space Tax				Open Space Tax			
Cash	B- 1	<u>999,087.71</u>	<u>572,724.25</u>	Reserve for Open Space Levy	B- 1	<u>999,087.71</u>	<u>572,724.25</u>
Total Open Space Tax Fund		<u>999,087.71</u>	<u>572,724.25</u>	Total Open Space Tax Fund		<u>999,087.71</u>	<u>572,724.25</u>
Community Development				Community Development			
Block Grant Trust Fund:				Block Grant Trust Fund:			
Cash	B- 1	4,979.40	5,827.01	Res. for Commun. Dev. Expends.	B- 1	61,105.40	
Grants Receivable	B- 1	<u>77,859.00</u>		Res. for Rehabilitation Loans	B- 1	11,733.00	5,825.00
				Res. for Administrative Costs	B- 1		2.01
				Due to Capital Fund	B- 1	<u>10,000.00</u>	
Total Community Development Block Grant Trust Fund		<u>82,838.40</u>	<u>5,827.01</u>	Total Community Development Block Grant Trust Fund		<u>82,838.40</u>	<u>5,827.01</u>
LOSAP Fund (Unaudited):				LOSAP Fund (Unaudited):			
Cash and Investments - Trustee	B- 1	<u>243,370.52</u>	<u>209,912.07</u>	Res. for LOSAP Funds Held by Trustee	B- 1	<u>243,370.52</u>	<u>209,912.07</u>
Total LOSAP Fund		<u>243,370.52</u>	<u>209,912.07</u>	Total LOSAP Fund		<u>243,370.52</u>	<u>209,912.07</u>
		<u>\$ 4,968,690.51</u>	<u>\$ 4,622,606.76</u>			<u>\$ 4,968,690.51</u>	<u>\$ 4,622,606.76</u>

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>REF.</u>	BALANCE DECEMBER 31, <u>2017</u>	BALANCE DECEMBER 31, <u>2016</u>
Cash and Investments - Treasurer	C-2	\$ 8,957,177.26	\$ 12,057,405.91
Grants - In - Aid, Loans and Other Receivable	C-4	40,618,769.73	38,222,999.41
Interfunds Receivable	C-3,C-3a	521,516.43	474,709.97
Deferred Charges to Future Taxation:			
Funded - Serial Bonds	C-5	11,725,000.00	12,865,000.00
Funded - Loans Payable	C-5	2,395,034.64	2,423,097.00
Funded - Leases Payable	C-5	311,894.08	302,632.06
Funded - NJEIT	C-5	11,224,970.37	1,407,253.80
Unfunded	C-6	<u>48,368,941.73</u>	<u>49,113,171.41</u>
		<u>\$ 124,123,304.24</u>	<u>\$ 116,866,269.56</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
General Serial Bonds	C-9	\$ 11,725,000.00	\$ 12,865,000.00
Bond Anticipation Notes	C-7	36,550,000.00	37,150,000.00
Green Acre Loans Payable	C-10	792,911.01	852,819.14
Project Loans Payable	C-10	295,974.98	333,388.11
MCIA Loan Payable	C-10	1,306,148.65	1,236,889.75
Capital Leases Payable - M.C.I.A.	C-11	311,894.08	302,632.06
NJEIT Loans Payable	C-14	11,224,970.37	1,407,253.80
Reserve for Encumbrances Payable	C-8	17,273,121.48	19,075,293.93
Improvement Authorizations:			
Funded	C-8	19,172,747.49	17,581,921.75
Unfunded	C-8	2,696,479.35	4,084,375.71
Reserve for:			
Capital Improvement Fund	C-13	86,803.75	2,994.75
Cash or Appropriated Reserves	C-12	3,030,031.66	3,079,597.90
Grants and Loans Receivable	C-12	19,526,726.42	18,781,211.61
Fund Balance	C-1	<u>130,495.00</u>	<u>112,891.05</u>
		<u>\$ 124,123,304.24</u>	<u>\$ 116,866,269.56</u>
 Bonds and Notes Authorized but not Issued	 C-15	 <u>\$ 12,764,241.31</u>	 <u>\$ 19,759,609.80</u>

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

GENERAL CAPITAL FUND
 STATEMENT OF FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>REF.</u>	
Balance - December 31, 2016	C	\$ 112,891.05
Increased by:		
Bond Anticipation Note Premium	C-2	<u>269,495.00</u>
		382,386.05
Decreased by:		
Improvement Authorization-Ord#17-05	C-8	112,891.05
Improvement Authorization-Ord#17-14	C-8	<u>139,000.00</u>
		<u>251,891.05</u>
Balance - December 31, 2017	C	<u><u>\$ 130,495.00</u></u>

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

GOVERNMENTAL FIXED ASSETS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2017 AND 2016

	Balance, December 31, <u>2017</u>	Balance, December 31, <u>2016</u>
<u>ASSETS</u>		
Land	\$ 65,107,659.00	\$ 65,107,659.00
Buildings and Building Improvements	33,053,644.00	33,053,644.00
Machinery and Equipment	12,372,585.00	12,102,818.00
Construction in Progress	58,809,493.00	31,221,309.00
Lease Purchase Agreements	<u>2,085,962.00</u>	<u>2,085,962.00</u>
 Total Assets	 <u>\$ 171,429,343.00</u>	 <u>\$ 143,571,392.00</u>
 <u>FUND BALANCE</u>		
 Investment in General Fixed Assets	 <u>\$ 171,429,343.00</u>	 <u>\$ 143,571,392.00</u>

BOROUGH OF CARTERET
MIDDLESEX COUNTY, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 1: FORM OF GOVERNMENT

The Borough of Carteret operates under the legislative authority of N.J.S.A. 40A:60-1 et seq., which provides for the election of a mayor to serve a term of four years and a council of six members serving three-year terms. At its annual meeting, the council elects a president of the council who shall preside at all its meetings when the mayor is not present. The mayor is the head of the municipal government and the council is the legislative body. The Borough has adopted an administrative code, which provides for the delegation of a portion of executive responsibilities to the mayor and the organization of the council into standing committees to oversee various Borough activities.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with generally accepted accounting principles (GAAP).

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

A. Reporting Entity

The Borough of Carteret (the "Borough") was incorporated in 1906 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14, which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

A. Reporting Entity (Cont'd.)

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by N.J.S.A 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library, volunteer fire department, Carteret Municipal Port Authority, Carteret Business Partnership, Inc. (Special Improvement District), and the Carteret Redevelopment Agency, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

B. Description of Funds

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

The Borough has the following funds and capital fixed assets:

Current Fund – This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

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

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

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

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

Open Space Trust Fund – This fund is used to account for property taxes levied for the development and acquisition of land used for recreation and conservation programs, as well as general park maintenance and upkeep and to pay debt service for land acquisition.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

B. Description of Funds (Cont'd.)

Governmental Fixed Assets - The Governmental Fixed Assets system is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available or any other reasonable basis, provided such basis is adequately disclosed in the financial statements. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. GASB's Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles (GAAP) for state and local governments. GAAP provides for the issuance of entity-wide financial statements along with the presentation of separate fund financial statements that differ from the organization of funds prescribed under the regulatory basis of accounting utilized by the Borough. The resultant presentation of financial position and results of operations in the form of financial statements is not intended to present the basic financial statement presentation required by GAAP.

C. Basis of Accounting

Basis of Accounting and Measurement Focus - The basis of accounting as prescribed by the Division of Local Government Services for its operating funds is generally a modified cash basis for revenue recognition and a modified accrual basis for expenditures. The operating funds utilize a "current financial resources" measurement focus. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The most significant is the reporting of entity-wide financial statements, which are not presented in the accounting principles prescribed by the Division. The other more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education monthly, and the balance, if any, must be transferred as of June 30, of each fiscal year.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Accounting (Cont'd.)

Property Tax Revenue (Cont'd) - County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. The Borough institutes annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Utility Rents - Utility charges are levied semi-annually based upon a flat service charge and an excess consumption or usage charge. Revenues from these sources are recognized on a cash basis. Receivables that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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

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

- Trust Fund
- General Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Accounting (Cont'd.)

Budgets and Budgetary Accounting (Cont'd) - Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. In addition, the governing body may approve budget transfers.

Expenditures - For purposes of financial reporting, expenditures are recorded as "paid or charged" or "appropriation reserves". Paid or charged refers to the Borough "budgetary" basis of accounting. Generally, these 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. Reserves for unliquidated encumbrances at the close of the year are reported as a cash liability. Encumbrances do not constitute expenditures under GAAP. Appropriation reserves refer to unexpended appropriation balances at the close of the year. Appropriation reserves are automatically created and recorded as a cash liability, 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 and not recorded in the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Generally, unexpended balances of budget appropriations are not recorded as expenditures under GAAP.

For the purpose of calculating the results of Current Fund operations, the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories of overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the Current Fund.

GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

The Borough provides annual funding to its municipal library through the current fund budget. Amounts paid on behalf of the Public Library or transferred to the custody of the Library's management are recorded as budgetary expenditures of the Borough, notwithstanding the fact that the Library is recognized as a separate entity for financial reporting purposes. Under GAAP, the Library would be recognized as a "component unit" of the Borough, and discrete reporting of the Library's financial position and operating results would be incorporated in the Borough's financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Accounting (Cont'd.)

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

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

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations are recorded as a long-term obligation.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property may be realized as revenue or reserved until utilized as an item of revenue in a subsequent year budget. Year-end balances of reserved proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of the sales contracts become legally enforceable.

Property Acquired for Taxes - is recorded in the Current Fund at the assessed valuation when such property was acquired, and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

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

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

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

Incurred But Not Reported (IBNR) Reserves - The Borough has not created a reserve for any potential unreported losses which have taken place but in which the Borough has not received notices or report of losses. Additionally, the Borough has not recorded a liability for those claims filed, but which have not been paid. GAAP requires the establishment of reserves for such potential claims.

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body. GAAP requires such amounts to be recorded when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

C. Basis of Accounting (Cont'd.)

Disclosures About Pension Liabilities – The Borough has included information relating to its allocated shares of the net pension liabilities of the state sponsored, cost-sharing, multiple employer defined benefit pension plans in which it participates in the Notes to the Financial Statements and the accompanying required supplementary information. As the Borough does not present entity-wide financial statements, it does not present on the face of its financial statements its proportionate share of the net pension liability of the defined benefit plans in which its employees are enrolled. GAAP requires the recognition of the net pension liability and associated deferred inflows and deferred outflows of financial resources in the entity-wide financial statements.

Governmental Fixed Assets - N.J.A.C. 5:30-5.6 established a mandate for fixed asset accounting by municipalities, effective December 31, 1985. The Borough has complied with the mandate, formerly known as Technical Accounting Directive No. 85-2. Fixed assets used in governmental operations are accounted for in the reporting of Governmental Fixed Assets. Public domain (infrastructure) governmental 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. No depreciation is provided for in the financial statements. Expenditures for construction in progress are recorded in the Capital Funds until such time as construction is completed and put into operation. Fixed assets acquired through grants in aid or contributed capital are not accounted for separately.

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

Recent Accounting Standards

GASB issued Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14” in January 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements” in March 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73” in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)Recent Accounting Standards (Cont'd.)

GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement

GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB issued Statement No. 85, "Omnibus 2017" in March 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB issued Statement No. 86, "Certain Debt Extinguishment Issues" in May 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB issued Statement No. 87, "Leases" in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. Unless these new standards are incorporated into the other comprehensive basis of accounting that is utilized by the Borough through legislation or rulemaking they will not become part of the standards followed by the Borough for financial reporting.

The Borough does not prepare its financial statements in accordance with generally accepted accounting principles. Unless these new standards are incorporated into the other comprehensive basis of accounting that is utilized by the Borough through legislation or rulemaking they will not become part of the standards followed by the Borough for financial reporting.

NOTES TO FINANCIAL STATEMENTS

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

C. Basis of Accounting and Measurement Focus (Cont'd.)

Comparative Data - Comparative data for the prior year has been presented in order to provide an understanding of changes on the Borough's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Prior Period Adjustments and Reclassifications - Certain reclassifications have been made to the calendar year 2016 financial statements to conform with classifications used in 2017.

Note 3: REAL ESTATE TAXES AND SEWER RENTS RECEIVABLE

Assessment and Collection

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1, in each year and filed with the County Board of Taxation by January 10th of the following year. Upon the filing of the certified adopted budgets by the Borough, Local School District, County and Fire Districts, the tax rate is struck by the board based on the certified amounts on each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be compiled on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector on or before May 13th.

Tax bills are prepared and mailed by the Collector of Taxes of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition, the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The NJ Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% to 18% of the amounts delinquent, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency.

If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known

Receivables at December 31st consisted of the following:

<u>Current Fund</u>	<u>2017</u>	<u>2016</u>
Property Taxes	\$528,452.69	\$787,948.86
Tax Title Liens	61,092.75	36,983.13
Sewer Rents	318,736.24	442,572.09
Sewer Liens	6,300.91	5,850.91
Liens - Demolition	<u>9,000.00</u>	<u>9,000.00</u>
	<u>\$923,582.59</u>	<u>\$1,282,354.99</u>

NOTES TO FINANCIAL STATEMENTS

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

The Local Bond Law, Chapter 40A:2 et seq, governs the issuance of bonds to finance municipal capital expenditures. The Borough's municipal debt is summarized as follows:

A. Summary of Municipal Debt for Capital Projects

	<u>YEAR 2017</u>	<u>YEAR 2016</u>
<u>Issued:</u>		
General:		
Bonds	\$ 11,725,000.00	\$ 12,865,000.00
Notes	36,550,000.00	37,150,000.00
Loans	13,620,005.01	3,830,350.80
Bond Issued by Another Public Body (see Note 4 G)	27,519,413.16	29,866,175.82
Total Debt Issued	<u>89,414,418.17</u>	<u>83,711,526.62</u>
<u>Authorized but not Issued:</u>		
General:		
Bonds & Notes	<u>12,764,241.31</u>	<u>19,759,609.80</u>
Net Bonds & Notes Issued and Authorized but not Issued	<u>102,178,659.48</u>	<u>103,471,136.42</u>

Summarized below are the Borough's individual bond issues which were outstanding at December 31, 2017 and 2016, respectively.

<u>General Improvement Debt:</u>	<u>YEAR 2017</u>	<u>YEAR 2016</u>
\$9,900,000 Bond Anticipation Note dated February 2, 2017 maturing on February 2, 2018, bearing an interest rate of 1.357%	9,900,000.00	
\$11,250,000 Bond Anticipation Note dated June 2, 2017 maturing on June 1, 2018, bearing an interest rate of 2.50%	11,250,000.00	
\$10,400,000 Bond Anticipation Note dated October 25, 2017 maturing on October 25, 2018, bearing an interest rate of 2.50%	10,400,000.00	
\$5,000,000 Bond Anticipation Note dated December 28, 2017 maturing on February 2, 2018, bearing an interest rate of 1.75%	5,000,000.00	
\$10,400,000 Bond Anticipation Note dated February 4, 2016 maturing on February 3, 2017, bearing an interest rate of 2.00%		10,400,000.00
\$11,750,000 Bond Anticipation Note dated June 2, 2016 maturing on June 1, 2017, bearing an interest rate of 0.93%		11,750,000.00
\$15,000,000 Bond Anticipation Note dated October 26, 2016 maturing on October 25, 2017, bearing an interest rate of 2.00%		15,000,000.00
Subtotal Notes	<u>36,550,000.00</u>	<u>37,150,000.00</u>
\$12,360,000 Series 2015 General Obligation Refunding Bonds, due in annual installments of \$410,000 to \$815,000 through Feb. 1, 2035, interest at various rates.	11,535,000.00	11,950,000.00
\$4,510,000, Series 2011 General Obligation Refunding Bonds, due in annual installments of \$90,000 to \$770,000 through Nov. 15, 2019, interest at various rates.	190,000.00	915,000.00
Subtotal Bonds	<u>11,725,000.00</u>	<u>12,865,000.00</u>
Loans Payable (see Note 4 Section B)	<u>13,620,005.01</u>	<u>3,830,350.80</u>
Total General Improvement Bonds, Notes and Loans Issued and Outstanding	<u>\$61,895,005.01</u>	<u>\$53,845,350.80</u>

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

B. Intergovernmental Loans Payable

The Borough has entered into a loan agreement with the State of New Jersey Department of Environmental Protection for the financing relating to the improvement of the Borough's various park facilities. As of June 17, 2016 the Borough has drawn down the entire loan amount of \$325,000. The loan balance outstanding as of December 31, 2017 is \$300,000.01. The amortization schedule commence in 2016 with final maturity in 2035 as an interest free loan with annual principal payments of \$8,333.33.

The Borough has entered into a loan agreement with the State of New Jersey Department of Environmental Protection for the financing relating to the improvement of the Borough's various park facilities. As of June 17, 2016 the Borough has drawn down the entire loan amount of \$240,000. The loan balance outstanding as of December 31, 2017 is \$215,384.60. The amortization schedule commence in 2016 with final maturity in 2035 as an interest free loan with annual principal payments of \$6,153.85.

The Borough has entered into a loan agreement with the State of New Jersey Department of Environmental Protection for the financing relating to the improvement of the Borough's various park facilities. As of December 31, 2008 the Borough has drawn down the entire loan amount of \$258,000. The loan balance outstanding as of December 31, 2017 is \$151,263.75. The amortization schedule commence in 2009 with final maturity in 2028 at a rate of 2% with annual principal payment ranging from \$5,441.63 and \$7,942.21.

The Borough has entered into a loan agreement with the State of New Jersey Department of Environmental Protection for the financing relating to the improvement of the Borough's various park facilities. As of December 31, 2007 the Borough has drawn down the entire loan amount of \$235,746.90. The loan balance outstanding as of December 31, 2017 is \$126,262.29. The amortization schedule commenced in 2008 with final maturity in 2027 at a rate of 2% with annual principal payment ranging from \$4,972.28 and \$7,257.18.

The Borough has been granted a loan by the State of New Jersey Department of Community Affairs for the financing relating to the improvement of the Borough's Sewer Plant Demolition. The Loan had been recorded within the General Capital Fund in the amount of \$450,000.00 offset by a reserve. The Borough had received the final draw down payment in 2006 of \$136,599.52. As of the balance sheet date, the Loan Payable amount is reported as \$135,000. The amortization schedule commenced in 2004 with final maturity in 2023 at a rate of 0% with annual principal payments of \$22,500.00.

The Borough has been granted a loan by the State of New Jersey Department of Community Affairs for the financing relating to the improvement of the Borough's Lake/Stream. The Loan had been recorded within the General Capital Fund in the amount of \$300,000.00. As of December 21, 2008 the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$160,974.98. The amortization schedule commenced in 2008 with final maturity in 2027 at a rate of 2% with annual principal payments ranging from \$6,327.48 and \$9,236.13.

The Borough has been granted a loan by the Middlesex County Improvement Authority for the financing relating to a Street Sweeper and SUV Truck. The Loan had been recorded within the General Capital Fund in the amount of \$217,789.21 offset by a reserve. As of December 31, 2014, the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$90,309.18. The amortization schedule commenced in 2015 with final maturity in 2019 at rates ranging from 1.250% to 3.00% with annual principal payments ranging from \$41,943.86 and \$45,821.90

The Borough has been granted a loan by the Middlesex County Improvement Authority. The loan had been recorded within the General Capital Fund in the amount of \$1,097,923.62 offset by a reserve. As of December 31, 2015, the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$798,676.40. The amortization schedule commenced in 2016 with maturity in 2020 at rates ranging from 1.5% to 4.00% with annual principal payments ranging from \$66,625.00 to \$179,781.15.

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION

B. Intergovernmental Loans Payable (Contd)

The Borough has been granted a loan by the Middlesex County Improvement Authority. The loan had been recorded within the General Capital Fund in the amount of \$144,897.07 offset by a reserve. As of December 31, 2016, the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$117,402.04. The amortization schedule commenced in 2017 with maturity in 2021 at rates ranging from 2.00% to 4.00% with annual principal payments ranging from \$27,495.03 to \$31,028.19.

The Borough has been granted a loan by the Middlesex County Improvement Authority. The loan had been recorded within the General Capital Fund in the amount of \$299,761.03 offset by a reserve. As of December 31, 2017, the Borough has drawn down the entire loan amount. As of the balance sheet date, the Loan Payable amount is reported as \$299,761.03. The amortization schedule commenced in 2018 with maturity in 2027 at rates ranging from 3.00% to 4.00% with annual principal payments ranging from \$22,872.24 to \$40,087.58.

Department of Environmental Protection - Environmental Infrastructure Loans

The Borough has contracted with the State of New Jersey, Department of Environmental Protection to fund a portion of the costs incurred for improvement to the Roosevelt Ave Pump Station and the Turnpike Sanitary Sewer Crossings. Information relating to these loans is as follows:

	<u>Loan #1</u>	<u>Loan #2</u>	<u>Loan #3</u>	<u>Loan #4</u>
Draw Down Date	3/10/10	3/10/10	8/1/18	8/1/18
Loan Amount	\$ 985,000.00	\$ 3,022,500.00	\$ 10,016,403.00	\$ 10,016,403.00
Interest Rates	various	0.00%	0.00%	0.00%
Due Dates	Aug. 1 & Feb. 1	Aug. 1 & Feb. 1	Aug. 1 & Feb. 1	Aug. 1 & Feb. 1
Number of Payments	19	20	20	20
Final Payment Date	August 1, 2029	August 1, 2029	August 1, 2029	August 1, 2029

The Loans were de-obligated during 2016. \$315,000 for loan #1 and \$1,030,670 for loan #2.

Pursuant to the provisions of N.J.S.A. 40A: 2-1 et seq. the combined outstanding principle of these loans has been included in the calculation of the Borough's statutory debt condition.

<u>Calendar Year</u>	<u>Fund Loan Principal</u>	<u>Trust Loan Principal</u>	<u>Interest and Fees</u>	<u>Total</u>
2018	\$ 153,686.43	\$ 45,000.00	-	\$ 198,686.43
2019	153,686.43	50,000.00	-	203,686.43
2020	153,686.43	50,000.00	-	203,686.43
2021	153,686.43	55,000.00	-	208,686.43
2022	153,686.43	55,000.00	-	208,686.43
2023	45,135.22	60,000.00	-	105,135.22
2024		60,000.00	-	60,000.00
2025		20,000.00	-	20,000.00
	<u>\$ 813,567.37</u>	<u>\$ 395,000.00</u>	<u>\$ -</u>	<u>\$ 1,208,567.37</u>

Loans Outstanding at December 31, 2017 and 2016 *

<u>LOANS</u>	<u>2017</u>	<u>2016</u>
Demolition Bond Fund	\$ 135,000.00	\$ 157,500.00
State/Lake & Stream Restoration Careteret Pond Loan	160,974.98	175,888.11
Green Acres Loan	792,911.01	852,819.14
New Jersey Environmental Infrastructure Loan	11,224,970.37	1,407,253.80
Middlesex County Improvement Authority	1,306,148.65	1,236,889.75
Total Loans Outstanding	<u>\$ 13,620,005.01</u>	<u>\$ 3,830,350.80</u>

* Loan amortization schedules are included in the General Capital Section of this report.

NOTES TO FINANCIAL STATEMENTS

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

C. 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:

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 9,690,000.00	\$ 9,690,000.00	
General Debt	102,178,659.48	46,765,205.16	55,413,454.32
	<u>\$111,868,659.48</u>	<u>\$56,455,205.16</u>	<u>\$ 55,413,454.32</u>

Net Debt \$ 55,413,454.32 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 2,293,518,485.67 = 2.42%

<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 11,410,000.00	\$ 11,410,000.00	
General Debt	103,471,136.42	49,714,690.82	53,756,445.60
	<u>\$114,881,136.42</u>	<u>\$61,124,690.82</u>	<u>\$ 53,756,445.60</u>

Net Debt \$ 53,756,445.6 Divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended \$ 2,256,729,328.00 = 2.38%

The Borough's Borrowing Power Under N.J.S.A. 40A:2-6 as Amended, at December 31, was as follows:

	<u>2017</u>	<u>2016</u>
3.5% of Equalized Valuation Basis Municipal Net Debt	\$80,273,147.00	\$78,985,526.48
	<u>55,413,454.32</u>	<u>53,756,445.60</u>
Remaining Borrowing Power	<u>\$24,859,692.68</u>	<u>\$25,229,080.88</u>

D. Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding at December 31, 2017

<u>Calendar Year</u>	<u>General</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 695,000.00	\$ 406,643.75	\$ 1,101,643.75
2019	520,000.00	388,568.75	908,568.75
2020	530,000.00	366,168.75	896,168.75
2021	540,000.00	344,768.75	884,768.75
2022	555,000.00	322,868.75	877,868.75
2023	570,000.00	297,518.75	867,518.75
2024	585,000.00	268,643.75	853,643.75
2025	595,000.00	239,143.75	834,143.75
2026	620,000.00	208,768.75	828,768.75
2027	640,000.00	185,268.75	825,268.75
2028	660,000.00	167,368.75	827,368.75
2029	680,000.00	147,268.75	827,268.75
2030	700,000.00	126,568.75	826,568.75
2031	720,000.00	105,268.75	825,268.75
2032	745,000.00	83,293.75	828,293.75
2033	765,000.00	60,643.75	825,643.75
2034	790,000.00	37,318.75	827,318.75
2035	815,000.00	12,734.38	827,734.38
	<u>\$ 11,725,000.00</u>	<u>\$ 3,768,828.13</u>	<u>\$ 15,493,828.13</u>

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

E. Lease ObligationsCapital Equipment Lease Revenue Bonds, Series 2017

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2017 in the amount of \$107,311.25 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments with principal payment amounts ranging from \$20,212.56 to \$22,749.42 and bearing interests rates of 3.000% for calendar year 2018 through calendar year 2022.

Capital Equipment Lease Revenue Bonds, Series 2016

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2016 in the amount of \$101,427.95 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments with principal payment amounts ranging from \$19,246.52 to \$21,719.73 and bearing interests rates ranging between 2.000% for calendar year 2017 and 4.000% for calendar year 2021.

Capital Equipment Lease Revenue Bonds, Series 2015

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2015 in the amount of \$97,412.98 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments with principal payment amounts ranging from \$18,630.99 to \$2,0724.40 and bearing interests rates ranging between 1.500% for calendar year 2016 and 4.000% for calendar year 2020.

Capital Equipment Lease Revenue Bonds, Series 2014

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2014 in the amount of \$101,634.95 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments commencing with a principal payment of \$19,573.80 for 2015 and remaining principal payments spread over a four year period with amounts ranging from \$19,760.83 through \$21,383.55 and bearing interests rates ranging between 1.500% for calendar year 2015 and 3.000% for calendar year 2019.

Capital Equipment Lease Revenue Bonds, Series 2013

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2013 in the amount of \$95,196.20 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments commencing with a principal payment of \$18,185.15 for 2014 and remaining principal payments spread over a four year period with amounts ranging from \$18,361.16 through \$20,258.53 and bearing interests rates ranging between 2.000% for calendar year 2014 and 4.000% for calendar year 2018.

Capital Equipment Lease Revenue Bonds, Series 2012

The Borough entered into a capital equipment lease agreement with the Middlesex County Improvement Authority - Capital Equipment Lease Revenue Bonds, Series 2012 in the amount of \$96,557.75 for the acquisition 5 year capital equipment. The lease obligation is due in five annual installments commencing with a principal payment of \$18,515.63 for 2013 and remaining principal payments spread over a four year period with amounts ranging from \$18,654.18 through \$20,383.92 and bearing interests rates ranging between 1.250% for calendar year 2013 and 3.000% for calendar year 2017.

NOTES TO FINANCIAL STATEMENTS

Note 4: DEBT, DEBT SERVICE AND STATUTORY DEBT CONDITION (CONT'D.)

F. Bond Anticipation Notes

The Borough has issued Bond Anticipation Notes, dated February 4, 2016 and maturing on February 3, 2017, bearing an interest rate of 2.00%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
14-01	Various Capital Improvements	\$ 10,400,000.00

The Borough has issued Bond Anticipation Notes, dated June 2, 2016 and maturing on June 1, 2017, bearing an interest rate of 0.93%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
11-28	Special Improvement District	\$ 11,750,000.00

The Borough has issued Bond Anticipation Notes, dated October 26, 2016 and maturing on October 25, 2017, bearing an interest rate of 2.00%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
16-01/16-11	Waterfront Development Project	\$ 15,000,000.00

The Borough has issued Bond Anticipation Notes, dated February 2, 2017 and maturing on February 2, 2018, bearing an interest rate of 1.357%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
14-01	Various Capital Improvements	\$ 9,900,000.00

The Borough has issued Bond Anticipation Notes, dated June 2, 2017 and maturing on June 1, 2018, bearing an interest rate of 2.50%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
11-28	Special Improvement District	\$ 11,250,000.00

The Borough has issued Bond Anticipation Notes, dated October 25, 2017 and maturing on October 25, 2018, bearing an interest rate of 2.50%. The Note has been issued to temporarily finance two capital projects as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
16-01/16-11	Waterfront Development Project	\$ 3,500,000.00
12-06/12-07	Waterfront Development Project	6,900,000.00

The Borough has issued Bond Anticipation Notes, dated December 28, 2017 and maturing on February 2, 2018, bearing an interest rate of 1.75%. The Note has been issued to temporarily finance one capital project as follows:

<u>Ord.</u>	<u>Description</u>	<u>Amount</u>
17-11	Waterfront Marina Project	\$ 5,000,000.00

NOTES TO FINANCIAL STATEMENTS

G. Borough Guarantees

The Borough has authorized guarantees on the following loans, notes and bonds issued by the Carteret Redevelopment Agency, Borough of Carteret, County of Middlesex, State of New Jersey.

	<u>AMOUNT OF ORIGINAL ISSUE</u>	<u>OUTSTANDING AS OF DEC. 31, 2017</u>
Revenues Bonds, Series 2008A	\$ 1,750,000.00	\$ 1,495,000.00
Revenues Bonds, Series 2012C	4,625,000.00	4,100,000.00
Revenue Bonds, Series 2014A	2,100,000.00	1,555,000.00
New Jersey Environmental Infrastructure Trust Loan	20,180,000.00	11,580,000.00
New Jersey Environmental Infrastructure Fund Loan	<u>18,293,833.00</u>	<u>8,789,413.16</u>
	<u>\$ 46,948,833.00</u>	<u>\$ 27,519,413.16</u>

NOTES TO FINANCIAL STATEMENTS

Note 5: FIXED ASSETS

Following is a summary of changes in the Governmental Fixed Assets for the years 2017 and 2016.

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2017</u>
<u>2016</u>				
Land and Land Improvements	\$65,107,659			\$65,107,659
Buildings and Building Improvement	33,053,644			33,053,644
Machinery and Equipment	12,102,818	269,767		12,372,585
Construction Progress	31,221,309	27,588,184		58,809,493
Lease Purchase Agreement	2,085,962			2,085,962
	<u>\$143,571,392</u>	<u>\$27,857,951</u>	<u>\$0</u>	<u>\$171,429,343</u>

	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2016</u>
<u>2016</u>				
Land and Land Improvements	\$65,107,659			\$65,107,659
Buildings and Building Improvement	33,053,644			33,053,644
Machinery and Equipment	11,783,992	326,566	7,740	12,102,818
Construction Progress	8,291,601	23,412,803	483,095	31,221,309
Lease Purchase Agreement	2,085,962			2,085,962
	<u>\$120,322,858</u>	<u>\$23,739,369</u>	<u>\$490,835</u>	<u>\$143,571,392</u>

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5 percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

NOTES TO FINANCIAL STATEMENTS

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

Deposits (cont'd)

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required.

"Other Than State" participants contribute up to one tenth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

The cash on deposit is partially insured by federal deposit insurance in the amount of \$250,000.00 in each depository. Balances above the federal deposit insurance amount are insured by the Government Unit Deposit Protection Act (GUDPA), N.J.S.A. 17:941, et seq., which insures all New Jersey governmental units' deposits in excess of the federal deposit insurance maximums. The Borough considers change funds, cash in banks and certificates of deposit as cash and cash equivalents.

At December 31, 2017 and 2016, the book value of the Borough's deposits was \$23,023,347.21 and \$25,020,092.01 respectively and the bank balances of the Borough's cash and deposits amounted to \$24,287,339.96 and \$26,216,769.65 respectively. Of the bank balance, during 2017 and 2016, with respect to Custodial Credit Risk, \$861,950.84 and \$500,000.00 was FDIC insured and \$23,425,389.12 and \$25,716,769.65 was GUDPA insured, respectively.

The Borough has implemented the disclosure requirements of Governmental Accounting Standards Board Statement No. 40 "Deposits and Investment Risk Disclosures" (GASB 40) and accordingly the Borough has assessed the Custodial Risk, the Concentration of Credit Risk and Interest Rate Risk of its cash and investments.

- (a) Custodial Credit Risk – The Borough's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-governments name. The deposit risk is that, in the event of the failure of a depository financial institution, the Borough will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The Borough's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Borough and are held by either: the counterparty or the counterparty's trust department or agent but not in the Borough's name.

The investment risk is that, in the event of the failure of the counterparty to a transaction, the Borough will not be able to recover the value of the investment or collateral securities that in possession of an outside party.

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

Deposits (cont'd)

- (b) Concentration of Credit Risk – This is the risk associated with the amount of investments that Borough has with any one issuer that exceeds 5 percent or more of its total investments. Investment issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.
- (c) Credit Risk – GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In general, the Borough does not have an investment policy regarding Credit Risk except to the extent outlined under the Borough's investment policy. The New Jersey Cash Management Fund is not rated.
- (d) Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations.

The Borough does not have a deposit policy for custodial risk. Based upon the existing deposit and investment practices, the Borough is generally not exposed to credit risks, custodial credit risks (FDIC and NJGUDPA coverage's) for its deposits and investments; concentration of credit risks and interest rate risks for its investments; nor is it exposed to foreign currency risks for its deposits and investments.

Investments

New Jersey statutes establish the following securities as eligible for the investment of Borough funds:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States;
2. Government money market mutual funds;
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided such obligation bear a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Borough or bonds or other obligations of school districts of which the Borough is a part and within which the school district is located;
5. Bonds or other obligations having a maturity date of not more than 397 days from the date of purchase that are approved by the Division of Investment of the Department of Treasury for investment by local units;

NOTES TO FINANCIAL STATEMENTS

Note 6: CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

Investments (Cont'd)

6. Local government investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1997, c. 281 (C.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities, if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3);
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is more than 30 days; and
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.19:9-41) and for which a master repurchase agreement providing for the custody and security of the collateral is executed.

Note 7: FUND BALANCES APPROPRIATED

Fund balances at December 31, which were appropriated and included as anticipated revenue in their own respective funds for the succeeding years were as follows:

	<u>FUND BALANCE DECEMBER 31, 2017</u>	<u>UTILIZED IN SUCCEEDING BUDGET</u>
Current Fund	\$5,885,801.30	\$2,600,000.00
	<u>FUND BALANCE DECEMBER 31, 2016</u>	<u>UTILIZED IN SUCCEEDING BUDGET</u>
Current Fund	\$5,780,027.28	\$2,500,000.00

The fund balance amount appropriated represents the surplus anticipated in the 2018 and 2017 adopted municipal budget.

Note 8: ACCUMULATED VACATION AND SICK PAY

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulate (with certain restrictions) unused vacation and sick pay over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement.

NOTES TO FINANCIAL STATEMENTS

Note 8: ACCUMULATED VACATION AND SICK PAY (Cont'd.)

It is estimated that the current cost of such unpaid compensation would approximate \$2,330,699.32 and \$2,218,283.66 at December 31, 2017 and 2016 respectively. These accumulated costs are not reported either as an expenditure or liability within the financial statements. Management indicates that this amount approximates the calculation as required by GASB No. 16; however, the methodology utilized does not fully meet the recognition and measurement criteria as set forth by the GASB.

Note 9. PENSION PLANS

Description of Plans - The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan's designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. Public Employees' Retirement System (PERS) - The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	170,124
Inactive plan members entitled to but not yet receiving benefits	650
Active plan members	<u>254,685</u>
 Total	 <u>425,459</u>

Contributing Employers – 1,705.

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$16,146,563. Total PERS covered payroll was \$4,567,375. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.20% for State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The Borough's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$625,993 and \$668,538, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Borough Contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated. Borough payments to PERS for the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$101,732	\$100,286
Amortization of Accrued Liability	<u>468,640</u>	<u>510,364</u>
Total Pension	570,372	610,650
NCGI Premiums	<u>30,538</u>	<u>30,477</u>
Total Regular Billing	600,910	641,127
LTD Expense		1,576
Additional Billings:		
ERI	<u>25,083</u>	<u>25,835</u>
Total PERS Payment	<u>\$625,993</u>	<u>\$668,538</u>

When applicable, Ch. 19, P.L. 2009 billings reflect the recoupment of the 50% deferral of normal and accrued liability costs due on April 1, 2009. The law set a fifteen-year repayment schedule for the deferred amount, with additional annual adjustments to reflect the return on investment of actuarial net assets of the plan on deferred principal balances. The Borough did not participate in the Ch. 19 program.

ERI billings reflect the recoupment of the additional costs of pensions and health benefits, plus interest, resulting from an entities participation in a sponsored early retirement program.

The Borough recognizes liabilities to PERS and records expenditures for same in the fiscal period that bills become due.

The vesting and benefit provisions are set by N.J.S.A. 43:15. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62, and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until the fiscal period in which such payments will become due and payable.

At June 30, 2017, the PERS reported a liability of \$23,278,401,588 for its Non-State Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State Employer Group that is attributable to the Borough was \$15,759,825 or 0.067701%. At June 30, 2016, the PERS reported a net pension liability of \$29,617,131,759 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey's net pension liability for the Non-State Employer Member Group that is attributable to the Borough was \$21,373,985 or 0.072168%.

Actuarial Assumptions- The collective total pension liability in the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 that was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

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

Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

The long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real 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 5.00% as of June 30, 2017. 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 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions.

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of Collective Net Pension Liability to Changes in the Discount Rate – the following presents the collective net pension liability of PERS participating employers as of June 30, 2017, calculated using the discount rates as disclosed above as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% Decrease (4.00%)	At current discount rate (5.00%)	At 1% increase (6.00%)
State	\$29,818,581,732	\$25,645,622,797	\$22,179,578,513
Local	<u>28,878,437,027</u>	<u>23,278,401,588</u>	<u>18,612,878,069</u>
PERS Plan Total	<u>\$58,697,018,759</u>	<u>\$48,924,024,385</u>	<u>\$40,792,456,582</u>
Borough's proportionate share of the net pension liability	<u>\$19,551,132</u>	<u>\$15,759,825</u>	<u>\$12,601,196</u>

Components of Net Pension Liability – The components of the collective net pension liability for PERS, including the State of New Jersey, at June 30, 2017 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$32,535,896,852	\$44,852,367,051	\$77,388,263,903
Plan Fiduciary Net Position	<u>6,890,274,055</u>	<u>21,573,965,463</u>	<u>28,464,239,518</u>
Net Pension Liability	<u>\$25,645,622,797</u>	<u>\$23,278,401,588</u>	<u>\$48,924,024,385</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2018	\$ 180,230
2019	368,267
2020	233,368
2021	(612,816)
2022	<u>(438,868)</u>
Total	\$ <u>(269,819)</u>

Note 9. PENSION PLANS (CONT'D.)

A. Public Employees' Retirement System (PERS) (Cont'd.)

Changes in Proportion - The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015, and 2014 amounts, respectively.

B. Police and Firemen's Retirement System (PFRS) - The Police and Firemen's Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PFRS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944 are enrolled in PFRS. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2017:

Inactive plan members or beneficiaries currently receiving benefits	43,011
Inactive plan members entitled to but not yet receiving benefits	47
Active plan members	<u>40,789</u>
Total	<u>83,847</u>

Contributing Employers – 586.

Significant Legislation – Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PFRS.

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$16,146,563. Total PFRS covered payroll was \$7,555,431. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate was 10.0% in State fiscal year 2017. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits.

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

The Borough's cash basis contributions to the Plan for the years ended December 31, 2016 and 2017 were \$1,888,663 and \$1,894,782, respectively. Borough Contributions are due and payable on April 1st in the second fiscal period subsequent to plan year for which the contribution requirements were calculated.

Borough payments to PFRS for the years ending December 31, 2016 and 2017 consisted of the following:

	<u>2016</u>	<u>2017</u>
Normal Cost	\$633,193	\$644,937
Amortization of Accrued Liability	<u>1,171,276</u>	<u>1,167,474</u>
Total Pension	1,804,469	1,812,411
NCGI Premiums	<u>84,194</u>	<u>82,371</u>
Total Regular Billing	1,888,663	1,894,782
Total PFRS Payment	<u>\$1,888,663</u>	<u>\$1,894,782</u>

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Note 9. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The regulatory basis of accounting which is basis for the preparation of the Borough's basic financial statements does not require or permit the inclusion of entity-wide, full accrual basis financial statements. Accordingly, the Borough does not recognize pension liabilities for any current or prior period until fiscal period in which such payments will become due and payable.

At June 30, 2017, the PFRS reported a net pension liability of \$15,438,066,691 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate share of the net pension liability for the Non-State, Non-Special Funding Situation Employer Member Group was \$34,964,608 or 0.226483%. At June 30, 2016, the PFRS reported a net pension liability of \$19,102,557,969 for its Non-State, Non-Special Funding Situation Employer Member Group. The Borough's proportionate of the net pension liability for the Non-State Non-Special Funding Situation Employer Member Group was \$44,392,716 or 0.232391%.

Actuarial Assumptions- The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTES TO FINANCIAL STATEMENTS

Note 9. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real 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 pension liabilities of PFRS was 6.14%

Sensitivity of Net Pension Liability – The following presents the collective net pension liability of the participating employers as of June 30, 2017, 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:

	At 1% Decrease (5.14%)	At current discount rate (6.14%)*	At 1% increase (7.14%)
State	\$ 5,202,348,756	\$ 4,395,743,141	\$ 3,734,560,750
Local	<u>22,619,279,081</u>	<u>17,167,260,198</u>	<u>12,687,806,745</u>
PFRS Plan Total	<u>\$27,821,627,837</u>	<u>\$21,563,003,339</u>	<u>\$16,422,367,495</u>

*- Local Share includes \$1,729,193,507 of Special Funding Situation allocated to the State of NJ as a non-employer.

Note 9. PENSION PLANS (CONT'D.)

B. Police and Firemen's Retirement System (PFRS) (Cont'd.)

Components of Net Pension Liability – The components of the collective net pension liability for PFRS, including the State of New Jersey, at June 30, 2017 is as follows:

	State	Local	Total
Total Pension Liability	\$ 5,939,531,281	\$41,471,190,457	\$47,410,721,738
Plan Fiduciary Net Position	<u>1,543,788,140</u>	<u>24,303,930,259</u>	<u>25,847,718,399</u>
Net Pension Liability	<u>\$ 4,395,743,141</u>	<u>\$17,167,260,198</u>	<u>\$21,563,003,339</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources – Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

<u>Year ending</u>	<u>Amount</u>
2018	\$ 460,844
2019	1,170,583
2020	(22,229)
2021	(1,792,919)
2022	<u>(815,852)</u>
Total	<u>\$ (999,573)</u>

Changes in Proportion - The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.59, 5.58, 5.53, and 6.17 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

C. Defined Contribution Retirement System (DCRP)

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in PFRS or PERS on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits; employees otherwise eligible to enroll in PFRS or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in PFRS or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2016, the membership in the DCRP, based on the information within the Division's database, was 46,557.

Note 9. PENSION PLANS (CONT'D.)

C. Defined Contribution Retirement System (DCRP) (Cont'd)

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

For the year ended December 31, 2017 the Borough's total payroll for all employees was \$16,146,563. Total DCRP covered payroll was \$8,976. Covered payroll refers to all compensation paid by the Borough to active employees covered by the Plan. Borough and employee contributions to the DCRP for the year ended December 31, 2017 were \$269 and \$646, respectively.

D. Cumulative PERS and PFRS Deferred Outflows of Resources and Deferred Inflows of Resources

	<u>Net Pension Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total Pension Expense</u>
PERS	\$ 21,373,985	\$ 6,321,241	\$ 677,333	\$ 2,008,319
PFRS	<u>44,392,716</u>	<u>10,220,282</u>	<u>617,200</u>	<u>4,918,912</u>
Total	\$ <u>65,766,701</u>	<u>\$16,541,523</u>	<u>\$ 1,294,533</u>	\$ <u>6,927,231</u>

Note 10: POST-RETIREMENT HEALTH BENEFITS

The Borough of Carteret contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2008, The Borough of Carteret authorized participation in the SHBP's post-retirement benefit program through resolution number 08-164. The Borough of Carteret covers all retirees with the following requirements: fifteen years of service and the age of sixty-two, and twenty-five years of service or a disability retirement. All active full time employees are covered by the SHBP.

Note 10: POST-RETIREMENT HEALTH BENEFITS (Cont'd.)

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website www.state.nj.us/treasury/pensions/gasb-43-sept2008.pdf.

Funding Policy: Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Carteret on a monthly basis. Currently there is no cost-sharing requirement for retirees.

The Borough of Carteret contributions to SHBP for the years ended December 31, were \$3,019,233.48 for active employees and \$2,355,538.07 for retirees for year 2017 and \$2,894,820.57 for active employees and \$2,174,146.42 for retirees for year 2016, respectively, which equaled the required contributions for each year. There were approximately 125 retired participants eligible at December 31, 2017.

Note 11: DEFERRED COMPENSATION PLAN

The Borough of Carteret maintains a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. The plan, available to all qualified Borough employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or other unforeseeable emergency. The Borough does not and is not required to make contributions to the Plan. The Borough currently utilizes three separate financial service organizations to administer the Plan.

The Borough has amended its deferred compensation plan to reflect the changes required by the revision to the Federal Internal Revenue Code Section 457, whereby compensation deferred and all income attributable to such deferred amounts, property or rights, shall (until made available to the participant or beneficiary) be held in trust for the exclusive benefit of participants and their beneficiaries. Therefore, the Borough does not have any property or rights to the plan assets held by the plan administrators and no fiduciary relationship exists between the Borough and the deferred compensation plan as administered.

Note 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; natural disasters; workers. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur.

Effective January 1, 2002, the Borough joined the Middlesex County Joint Insurance Funds covering risk of loss. The Fund, which is organized and operated pursuant to the regulatory authority of the Departments of Insurance and Community Affairs, State of New Jersey, provides for a pooling of risks, subject to established limits and deductibles.

NOTES TO FINANCIAL STATEMENTS

Note 12: RISK MANAGEMENT (Cont'd)

Payments to the Fund are calculated by the Fund's governing board based upon actuarial and budgetary requirements. Each participant in the Fund is jointly and severably obligated for any deficiency in the amount available to pay all claims. At December 31, 2012, the most recent report made available, the Fund reported for all years combined, total assets of \$34,178,794; liabilities and reserves of \$34,507,567, which includes claim reserves and IBNR of \$34,179,006 and fund balance (deficit) for all years of (\$328,773).

Workmen's Compensation Insurance – The Borough is self-insured for workmen's compensation claims of Borough employees. The estimated liability, based upon most recent data made available, as established by the third party administrator, for claims incurred and reported is \$145,000. No amounts have been established for claims incurred and not reported (IBNR). The Borough funds claim expenses on a cash basis through an annual budget appropriation.

New Jersey Unemployment Compensation Insurance – The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Borough is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Borough is billed quarterly for amounts due to the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's Unemployment Insurance Trust Fund for the current and prior year:

<u>Year</u>	<u>Beg. Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2017	\$66,489	\$70,610	\$37,369	\$99,730
2016	18,682	70,052	22,245	66,489
2015	29,760	73	11,151	18,682

Note 13: CLOSURE AND POST-CLOSURE CARE COSTS

The Borough is subject to an Administrative Consent Order with the New Jersey Department of Environmental Protection (the "NJDEP") with respect to the closure and remediation of a certain landfill and related property located within the Borough. On February 6, 2004, the Borough entered into an agreement, as amended and supplemented to date (the "Redevelopment Agreement"), with TITAN-PDC CARTERET URBAN RENEWAL, LLC, a Delaware limited liability company (the "Redeveloper"), with regards to this site. In accordance with the terms of the Redevelopment Agreement, the Redeveloper has assumed all of the obligations regarding the closure of the landfill and the completion of the remediation plan. As of the date hereof, the Redeveloper has obtained all of the applicable environmental and development permits and in August of 2006, with the express consent of the NJDEP, began the remediation work. The closure of the landfill and the remediation of the site were completed in the fall of 2007, in accordance with all applicable environmental laws and regulations.

In connection with the closure and remediation, the Redeveloper, acting through the Carteret Redevelopment Agency (the "Agency") as project sponsor, participated in the New Jersey Environmental Infrastructure Trust (the "NJEIT") Financing Program (the "Program") pursuant to which the Redeveloper financed all of the costs of the closure and remediation. As part of the Program, the Agency entered into loan agreements with each of the NJEIT and NJDEP, whereby the NJEIT and NJDEP provided available remediation funds, in the aggregate principal amount of \$38,500,000, which remediation funds were in turn loaned by the Agency to the Redeveloper pursuant to loan agreements between the Agency and the Redeveloper.

NOTES TO FINANCIAL STATEMENTS

Note 13: CLOSURE AND POST-CLOSURE CARE COSTS (Cont'd)

In addition to the Redevelopers obligations to repay the loan amounts under the loan agreements, the Redeveloper's repayment obligations are further secured by payments in lieu of taxes ("PILOTS") with respect to the site that are due by the Redeveloper to the Borough, along with the corresponding municipal lien derived thereby, and an unconditional and irrevocable guaranty of Panattoni Investments, LLC, a California limited liability company, who has an equity ownership interest in the Redeveloper. The Agency's loan agreements with the NJEIT and NJDEP are ultimately secured by a full faith and credit guaranty by the Borough.

The remediation funds are held by the NJEIT and NJDEP, respectively, and shall only be released upon the Redeveloper's submission of remediation cost invoices to each of the NJEIT and NJDEP, which invoices must be approved by each of the NJEIT and NJDEP prior to the release of any remediation funds. In addition, the Redeveloper purchased an environmental closure excess insurance policy (the "Closure Policy") that provides excess insurance coverage in the event of unanticipated costs of the remediation. The Closure Policy names each of the Borough and the Agency as additional insured's thereunder.

As with the closure obligation, the post-closure obligations have also been fully assumed by the Redeveloper in accordance with the terms of the Redevelopment Agreement. In addition, the Redeveloper posted a letter of credit with the NJDEP to cover the expected costs of the post closure obligations. Furthermore, the Redeveloper purchased a post closure insurance policy (the "Post Closure Policy") that provides excess insurance coverage in the event of unanticipated post closure costs. The Post Closure Policy names each of the Borough and the Agency as additional insured's thereunder.

Note 14: REDEVELOPMENT PROGRAM

The Borough has authorized various redevelopment programs within the Borough of Carteret that are revitalizing the Borough's old urban, and environmentally compromised, industrial core. With respect to these redevelopment efforts, the Borough is a party to formal agreements with various redevelopers. These agreements set forth the scope of the redevelopment projects along with the various related financial commitments and obligations on behalf of the Borough and the other parties to the agreements.

As an integral component of the redevelopment effort, the Borough has created the Carteret Redevelopment Agency as the agency to be ultimately responsible to oversee and implement these redevelopment programs, which financial activities are reported within the Redevelopment Agency's financial statements.

Note 15: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the Balance Sheets - as of December 31, 2017:

<u>Fund</u>	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Capital Fund	\$ 521,516.43	- 0 -
Community Development Block Grant		\$ 10,000.00
Federal & State Grant Fund	<u>- 0 -</u>	<u>511,516.43</u>
	<u>\$ 521,516.43</u>	<u>\$ 521,516.43</u>

NOTES TO FINANCIAL STATEMENTS

Note 16: LENGTH OF SERVICE AWARD PROGRAM (LOSAP) - UNAUDITED

The Borough has instituted a Length of Service Award Program (LOSAP) pursuant to section 457(e) of the Internal Revenue Code and P.L. 1997, C. 388 as amended by P.L. 2001, C. 272 of the Statutes of New Jersey. The Program provides for fixed annual contributions to a deferred income account for volunteer firefighters and first aid and rescue squad members who meet specified service criteria. The Borough sponsors the Program, which is administered by a private contractor. The LOSAP section of this document includes the relevant unaudited financial statements and notes for the Program.

Note 17: COMMITMENTS AND CONTINGENCIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2017 and 2016, the Borough does not believe that any material liabilities will result from such audits.

Contractual Commitments

As of December 31, 2017, the Borough of Carteret was a party to various construction contracts and commitments that totaled \$17,273,121. Waterfront Marina Project with total commitments of \$5,920,000; Waterfront Improvements with total commitments of \$2,723,515; Various Sewer and Stormwater Improvements with total commitments of \$3,153,787; Various Capital Improvements with total commitments of \$4,025,666; Special Improvement District with total commitments of \$416,969 and Green Acres Marina with total commitments of \$565,150.

Litigation

As of the filing date of this report, the Borough had pending litigation. This litigation can be generally categorized as negligence claims, workmen's compensation claims, tax appeals, and other miscellaneous claims and cases. Management's review of the pending litigation indicates that any judgments rendered against the Borough will not have a material adverse impact on the Borough's financial position.

As more fully discussed in Note 12, the Borough is self-insured for workmen's compensation. The estimated reserve requirement for claims incurred and reported is set forth in Note 12.

Note 18: LONG TERM TAX EXEMPTIONS

The Borough provides for long-term tax exemptions, as authorized and permitted by New Jersey State Statutes. N.J.S.A. 40A:20-1 et seq. sets forth the criteria and mechanism by which property taxes can and are abated. The exemptions provided by the Borough are predominately for affordable housing projects. Taxes abated include municipal, local school and county taxes. The Borough is required to remit five percent (5.00%) to the County for any payments received in lieu of taxes (PILOT payments). The Borough PILOT billings in 2017 were \$1,836,842.38 and taxes in 2017 that otherwise would have been due on these long-term tax exemptions amounted to \$4,843,402.74, based upon the assessed valuations of the long-term tax exemptions properties.

NOTES TO FINANCIAL STATEMENTS

Note 19: SUBSEQUENT EVENTS

On February 22, 2018, the Borough adopted an Ordinance#18-3 providing for 2018 Municipal Road Program appropriating \$3,000,000.00 authorizing the issuance of \$2,850,000 Bonds or Notes.

Subsequent to December 31, 2017, the Borough issued Bond Anticipation Notes dated February 1, 2018 with a maturity date of February 1, 2019. The BAN's were issued for \$14,400,000 with an interest rate of 2.75%.

Subsequent to December 31, 2017, the Borough issued Bond Anticipation Notes dated May 31, 2018 with a maturity date of February 1, 2019. The BAN's were issued for \$10,750,000 with an interest rate of 2.75%.

APPENDIX C

FORMS OF APPROVING LEGAL OPINIONS OF BOND COUNSEL

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_____, 2019

Borough Council of the
Borough of Carteret, in the
County of Middlesex, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of Carteret, in the County of Middlesex, New Jersey (the "Borough") in connection with the issuance by the Borough of \$24,900,000* General Improvement Bonds, Series 2019 (the "Bonds"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us, as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Borough adopted December 27, 2019 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of the Borough, payable from *ad valorem* taxes that may be levied upon all the taxable real property within the Borough without limitation as to rate or amount.

On the date hereof, the Borough has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Borough continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Borough in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds are not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,

*Preliminary, subject to change.

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_____, 2019

Borough Council of the
Borough of Carteret, in the
County of Middlesex, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of Carteret, in the County of Middlesex, New Jersey (the "Borough") in connection with the issuance by the Borough of a \$12,800,000 Bond Anticipation Note, Series 2019 dated the date hereof (the "Note"). In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to our satisfaction, and have undertaken such research and analyses as we have deemed necessary.

The Note is issued pursuant to the Local Bond Law of the State of New Jersey and the bond ordinances of the Borough listed in the Certificate of Determination and Award dated the date hereof, each in all respects duly approved, and published as required by law. The Note is a temporary obligation issued in anticipation of the issuance of bonds.

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

On the date hereof, the Borough has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Note in order to preserve the tax-exempt status of the Note pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Note to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Note. In the event that the Borough continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Borough in the Certificate, it is our opinion that, under existing law, interest on the Note is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Note is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Note. Further, in our opinion, based upon existing law, interest on the Note and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

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

Very truly yours,

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