

**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 19, 2019**

**NEW ISSUE (BOOK-ENTRY ONLY)**

**RATING: Moody's: "Aa3"**  
**(See "RATING" herein)**

*In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Bonds (as respectively defined herein) (i) is not includable in gross income for Federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX EXEMPTION" herein.*

**\$7,134,000\***  
**BOROUGH OF RED BANK**  
**IN THE COUNTY OF MONMOUTH**  
**STATE OF NEW JERSEY**  
**GENERAL OBLIGATION BONDS, SERIES 2019**

**Consisting of:**  
**\$2,712,000\* General Improvement Bonds, Series 2019**  
**\$3,700,000\* Water-Sewer Utility Bonds, Series 2019 and**  
**\$722,000\* Parking Utility Bonds, Series 2019**

**CALLABLE**  
**BANK QUALIFIED**

**Dated: Date of Delivery**

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

The \$7,134,000\* aggregate principal amount of General Obligation Bonds, Series 2019, consisting of \$2,712,000\* aggregate principal amount of General Improvement Bonds, Series 2019 (the "General Improvement Bonds"), \$3,700,000\* aggregate principal amount of Water-Sewer Utility Bonds, Series 2019 (the "Water-Sewer Utility Bonds") and \$722,000\* aggregate principal amount of Parking Utility Bonds, Series 2019 (the "Parking Utility Bonds") and together with the General Improvement Bonds and the Water-Sewer Utility Bonds, the "Bonds"), are general obligations of the Borough of Red Bank, in the County of Monmouth, State of New Jersey (the "Borough") for which the full faith and credit of the Borough are pledged. The Borough is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

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

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on the first day of June and December of each year, commencing June 1, 2020, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Borough or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Borough to the registered owner thereof as of the Record Dates (as defined herein).

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Borough Council on the dates set forth herein and by a resolution duly adopted by the Borough Council on November 13, 2019.

The proceeds of the General Improvement Bonds, along with certain available funds of the Borough in the amount of \$250, will be used to: (i) refund, on a current basis, a \$2,470,000 portion of prior bond anticipation notes of the Borough issued in the amount of \$6,470,250 on December 12, 2018 and maturing on December 11, 2019, (ii) permanently finance the cost of various capital improvements by and in the Borough in the amount of \$242,000 and (iii) pay the costs associated with the issuance of the General Improvement Bonds. The proceeds of the Water-Sewer Utility Bonds, will be used to: (i) refund, on a current basis, a \$3,700,000 portion of prior bond anticipation notes of the Borough issued in the amount of \$6,470,250 on December 12, 2018 and maturing on December 11, 2019 and (ii) pay the costs associated with the issuance of the Water-Sewer Utility Bonds. The proceeds of the Parking Utility Bonds will be used to: (i) refund, on a current basis, a \$300,000 portion of prior bond anticipation notes of the Borough issued in the amount of \$6,470,250 on December 12, 2018 and maturing on December 11, 2019, (ii) permanently finance the cost of various parking utility improvements by and in the Borough in the amount of \$422,000 and (iii) pay the costs associated with the issuance of the Parking Utility Bonds.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS" under the subheading entitled "Optional Redemption".

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

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

**The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Borough by the Borough Attorney, Gregory J. Cannon, Esq., Englewood Cliffs, New Jersey. It is anticipated that the Bonds will be available for delivery through DTC on or about December 10, 2019.**

Electronic bid submissions for the Bonds, in accordance with the full Notice of Sale, must be made via PARITY at 11:00 a.m. prevailing New Jersey time on November 26, 2019. For more details on how to bid electronically, view the full Notice of Sale posted at [www.MuniHub.com](http://www.MuniHub.com).

**\* Preliminary, subject to change**

This is a Preliminary Official Statement "deemed final" by the Borough within the meaning of and with the exception of certain information permitted to be omitted by Rule 15c2-12 of the Securities and Exchange Commission, and is otherwise subject to change in accordance with applicable law. The Borough will deliver a final Official Statement in compliance with Rule 15c2-12. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or exemption under the securities law of any such jurisdiction.

# **MATURITIES, PRINCIPAL AMOUNTS\*, INTEREST RATES, YIELDS AND CUSIP NUMBERS\*\***

<u>Year</u>	<u>General Improvement Bonds*</u>	<u>Water- Sewer Utility Bonds*</u>	<u>Parking Utility Bonds*</u>	<u>Combined Principal Amounts*</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIP Numbers**</u>
2020	\$102,000	\$140,000	\$42,000	\$284,000			756299__
2021	100,000	140,000	45,000	285,000			756299__
2022	200,000	140,000	45,000	385,000			756299__
2023	200,000	280,000	45,000	525,000			756299__
2024	200,000	280,000	45,000	525,000			756299__
2025	200,000	280,000	50,000	530,000			756299__
2026	200,000	280,000	50,000	530,000			756299__
2027	200,000	280,000	50,000	530,000			756299__
2028	200,000	280,000	50,000	530,000			756299__
2029	200,000	280,000	50,000	530,000			756299__
2030	200,000	280,000	50,000	530,000			756299__
2031	195,000	280,000	50,000	525,000			756299__
2032	170,000	280,000	50,000	500,000			756299__
2033	170,000	280,000	50,000	500,000			756299__
2034	175,000	200,000	50,000	425,000			756299__
Total:	<u>\$2,712,000*</u>	<u>\$3,700,000*</u>	<u>\$722,000*</u>	<u>\$7,134,000*</u>			

\* 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 Bondholders only at the time of issuance of the Bonds 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 Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**BOROUGH OF RED BANK  
IN THE COUNTY OF MONMOUTH  
STATE OF NEW JERSEY**

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**MAYOR**

Pasquale Menna

**BOROUGH COUNCIL**

Erik Yngstrom, Council President  
Kathleen Horgan  
Edward Zipprich  
Michael Ballard  
Kate Triggiano  
Hazim Yassin

**CHIEF FINANCIAL OFFICER**

Peter O'Reilly

**BOROUGH CLERK**

Pamela Borghi

**BOROUGH ADMINISTRATOR**

Ziad Shehady

**INDEPENDENT AUDITORS**

Fallon & Company  
Hazlet, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

**BOROUGH ATTORNEY**

Gregory J. Cannon, Esq.

**BOND COUNSEL**

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

No dealer, broker, salesperson or other person has been authorized by the Borough of Red Bank, in the County of Monmouth, State of New Jersey (the "Borough") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and if given or made, such information or representation must not be relied upon as having been authorized by the Borough. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

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

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

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

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

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

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

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

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**OFFICIAL STATEMENT**  
**OF THE**  
**BOROUGH OF RED BANK**  
**IN THE COUNTY OF MONMOUTH, STATE OF NEW JERSEY**  
**RELATING TO**  
**\$7,134,000\* GENERAL OBLIGATION BONDS, SERIES 2019**  
**Consisting of:**  
**\$2,712,000\* General Improvement Bonds, Series 2019**  
**\$3,700,000\* Water-Sewer Utility Bonds, Series 2019 and**  
**\$722,000\* Parking Utility Bonds, Series 2019**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the Borough of Red Bank (the "Borough"), in the County of Monmouth (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$7,134,000\* General Obligation Bonds, Series 2019, consisting of: \$2,712,000\* aggregate principal amount of General Improvement Bonds, Series 2019 (the "General Improvement Bonds"), \$3,700,000\* aggregate principal amount of Water-Sewer Utility Bonds, Series 2019 (the "Water-Sewer Utility Bonds") and \$722,000\* aggregate principal amount of Parking Utility Bonds, Series 2019 (the "Parking Utility Bonds" and together with the General Improvement Bonds and the Water-Sewer Utility Bonds, the "Bonds") of the Borough. This Official Statement, which includes the cover page, inside front cover page and appendices attached hereto, has been authorized by the Borough Council, and executed by and on behalf of the Borough by its Chief Financial Officer, to be distributed in connection with the sale of the Bonds.

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

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

**DESCRIPTION OF THE BONDS**

**General Description**

The Bonds are dated the date of delivery thereof and shall bear interest at the rates shown on the inside front cover page hereof from such date, payable semi-annually on the first day of June and December of each year (each an "Interest Payment Date") until maturity or prior redemption, commencing June 1, 2020. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective May 15 and November 15 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the Borough's Chief Financial Officer, as Registrar and Paying Agent.

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

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\* Preliminary, subject to change

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

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

### **Optional Redemption**

The Bonds maturing prior to December 1, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 1, 2027 are redeemable at the option of the Borough, in whole or in part, on any date on or after December 1, 2026, upon notice as required herein, at one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

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

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

### **Authorization for the Issuance of the Bonds**

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Borough Council of the Borough on the dates set forth in the chart on the following page and published and approved as required by law, and by a resolution duly adopted by the Borough Council on November 13, 2019.

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



persons shall be estopped from questioning their sale, execution or delivery by the Borough. Such estoppel period has concluded as of the date of this Official Statement.

### **Purpose of the Bonds**

The proceeds of the General Improvement Bonds, along with certain available funds of the Borough in the amount of \$250, will be used to: (i) refund, on a current basis, a \$2,470,000 portion of prior bond anticipation notes of the Borough issued in the amount of \$6,470,250 on December 12, 2018 and maturing on December 11, 2019, (ii) permanently finance the cost of various capital improvements by and in the Borough in the amount of \$242,000 and (iii) pay the costs associated with the issuance of the General Improvement Bonds.

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

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount</b>
2013-15, as amended by 2015-14 and 2016-15	Acquisition of various capital equipment and the completion of various capital improvements, finally adopted 7/10/13, as amended 4/22/15 and 8/10/16	\$679,000
2015-08, as amended by 2017-15	Various roadway improvements, finally adopted 4/22/15, as amended 5/10/17	468,000
2017-09	Various park improvements at County Basie Park and Eastside Park, finally adopted 3/8/17	375,500
2017-22	Various roadway improvements, finally adopted 7/26/17	947,500
2018-33	2018 Capital Improvement Program, finally adopted 11/28/18	<u>242,000</u>
TOTAL		<u>\$2,712,000</u>

The proceeds of the Water-Sewer Utility Bonds, will be used to: (i) refund, on a current basis, a \$3,700,000 portion of prior bond anticipation notes of the Borough issued in the amount of \$6,470,250 on December 12, 2018 and maturing on December 11, 2019 and (ii) pay the costs associated with the issuance of the Water-Sewer Utility Bonds.

The purposes for which the Water-Sewer Utility Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described on the following table by ordinance number, description and date of final adoption and the amount of Water-Sewer Utility Bonds to be issued for such purposes. The bond ordinances are:

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount</b>
2015-10, as amended by 2017-16	Various improvements by the water/sewer utility, finally adopted 4/22/15, as amended 5/10/17	\$ 400,000
2016-02	Acquisition and installation of water and sewer utility meters by the water/sewer utility, finally adopted 2/10/16	1,900,000
2017-21, as amended by 2018-09 and 2017-27	Various improvements by the water/sewer utility, finally adopted 7/26/17, as amended 3/28/18 and 10/10/18	<u>1,400,000</u>
TOTAL		<u>\$3,700,000</u>

The proceeds of the Parking Utility Bonds will be used to: (i) refund, on a current basis, a \$300,000 portion of prior bond anticipation notes of the Borough issued in the amount of \$6,470,250 on December 12, 2018 and maturing on December 11, 2019, (ii) permanently finance the cost of various parking utility improvements by and in the Borough in the amount of \$422,000 and (iii) pay the costs associated with the issuance of the Parking Utility Bonds.

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

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount</b>
2017-23	Various improvements by the parking utility, finally adopted 7/26/17	\$300,000
2018-35	Various improvements by the parking utility, finally adopted 11/28/18	<u>422,000</u>
TOTAL		<u>\$722,000</u>

### **Payment of Bonds**

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

### **SECURITY FOR THE BONDS**

The Bonds are valid and legally binding general obligations of the Borough for which the full faith and credit of the Borough are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless otherwise paid from other sources, the Borough has the power and is obligated by

law to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

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

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

### **NO DEFAULT**

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

### **MARKET PROTECTION**

The Borough anticipates issuing additional bonds in 2019 in the amount of \$2,685,000 through the Monmouth County Improvement Authority.

### **BOOK-ENTRY ONLY SYSTEM**

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

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

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

to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds, 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, nor its nominee, Paying Agent or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Paying Agent, upon direction of the Borough, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond 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.**

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

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

### **PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

#### **Procedure for Authorization**

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

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

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

The Bonds are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and bond anticipation notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in serial or sinking fund installments, and that, unlike school debt, and with some exceptions, including self-liquidating obligations and the improvements involving State grants, a five percent (5%) cash down payment must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand

previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 et seq., as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the Borough are general "full faith and credit" obligations.

### **Short Term Financing**

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

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

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

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

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

There are statutory requirements which limit the amount of debt which the Borough is permitted to authorize. The authorized bonded indebtedness of a Borough is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3 1/2%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the Borough for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

As shown in APPENDIX A, the Borough has not exceeded its statutory debt limit.

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

The debt limit of the Borough may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the Borough must apply to the Local

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

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

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

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

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

#### **Investment of Municipal Funds**

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

Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

## **FINANCIAL MANAGEMENT**

### **Accounting and Reporting Practices**

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

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

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

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

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

Municipal public utilities are supported by the revenues generated by the respective operations of the utilities, in addition to the general taxing power upon real property. For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate



section of the budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities. Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "current" or operating budget.

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

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow "eligible" and "qualifying" municipalities to locally examine their budget every two (2) of three (3) years. Under the regulations prescribed by the Local Finance Board, the Borough was not eligible for local examination of its budget in 2018. The Borough has adopted its 2018 budget in accordance with the procedures described under the heading entitled, "FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)".

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

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

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

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the "Cap Law" (the "Cap Law"). The Cap Law provides that the Borough shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year's final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the Borough may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the Borough for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year's final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored "Cap" banking to the Local Budget Law. Municipalities are permitted to appropriate available "Cap Bank" in either of the next two (2) succeeding years' final appropriations. The Borough did not utilize any of its "Cap Bank" in its 2019 Budget from prior years. The Borough's 2019 Budget was finally adopted on May 22, 2019. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the "Cap".

Additionally, new legislation constituting P.L. 2010, c.44, effective July 13, 2010, imposes a 2% cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care costs in excess of 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request

approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

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

### **Deferral of Current Expenses**

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

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

### **Budget Transfers**

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

## Anticipation of Real Estate Taxes

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

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

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

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

## Anticipation of Miscellaneous Revenues

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

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

## Debt Statements

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

## **CAPITAL IMPROVEMENT PROGRAM**

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

## **TAX ASSESSMENT AND COLLECTION**

### **Assessment and Collection of Taxes**

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

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

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

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

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

## **Tax Appeals**

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

## **TAX EXEMPTION**

### **Federal Income Tax Treatment**

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

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the Borough ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the Borough with the requirements of the Code and the representations and covenants made in the tax certificate described above, interest on the Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item under Section 57 of the Code.

The Bonds do constitute "qualified tax-exempt obligations" as defined in and for the purpose of Section 265(b)(3) of the Code.

### **[Original Issue Premium**

The Bonds maturing on December 1 in the years \_\_\_\_ through \_\_\_\_, inclusive (the "Premium Bonds") were purchased at a premium ("original issue premium") over the stated principal amounts of the Bonds. For federal income tax purposes, original issue premium generally must be amortized over the term of the Premium Bonds. Amortizable bond premium is accounted for as reducing the tax-exempt interest on the Premium Bonds rather than creating a deductible expense or loss. Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the purchaser's basis in the Premium Bonds to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code. Holders of the Premium Bonds should consult their tax advisors for an explanation of the bond premium amortization rules.]

### **[Original Issue Discount**

Bond Counsel is also of the opinion that the difference between the stated principal amount of the Bonds maturing on December 1 in the years \_\_\_\_ through \_\_\_\_, inclusive (the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes

original issue discount which is treated as interest and is excludable from gross income for federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.]

### **Additional Federal Income Tax Consequences Relating to Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

### **State Taxation**

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

### **Prospective Tax Law Changes**

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

### **Other Tax Consequences**

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

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

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

### **LEGALITY FOR INVESTMENT**

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other

fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the Borough, including the Bonds, and such Bonds are authorized security for any and all public deposits.

### **RISK TO HOLDERS OF BONDS**

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

### **Municipal Bankruptcy**

**THE BOROUGH HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE BOROUGH EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.**

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

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

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

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

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

default in their obligations. The powers and duties of the Commission are exercised within the Division, which constitutes the Commission.

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

### **CERTIFICATES OF THE BOROUGH**

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

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinions will be delivered with the Bonds substantially in the form set forth as APPENDIX C hereto. Certain legal matters with respect to the Bonds will be passed on for the Borough by its Borough Attorney, Gregory J. Cannon, Englewood Cliffs, New Jersey (the "Borough Attorney").

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the Borough of Red Bank, Peter O'Reilly, Chief Financial Officer, Borough Hall, 90 Monmouth Street, Red Bank, New Jersey 07701, (732) 530-2742 and Lisa A. Gorab, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6459, or Sherry Tracey, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

### **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the Borough with respect to the issuance of the Bonds ("Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official



Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **LITIGATION**

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

### **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE BONDS**

The Borough has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the Borough and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in APPENDIX D attached hereto. Such Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB").

The Borough has previously entered into continuing disclosure undertakings under the Rule in respect to its own obligations. The Borough appointed Phoenix Advisors, LLC, Bordentown, New Jersey as Continuing Disclosure Agent beginning in June of 2015.

### **PREPARATION OF OFFICIAL STATEMENT**

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

Fallon & Company, Hazlet, New Jersey, the Auditor to the Borough, has participated in the preparation of the information contained in this Official Statement and in the collection of financial, statistical or demographic information contained in this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto, but takes responsibility for the financial statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

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

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

## **RATING**

Moody's Investors Service, Inc., New York, New York (the "Rating Agency"), has assigned a rating of "Aa3" to the Bonds.

An explanation of the significance of the rating on the Bonds may be obtained from the Rating Agency. Such rating reflects only the views of the Rating Agency, and there is no assurance that the rating will continue for any period of time or that it will not be revised or withdrawn entirely, if in the judgment of the Rating Agency, circumstances so warrant. Any revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. Except as set forth in the Disclosure Certificate, the Borough has not agreed to take any action with respect to any proposed rating changes or to bring the rating changes, if any, to the attention of the owners of the Bonds.

## **UNDERWRITING**

The Bonds have been purchased from the Borough at a public sale by \_\_\_\_\_ (the "Underwriter") at a price of \$\_\_\_\_\_. The purchase price of the Bonds reflects the par amount of Bonds, less an Underwriter's discount of \$\_\_\_\_\_, plus a net original issue premium of \$\_\_\_\_\_.

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

## **FINANCIAL STATEMENTS**

The financial statements of the Borough for the year ended December 31, 2017, are presented in APPENDIX B to this Official Statement. The financial statements referred to above have been audited by Fallon & Company, Hazlet, New Jersey, independent auditors, as stated in their report appearing in APPENDIX B. Also included in APPENDIX B is certain unaudited financial data of the Borough extracted from the Annual Financial Statement prepared by the Borough for the Borough's fiscal year ended December 31, 2018.

## **MISCELLANEOUS**

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

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

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

**BOROUGH OF RED BANK**

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**PETER O'REILLY,**  
**Chief Financial Officer**

DATED: \_\_\_\_\_, 2019

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**APPENDIX A**

**CERTAIN FINANCIAL AND DEMOGRAPHIC INFORMATION  
RELATING TO THE BOROUGH OF RED BANK**

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

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

### **General Information**

The Borough incorporated in 1908, was formerly part of Shrewsbury Township. The Borough was a fully developed residential and commercial center long before it became a separate municipality.

The Borough encompasses 1.8 square miles and is bordered on the north and west by the Navesink River, on the east by Fair Haven and Little Silver and on the south by Shrewsbury and Tinton Falls.

The Borough is situated at the foot of a peninsula, in close proximity to the Atlantic Ocean and the Garden State Parkway, with a New Jersey Transit Rail Station on the Jersey Coast Line. The Borough is home to Riverview Medical Center and the world headquarters of K. Hovnanian. These factors combine to make the Borough a center for retail trade, professional service, entertainment and restaurants.

### **Form of Government**

The Borough operates under the Mayor and Council form of government with all officials elected at large. The governing body consists of a Mayor and six (6) Council members. Council members serve a three (3) year term while the Mayor holds office for four (4) years. All action is passed by a majority, or when required, a 2/3 vote of Council. The Mayor votes only in the event of a tie. The Mayor has veto power over all ordinances finally adopted by the Borough Council. This veto can be overridden by a 2/3 vote of the Council.

### **Education**

The Borough operates an elementary school system (grades K through 8) in its two (2) public schools. The Borough participates with Little Silver and Shrewsbury Borough in the operation of Red Bank Regional High School. The regional high school is located in Little Silver and opened in September 1975.

### **Pension and Retirement Systems**

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

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

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

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

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

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

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## **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough</u></b>				
2018	6,783	6,568	215	3.2%
2017	6,783	6,566	217	3.2%
2016	6,824	6,593	231	3.4%
2015	6,833	6,531	302	4.4%
2014	6,896	6,579	317	4.6%
<b><u>County</u></b>				
2018	323,106	311,236	11,870	3.7%
2017	324,530	311,151	13,379	4.1%
2016	326,476	311,922	14,554	4.5%
2015	326,153	309,267	16,886	5.2%
2014	325,525	305,755	19,770	6.1%
<b><u>State</u></b>				
2018	4,422,900	4,239,600	183,400	4.1%
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%

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

## **Income (as of 2017)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$75,114	\$91,807	\$76,475
Median Family Income	77,625	115,075	94,337
Per Capita Income	42,105	46,736	39,069

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

## **Population**

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

<b><u>Year</u></b>	<b><u>Borough</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2018 Estimate	12,048	-1.29%	621,354	-1.43%	8,908,520	1.33%
2010	12,206	3.06	630,380	2.45	8,791,894	4.49
2000	11,844	11.36	615,301	11.24	8,414,350	8.85
1990	10,636	-11.60	553,124	9.93	7,730,188	4.96
1980	12,031	-6.35	503,173	8.95	7,365,001	2.75

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

## **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2019</u></b>	<b><u>% of Total</u></b>
	<b><u>Assessed Valuation</u></b>	<b><u>Assessed Valuation</u></b>
Riverside Towers Apt Corp.	\$40,547,100	1.82%
Oceanfirst Bank	16,489,700	0.74%
Springpoint @ The Atrium, Inc.	33,535,300	1.50%
Red Bank Corp Plaza, LLC	21,317,700	0.96%
MW Red Bank & MV Broadway WSL	21,344,300	0.96%
Et Galleria, LLC	20,008,700	0.90%
Station Place on Monmouth, LLC	13,520,600	0.61%
R B Realty Associates	10,670,000	0.48%
Red Bank Terrace Associates	10,086,800	0.45%
Teddy Construction Co.	<u>9,543,100</u>	<u>0.43%</u>
<b>Total</b>	<b><u>\$197,063,300</u></b>	<b><u>8.83%</u></b>

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

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

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year</u></b>	<b><u>Current Year</u></b>
		<b><u>Collection</u></b>	<b><u>% of Collection</u></b>
2018U	\$47,643,742	\$46,724,982	98.07%
2017	45,472,481	44,890,550	98.72%
2016	44,570,414	43,730,098	98.11%
2015	42,937,339	42,259,610	98.42%
2014	42,013,718	40,977,051	97.53%

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

### **Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2018U	\$27,946	\$854,948	\$882,894	1.85%
2017	4,564	567,721	572,284	1.26%
2016	4,556	880,827	885,383	1.99%
2015	0	677,386	677,386	1.58%
2014	3,748	1,035,016	1,038,764	2.47%

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

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

<b><u>Year</u></b>	<b><u>Amount</u></b>
2018U	\$0
2017	0
2016	0
2015	0
2014	0

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

### **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.

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Local School</u></b>	<b><u>Regional School</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
2019	\$0.637	\$0.814	\$0.483	\$0.277	\$2.211
2018	0.623	0.827	0.454	0.283	2.187
2017	0.595	0.802	0.438	0.275	2.110
2016	0.584	0.796	0.445	0.016	1.841
2015	0.574	0.770	0.422	0.267	2.033

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

### **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2019	\$2,223,456,600	\$2,357,604,284	94.31%	\$8,320,188	\$2,365,924,472
2018	2,128,263,900	2,292,646,666	92.83	7,916,257	2,300,562,923
2017	2,112,347,500	2,181,501,084	96.83	8,082,581	2,189,583,665
2016	2,073,690,000	2,118,820,885	97.87	7,593,910	2,126,414,795
2015	2,075,948,721	2,061,518,094	100.70	6,567,944	2,068,086,038

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.

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2019	\$20,303,100	\$1,272,362,000	\$0	\$695,004,700	\$23,570,600	\$212,216,200	\$2,223,456,600
2018	17,859,600	1,240,059,300	0	642,746,900	25,633,900	201,964,200	2,128,263,900
2017	15,285,900	1,223,134,500	0	645,228,700	28,360,900	202,216,200	2,114,226,200
2016	15,255,500	1,200,435,700	0	651,025,800	28,665,200	175,123,800	2,070,506,000
2015	27,662,000	1,232,412,421	0	619,175,000	38,353,100	151,200,400	2,068,802,921

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

## **Financial Operations**

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

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Fund Balance Utilized	\$1,360,000	\$2,035,000	\$1,450,000	\$1,617,456	\$1,485,000
Miscellaneous Revenues	7,299,903	7,506,474	7,464,441	7,059,904	6,699,343
Receipts from Delinquent Taxes	1,030,000	670,000	875,000	580,000	560,000
Amount to be Raised by Taxation	<u>11,913,643</u>	<u>12,128,332</u>	<u>12,618,665</u>	<u>13,309,162</u>	<u>14,214,661</u>
Total Revenue:	<u>\$21,603,545</u>	<u>\$22,339,807</u>	<u>\$22,408,106</u>	<u>\$22,566,522</u>	<u>\$22,959,004</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$15,952,832	\$16,498,827	\$17,105,567	\$17,007,611	\$17,952,890
Operations (Excluded from CAPS)	1,402,522	1,443,603	1,250,932	1,365,442	1,217,076
Deferred Charges and Statutory Expenditures	664,700	489,900	152,400	152,401	88,388
Judgments	25,000	25,000	0	0	0
Capital Improvement Fund	112,500	100,000	225,000	125,000	150,000
Municipal Debt Service	2,344,222	2,803,267	2,673,850	2,978,980	2,575,650
Reserve for Uncollected Taxes	<u>1,101,770</u>	<u>979,210</u>	<u>1,000,357</u>	<u>937,089</u>	<u>975,000</u>
Total Appropriations:	<u>\$21,603,545</u>	<u>\$22,339,807</u>	<u>\$22,408,106</u>	<u>\$22,566,522</u>	<u>\$22,959,004</u>

Source: Annual Adopted Budgets of the Borough

## **Fund Balance**

### **Current Fund**

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

<b><u>Fund Balance - Current Fund</u></b>		
	<b><u>Balance</u></b>	<b><u>Utilized in Budget</u></b>
<b><u>Year</u></b>	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2018U	\$1,912,839	\$1,485,000
2017	1,913,197	1,617,456
2016	1,595,552	1,450,000
2015	2,514,088	2,035,000
2014	1,643,264	1,360,000

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

Water-Sewer Utility Operating Fund

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

**Fund Balance - Water-Sewer Utility Operating Fund**

<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2018U	\$368,411	\$439,809
2017	752,285	337,969
2016	710,061	239,000
2015	764,666	194,771
2014	578,079	25,739

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

Parking Utility Operating Fund

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

**Fund Balance - Parking Utility Operating Fund**

<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2018U	\$368,411	\$283,041
2017	488,332	299,052
2016	586,161	345,202
2015	278,866	67,935
2014	167,945	38,857

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

## **Borough Indebtedness as of December 31, 2018**

### **General Purpose Debt**

Serial Bonds	\$8,663,000
Bond Anticipation Notes	2,470,250
Bonds and Notes Authorized but Not Issued	2,637,800
Other Bonds, Notes and Loans	196,668
Total:	<u>\$13,967,718</u>

### **Local School District Debt**

Serial Bonds	\$1,245,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$1,245,000</u>

### **Regional School District Debt**

Serial Bonds	\$1,034,662
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	7,473,757
Total:	<u>\$8,508,418</u>

### **Self-Liquidating Debt**

Serial Bonds	\$8,502,382
Bond Anticipation Notes	4,000,000
Bonds and Notes Authorized but Not Issued	2,330,647
Other Bonds, Notes and Loans	1,366,353
Total:	<u>\$16,199,382</u>

### **TOTAL GROSS DEBT**

**\$39,920,518**

Less: Statutory Deductions	
General Purpose Debt	\$297,584
Local School District Debt	1,245,000
Regional School District Debt	8,508,418
Self-Liquidating Debt	16,199,382
Total:	<u>\$26,250,384</u>

### **TOTAL NET DEBT**

**\$13,670,133**

Source: Annual Debt Statement of the Borough

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**Overlapping Debt (as of December 31, 2018)<sup>2</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Local School District	\$1,245,000	100.00%	\$1,245,000
Regional School District	19,695,000	43.20%	8,508,418
County	993,875,000	1.81%	<u>17,989,363</u>
Net Indirect Debt			\$27,742,781
Net Direct Debt			<u>13,670,133</u>
Total Net Direct and Indirect Debt			<b><u>\$41,412,915</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2016, 2017, 2018)	\$2,197,656,212
Permitted Debt Limitation (3 1/2%)	76,917,967
Less: Net Debt	<u>13,670,133</u>
Remaining Borrowing Power	<u>\$63,247,834</u>
Percentage of Net Debt to Average Equalized Valuation	0.622%
 Gross Debt Per Capita based on 2010 population of 12,206	 \$3,271
Net Debt Per Capita based on 2010 population of 12,206	\$1,120

Source: Annual Debt Statement of the Borough

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<sup>2</sup> Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.



**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE BOROUGH OF RED BANK  
FOR THE YEAR ENDING DECEMBER 31, 2017  
AND UNAUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED  
DECEMBER 31, 2018**

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**UNAUDITED FINANCIAL DATA OF THE BOROUGH  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Honorable Mayor and Members  
of the Township Council  
Borough of Red Bank  
County of Monmouth  
Red Bank, New Jersey

Management is responsible for the accompanying balance sheets - regulatory basis of the various funds and account groups of the Borough of Red Bank ("Borough") as of December 31, 2018, and the related statements of operations and changes in fund balance - regulatory basis for the year then ended in accordance with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures and the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis required for financial statements prepared in conformity with accounting practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. If the omitted disclosures and statements were included in the financial statements, they might influence the user's conclusions about the Borough's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

*Fallon & Company LLP*

FALLON & COMPANY LLP  
Certified Public Accountants

Hazlet, New Jersey  
November 13, 2019

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
BALANCE SHEET - REGULATORY BASIS

As of December 31, 2018

	<u>UNAUDITED</u>
<b>ASSETS</b>	
Cash	\$ 7,511,166.42
Cash - Change Fund	900.00
	<u>7,512,066.42</u>
Receivables with Full Reserves:	
Delinquent Property Taxes Receivable	848,973.11
Tax Title Liens Receivable	27,946.24
Demolition Liens Receivable	8,830.90
Revenue Accounts Receivable	37,500.64
PILOT Receivable	188,614.93
Interfunds Receivable	81,845.59
	<u>1,193,711.41</u>
	<u>8,705,777.83</u>
Deferred Charges:	
Special Emergency Authorizations	80,000.00
Overexpenditure without Appropriation	98,105.00
	<u>178,105.00</u>
 Total Current Fund	 <u>8,883,882.83</u>
Federal and State Grant Fund:	
Cash	70,022.30
Federal and State Grants Receivable	73,100.36
Interfund - Current Fund	6,068.92
	<u>149,191.58</u>
 Total Assets	 <u>\$ 9,033,074.41</u>

See accountants' compilation report.

**BOROUGH OF RED BANK**  
**COUNTY OF MONMOUTH, NEW JERSEY**

**CURRENT FUND**  
**BALANCE SHEET - REGULATORY BASIS**

As of December 31, 2018

<b>LIABILITIES, RESERVES AND FUND BALANCE</b>	<u>UNAUDITED</u>
Appropriation Reserves	\$ 1,052,832.89
Reserve for Encumbrances	573,900.25
Due to State of New Jersey, Chap. 20 P.L. 1971	1,750.00
Due to State of New Jersey - Marriage License Fees	1,450.00
Due to State of New Jersey - Training Fees	7,495.00
Tax Overpayments	1,405.89
Prepaid Taxes	473,629.89
Due to County for Added Taxes	46,203.14
Local School District School Tax Payable	2,355,947.67
Regional District High School Tax Payable	630,419.82
Account Payable	1,529.50
Interfund - Federal and State Grant Fund	6,068.92
Interfunds Payable	94,879.87
Reserve for Revaluation	19,035.73
Reserve for Sale of Municipal Assets	92,587.00
Reserve for Severance Liabilities	150,150.84
Reserve for Library Expenditures	165,819.93
Special Emergency Notes Payable	60,000.00
Due to Monmouth County Regional Health Commission	11,800.00
	<u>5,746,906.34</u>
Reserve for Receivables and Other Assets	1,193,711.41
Fund Balance	<u>1,943,265.08</u>
Total Current Fund	<u>8,883,882.83</u>
Federal and State Grant Fund:	
Reserve for Encumbrances	4,086.50
Reserve for Federal and State Grants - Appropriated	<u>145,105.08</u>
Total Grant Fund	<u>149,191.58</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 9,033,074.41</u></u>

See accountants' compilation report.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Year Ended December 31, 2018

	<u>UNAUDITED</u>
Revenue and Other Income Realized:	
Fund Balance Utilized	\$ 1,617,456.33
Miscellaneous Revenue Anticipated	7,663,455.57
Receipts from Delinquent Taxes	556,465.14
Receipts from Current Taxes	46,724,109.10
Non-Budget Revenues	195,311.53
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	635,703.99
Accounts Payable Canceled	33,225.00
Interfund Returned - Federal and State Grant Fund	69,717.19
Grant Appropriations Canceled	<u>15,508.52</u>
Total Income	<u>57,510,952.37</u>
Expenditures:	
Budget and Emergency Appropriations	
Appropriations Within Caps:	
Operations:	
Salaries and Wages	8,615,816.00
Other Expenses	6,436,231.00
Deferred Charges and Statutory Expenditures	1,955,564.00
Appropriations Excluded from Caps:	
Operations:	
Salaries and Wages	347,150.00
Other Expenses	1,082,203.77
Capital Improvements	125,000.00
Municipal Debt Service	2,977,529.81
Deferred Charges	152,400.70

See accountants' compilation report



**BOROUGH OF RED BANK**  
**COUNTY OF MONMOUTH, NEW JERSEY**

CURRENT FUND  
**STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**

For the Year Ended December 31, 2018

	<u>UNAUDITED</u>
Expenditures continued:	
Prior Year Revenue - Due to State of New Jersey	\$ 2,621.05
Refund of Prior Year's Tax Revenue	124,830.30
County Taxes	6,039,374.21
Amount Due County for Added and Omitted Taxes	46,202.92
Local District School Tax	17,657,369.00
Regional High School Tax	9,693,952.00
Special District Taxes	532,120.00
Grants Receivable Canceled	18,248.32
Interfunds Advanced - Other Funds	71,046.20
Refund of Prior Year Revenue	<u>60.00</u>
Total Expenditures	<u>55,877,719.28</u>
Excess/(Deficit) in Revenue	1,633,233.09
Fund Balance January 1	<u>2,001,583.83</u>
	3,634,816.92
Decreased by:	
Utilized as Anticipated Revenue	<u>1,617,456.33</u>
Fund Balance December 31	<u><u>\$ 2,017,360.59</u></u>

See accountants' compilation report

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

TRUST FUND  
BALANCE SHEET - REGULATORY BASIS

As of December 31, 2018

	<u>UNAUDITED</u>
<b>ASSETS</b>	
Animal Control Trust Fund:	
Cash	\$ 22,595.22
	<u>22,595.22</u>
Trust Other Fund:	
Cash	3,410,191.86
Interfund - Current Fund	94,879.87
Interfund - Parking Operating Fund	1,487.25
	<u>3,506,558.98</u>
Length of Service Awards Program (LOSAP) - Funds Held by Trustee	<u>790,568.99</u>
Total Assets	<u><u>\$ 4,319,723.19</u></u>
<b>LIABILITIES AND RESERVES</b>	
Animal Control Trust Fund:	
Interfund - Current Fund	\$ 362.12
Reserve for Animal Control Expenditures	17,630.43
Due to State of New Jersey	52.80
Reserve for Encumbrances	4,549.87
	<u>22,595.22</u>
Trust Other Fund:	
Various Reserves	3,444,357.78
Reserve for Encumbrances	62,201.20
	<u>3,506,558.98</u>
Length of Service Awards Program (LOSAP) - Reserve for Length of Service Awards Program	<u>790,568.99</u>
Total Liabilities and Reserves	<u><u>\$ 4,319,723.19</u></u>

See accountants' compilation report.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
BALANCE SHEET - REGULATORY BASIS

As of December 31, 2018

	<u>UNAUDITED</u>
<b>ASSETS</b>	
Cash	\$ 3,636,840.28
Investments in Notes	60,000.00
Grants Receivable	1,045,321.00
Deferred Charges to Future Taxation:	
Funded	8,859,667.69
Unfunded	<u>5,108,050.00</u>
	<u><u>\$ 18,709,878.97</u></u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>	
General Serial Bonds	\$ 8,663,000.00
Bond Anticipation Notes Payable	2,470,250.00
Green Trust Loan Payable	196,667.69
Improvement Authorizations:	
Funded	2,050,904.40
Unfunded	3,541,756.48
Reserve for Encumbrances	1,035,077.81
Capital Improvement Fund	175,512.76
Miscellaneous Reserves	503,313.47
Due Current Fund	7,529.72
Fund Balance	<u>65,866.64</u>
	<u><u>\$ 18,709,878.97</u></u>

There were bonds and notes authorized but not issued on December 31, 2018 of \$2,637,800.00

See accountants' compilation report.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER/SEWER UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS

As of December 31, 2018

<b>ASSETS</b>	<u>UNAUDITED</u>
<b><u>Operating Fund</u></b>	
Cash	\$ 1,947,112.55
Change Fund	225.00
Due From Water Sewer Capital Fund	164,053.84
	<u>2,111,391.39</u>
Receivables and Other Assets with Full Reserves:	
Consumer Accounts Receivable	797,994.36
Liens Receivable	513.82
Water/Sewer Line Repairs Receivable	27,471.16
	<u>825,979.34</u>
Deferred Charges:	
Overexpenditure of Appropriations	<u>2,465.62</u>
Total Operating Fund	<u>2,939,836.35</u>
<b><u>Capital Fund</u></b>	
Cash	1,925,598.28
Fixed Capital	18,621,621.10
Fixed Capital Authorized and Uncompleted	15,976,943.00
Total Capital Fund	<u>36,524,162.38</u>
Total Assets	<u>\$ 39,463,998.73</u>

See accountants' compilation report.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER/SEWER UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS

As of December 31, 2018

	<u>UNAUDITED</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>	
<b><u>Operating Fund</u></b>	
Appropriation Reserves	\$ 978,034.43
Reserve for Encumbrances	191,996.21
Rent Overpayments	22,782.39
Accrued Interest on Bonds & Notes	78,047.38
Reserve for Water/Sewer Line Repairs	34,225.04
Reserve for Fees for Other Towns	43.86
	<u>1,305,129.31</u>
Reserve for Receivables and Other Assets	825,979.34
Fund Balance	<u>808,727.70</u>
Total Operating Fund	<u>2,939,836.35</u>
<b><u>Capital Fund</u></b>	
Serial Bonds	8,252,381.54
Bond Anticipation Notes	3,700,000.00
Reserve for Encumbrances	1,213,571.63
Funded	172,279.98
Unfunded	1,983,145.14
Capital Improvement Fund	3,074.00
Due to Water Sewer Operating Fund	164,053.84
Reserve for:	
Amortization	10,369,239.56
Deferred Amortization	9,001,943.00
Reserve for Preliminary Costs - Well	1,845.00
Reserve for Payment of Bonds	192,869.89
Short-Term Trust Loan Payable	1,366,353.00
Fund Balance	<u>103,405.80</u>
Total Capital Fund	<u>36,524,162.38</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 39,463,998.73</u></u>

There were Bonds & Notes Authorized but not Issued on December 31, 2018 of \$1,908,647.00.

See accountants' compilation report.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER/SEWER UTILITY OPERATING FUND  
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Year Ended December 31, 2018

	<u>UNAUDITED</u>
Revenue and Other Income Realized:	
Fund Balance Utilized	\$ 337,968.58
Water/Sewer Rents	6,669,404.05
Water/Sewer Connection Fees	283,300.95
Reserve to Pay Debt	160,312.79
Miscellaneous Revenue	130,989.80
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	203,265.44
Overexpenditure of Appropriations	2,465.62
Reserve for Water/Sewer Line Repairs Canceled	
Total Revenue	<u>7,787,707.23</u>
Expenditures:	
Operating	5,183,079.00
Capital Improvements	50,000.00
Debt Service	1,181,863.02
Statutory Expenditures	191,470.00
Surplus - General Budget	555,022.37
Prior Year Surplus - General Budget	225,200.00
Refund of Prior Year Revenue	<u>6,661.23</u>
Total Expenditures	<u>7,393,295.62</u>
Excess/(Deficit) in Revenue	394,411.61
Fund Balance January 1	<u>752,284.67</u>
	1,146,696.28
Decreased by:	
Utilization as Anticipated Revenue	<u>337,968.58</u>
Fund Balance December 31	<u><u>\$ 808,727.70</u></u>

See accountants' compilation report..

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PARKING UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS

As of December 31, 2018

	<u>UNAUDITED</u>
<b>ASSETS</b>	
<b><u>Operating Fund</u></b>	
Cash	\$ 846,508.38
Change Fund	100.00
Interfund - Parking Capital	<u>66.14</u>
Total Operating Fund	<u>846,674.52</u>
<b><u>Capital Fund</u></b>	
Cash	213,686.13
Fixed Capital	4,191,488.21
Fixed Capital Authorized and Uncompleted	<u>1,022,000.00</u>
Total Capital Fund	<u>5,427,174.34</u>
Total Assets	<u><u>\$ 6,273,848.86</u></u>

See accountants' compilation report.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PARKING UTILITY FUND  
BALANCE SHEET - REGULATORY BASIS

As of December 31, 2018

	<u>UNAUDITED</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>	
<b><u>Operating Fund</u></b>	
Appropriation Reserves	\$ 189,824.87
Accrued Interest Payable	1,310.42
Reserve for Encumbrances	67,024.39
Interfund - Current	22,000.00
Interfund - Trust Other Fund	1,487.25
Reserve for Parking Fee Variances	<u>187,725.78</u>
	469,372.71
Fund Balance	<u>377,301.81</u>
Total Operating Fund	<u>846,674.52</u>
<b><u>Capital Fund</u></b>	
Serial Bonds	250,000.00
Bond Anticipation Notes	300,000.00
Improvement Authorizations:	
Funded	50,138.32
Unfunded	552,521.78
Capital Improvement Fund	3,400.00
Interfund - Parking Operating	66.14
Reserve for Amortization	4,191,488.21
Deferred Reserve for Amortization	50,000.00
Reserve for Payment of Bonds	3,778.19
Fund Balance	<u>25,781.70</u>
Total Capital Fund	<u>5,427,174.34</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 6,273,848.86</u></u>

There were \$422,000 bonds and notes authorized but not issued on December 31, 2018.

See accountants' compilation report.



**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PARKING UTILITY OPERATING FUND  
STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Year Ended December 31, 2018

	<u>UNAUDITED</u>
Revenue and Other Income Realized:	
Fund Balance Utilized	\$ 299,051.72
Parking Fees	1,465,387.30
Riverview Hospital Lease Agreement	320,526.69
Interest on Investments	3,984.55
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	195,956.23
Canceled Accounts Payable	<u>8,890.45</u>
Total Revenue	<u>2,293,796.94</u>
Expenditures:	
Operating	854,268.00
Debt Service	32,453.59
Deferred Charges and Statutory	57,900.00
Surplus - General Budget	1,076,154.16
Prior Year Surplus - General Budget	<u>85,000.00</u>
Total Expenditures	<u>2,105,775.75</u>
Excess/(Deficit) in Revenue	188,021.19
Fund Balance January 1	<u>488,332.34</u>
	676,353.53
Decreased by:	
Utilization as Anticipated Revenue	<u>299,051.72</u>
Fund Balance December 31	<u><u>\$ 377,301.81</u></u>

See accountants' compilation report.

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**AUDITED FINANCIAL STATEMENTS OF THE BOROUGH  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members  
of the Borough Council  
Borough of Red Bank  
County of Monmouth  
Red Bank, New Jersey

We have audited the accompanying balance sheets-regulatory basis of the various funds and comparative statement of general fixed asset account group of the Borough of Red Bank, New Jersey (the "Borough"), as of December 31, 2017, and the related statement of operations and changes in fund balance-regulatory basis, statements of revenues-regulatory basis and statements of expenditures-regulatory basis for the year then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes 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 fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions 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 from material misstatement.

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

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

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

As described in Note 1, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

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

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the various funds and fixed asset account group of the Borough as of December 31, 2017, and the results of its operations and changes in its fund balance of the individual funds for the year then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2017, in conformity with accounting principles and practices prescribe by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1 to the financial statements.

### **Prior Period Financial Statements and Supplementary Information**

The financial statements of the Borough of Red Bank, as of and for the year ended December 31, 2016 were audited by other auditors whose report dated June 24, 2017, expressed an unmodified opinion on those statements.

The 2016 supplementary information was subjected to auditing procedures applied in the 2016 audit of the financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2016 financial statements as a whole.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that schedule of pension contributions and schedule of net pension liability be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements of the Borough that collectively comprise the Borough's financial statements. The accompanying financial information listed as supplementary exhibits and supplementary data in the table of contents are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and are not a required part of the financial statements.

The accompanying financial information listed as supplementary exhibits and supplementary schedules in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary exhibits and supplementary data are fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

*Charles J. Fallon CPA RMA*

Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506

*Fallon & Larsen LLP*

Fallon & Larsen LLP

Hazlet, New Jersey  
June 29, 2018

**INDEPENDENT AUDITOR’S 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***

To the Honorable Mayor and Members  
of the Borough Council  
Borough of Red Bank  
County of Monmouth  
Red Bank, New Jersey

We have audited, in accordance with the 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, the regulatory financial statements of the Borough of Red Bank, of the State of New Jersey (“Borough”), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough’s financial statements and have issued our report thereon dated June 29, 2018. We expressed an adverse opinion on the conformity of the statements with accounting principles generally accepted in the United States of America. As described in Note 1, the financial statements are prepared by the Borough on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Borough’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Borough’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough’s internal control.

*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 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, we identified certain deficiencies in internal control over financial reporting as described in the accompanying schedule of findings and responses as item 2017-001, that we consider to be a significant deficiency.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from 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*.

## **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* and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Charles J. Fallon CPA RMA*

Charles J. Fallon  
Certified Public Accountant  
Registered Municipal Accountant #506

*Fallon & Larsen LLP*

Fallon & Larsen LLP

Hazlet, New Jersey  
June 29, 2018

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

As of December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash	A-4	\$ 9,125,469.31	\$ 6,039,839.67
Cash - Change Fund		900.00	900.00
Due from State of New Jersey, Chap. 20 P.L. 1971	A-9	1,486.81	5,121.05
		<u>9,127,856.12</u>	<u>6,045,860.72</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	567,720.66	880,826.69
Tax Title Liens Receivable	A-6	4,563.80	4,556.14
Demolition Liens Receivable	A-7	8,830.90	7,678.00
Revenue Accounts Receivable	A-8	30,514.74	38,589.31
Pilot Receivable	A	105,039.48	
Interfund - Federal and State Grant Fund	A-21	69,717.19	31.65
Interfunds Receivable	A-22	10,799.39	5,173.91
		<u>797,186.16</u>	<u>936,855.70</u>
		<u>9,925,042.28</u>	<u>6,982,716.42</u>
Deferred Charges:			
Special Emergency Authorizations	A-19	232,400.00	384,800.00
		<u>232,400.00</u>	<u>384,800.00</u>
Total Current Fund		<u>10,157,442.28</u>	<u>7,367,516.42</u>
Federal and State Grant Fund:			
Cash	A-4	148,029.69	120,110.01
Federal and State Grants Receivable	A-25	66,185.68	93,997.84
Total Grant Fund		<u>214,215.37</u>	<u>214,107.85</u>
Total Assets		<u>\$ 10,371,657.65</u>	<u>\$ 7,581,624.27</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

As of December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	A-3	\$ 918,468.27	\$ 919,158.27
Reserve for Encumbrances	A-12	870,896.37	289,066.30
Account Payable	A-20		9,993.79
Due to County for Added Taxes	A-15	19,992.61	37,749.84
Prepaid Taxes	A-14	2,397,889.91	204,332.67
Tax Overpayments	A-13	1,405.89	9,879.38
Local School District School Tax Payable	A-16	2,026,138.17	1,764,701.15
Regional District High School Tax Payable	A-17	429,234.28	407,978.30
Special Emergency Notes Payable	A-24	212,400.00	364,800.00
Due to State of New Jersey - Marriage License Fees	A-10	2,200.00	1,575.00
Due to State of New Jersey - Training Fees	A-10	10,562.00	4,408.00
Interfunds Payable	A-22	3,841.66	
Reserve for Revaluation	A-23	37,412.73	80,560.73
Reserve for Sale of Municipal Assets	A-23	192,587.00	392,587.00
Reserve for Severance Liabilities	A-23	150,150.84	150,150.84
Reserve for Library Expenditures	A-23	148,863.07	192,917.28
Due to Monmouth County Regional Health Commission	A	10,725.00	5,250.00
		<u>7,432,767.80</u>	<u>4,835,108.55</u>
Reserve for Receivables and Other Assets	A	797,186.16	936,855.70
Fund Balance	A-1	<u>1,927,488.32</u>	<u>1,595,552.17</u>
Total Current Fund		<u>10,157,442.28</u>	<u>7,367,516.42</u>
Federal and State Grant Fund:			
Reserve for Encumbrances	A-29	13,972.40	21,749.43
Reserve for Federal and State Grants			
Appropriated	A-26	113,633.16	192,326.77
Unappropriated	A-27	16,892.62	
Due to Current	A-28	<u>69,717.19</u>	<u>31.65</u>
Total Grant Fund		<u>214,215.37</u>	<u>214,107.85</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 10,371,657.65</u>	<u>\$ 7,581,624.27</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Years Ended December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized:			
Fund Balance Utilized	A-2	\$ 1,450,000.00	\$ 2,035,000.00
Miscellaneous Revenue Anticipated	A-2	7,682,952.06	7,565,796.63
Receipts from Delinquent Taxes	A-2	879,956.94	644,443.51
Receipts from Current Taxes	A-2	44,890,549.86	43,730,097.83
Non-Budget Revenues	A-2	359,536.14	130,549.75
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-11	793,545.21	628,693.89
Interfund Liquidated			51,216.85
Accounts Payable Canceled	A-20	7,795.79	1,718.25
Grant Appropriations Canceled	A-21	126,266.60	
Adjustment to Change Fund			750.00
Total Income		<u>56,190,602.60</u>	<u>54,788,266.71</u>
Expenditures:			
Budget and Emergency Appropriations			
Appropriations Within Caps:			
Operations:			
Salaries and Wages	A-3	8,513,456.17	7,964,737.00
Other Expenses	A-3	6,358,952.40	6,879,137.00
Deferred Charges and Statutory Expenditures	A-3	1,805,158.00	1,654,953.00
Appropriations Excluded from Caps:			
Operations:			
Salaries and Wages	A-3	331,700.00	117,912.00
Other Expenses	A-3	994,052.03	1,340,188.44
Capital Improvements	A-3	225,000.00	100,000.00
Municipal Debt Service	A-3	2,673,259.82	2,785,960.48
Deferred Charges	A-3	152,400.00	489,900.00
Judgements			25,000.00
Prior Year Revenue - Tax Title Lien	A-6	3,225.42	
Prior Year Revenue - Demolition Lien	A-7	1,152.90	
Refund of Prior Year's Tax Revenue	A-13	529,146.96	116,774.50
County Taxes	A-15	5,843,254.56	5,891,034.40
Amount Due County for Added and Omitted Taxes	A-15	19,992.58	

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Years Ended December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Local District School Tax	A-16	17,022,064.00	16,545,017.00
Regional High School Tax	A-17	9,291,581.00	9,249,069.00
Special District Taxes	A-18	512,120.00	512,120.00
Grants Receivable Canceled	A-21	39,832.16	
Interfunds Advanced	A-22	5,657.13	
Interfunds Advanced	A-21	69,717.19	
Refund of Prior Year Revenue	A	16,944.13	
		<hr/>	<hr/>
Total Expenditures		54,408,666.45	53,671,802.82
		<hr/>	<hr/>
Excess/(Deficit) in Revenue		1,781,936.15	1,116,463.89
		<hr/>	<hr/>
Fund Balance January 1	A	1,595,552.17	2,514,088.28
		<hr/>	<hr/>
		3,377,488.32	3,630,552.17
Decreased by:			
Utilized as Anticipated Revenue	A-1/A-2	1,450,000.00	2,035,000.00
		<hr/>	<hr/>
Fund Balance December 31	A	\$ 1,927,488.32	\$ 1,595,552.17
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Anticipated</u> Special N.J.S.A. <u>40A:4-87</u>	<u>Realized</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 1,450,000.00		\$ 1,450,000.00	\$ -
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-8	88,000.00		92,064.00	4,064.00
Other	A-8	57,500.00		61,045.00	3,545.00
Fees and Permits					
Other	A-8	320,000.00		363,724.14	43,724.14
Fines and Costs:					
Municipal Court	A-8	625,000.00		502,104.68	(122,895.32)
Interest and Costs on Taxes	A-8	185,000.00		189,019.49	4,019.49
Interest on Investments and Deposits	A-8	30,000.00		101,560.94	71,560.94
Utility Operating Surplus of Current Year - Water/Sewer	A-8	481,600.00		481,600.00	
Utility Operating Surplus of Current Year - Parking Utility	A-8	1,135,000.00		1,135,000.00	
Energy Receipts Tax	A-8	2,011,681.00		2,011,681.00	
Uniform Construction Code Fees	A-8	424,000.00		603,269.60	179,269.60
Code Enforcement - Property Maintenance Fees	A-8	60,000.00		68,769.19	8,769.19
Special Items of General Revenue Anticipated with Prior Written					
Consent of Director of Local Government Services					
Shared Service Agreements Off-Set with Appropriations					
Township of Shrewsbury - Municipal Court	A-8	9,000.00		9,572.08	572.08
Borough of Little Silver - Fire Services	A-8	11,000.00		14,965.00	3,965.00
Red Bank Board of Education - Snow Plowing	A-8	13,669.00		13,669.00	
Public and Private Revenues Off-Set with Appropriations					
US Older Americans Act - Senior Citizens	A-25	29,312.00		29,312.00	
Recycling Tonnage Grant	A-25		15,373.03	15,373.03	
Distracted Driving Crackdown	A-25	5,500.00		5,500.00	

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Anticipated</u> Special N.J.S.A. 40A:4-87	<u>Realized</u>	<u>Excess or</u> <u>(Deficit)</u>
Drunk Driving Enforcement					
Police	A-25		5,595.48	5,595.48	
Court	A-25		3,184.83	3,184.83	
Clean Communities Program	A-25		22,333.07	22,333.07	
COPS in Shops	A-25		1,600.00	1,600.00	
COPS in Shops - College Fall Initiative 2017 - 2018	A-25		3,520.00	3,520.00	
Body Armor Replacement Fund	A-25		3,713.80	3,713.80	
Pedestrian Safety	A-25		16,500.00	16,500.00	
Other Special Items					
Franchise Tax Cable Television	A-8	195,178.71		195,178.71	
Uniform Fire Safety Act	A-8	110,000.00		121,455.32	11,455.32
Landlord Registration Fees	A-8	13,000.00		14,495.00	1,495.00
Utility Operating Surplus of Prior Year - Water/Sewer	A-8	325,000.00		325,000.00	
Utility Operating Surplus of Prior Year - Parking Utility	A-8	75,000.00		75,000.00	
Payment in Lieu of Taxes - Riverview Hospital	A-8	185,000.00		108,658.34	(76,341.66)
RBC Field Rent	A-8	130,000.00		130,000.00	
Payment in Lieu of Taxes - Housing Authority/River Street/Habcore	A-8	160,000.00		159,708.42	(291.58)
Reserve for Sale of Municipal Assets	A-8	200,000.00		200,000.00	
Hotel Occupancy Tax	A-8	170,000.00		183,779.94	13,779.94
Reserve for Payment of Bonds	A-8	415,000.00		415,000.00	
Total Miscellaneous Revenues	A-1	7,464,440.71	71,820.21	7,682,952.06	146,691.14
Receipts from Delinquent Taxes	A-1/A-2	875,000.00		879,956.94	4,956.94

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Anticipated</u> Special N.J.S.A. 40A:4-87	<u>Realized</u>	Excess or <u>(Deficit)</u>
Amount to be Raised by Taxation for Support of Municipal Budget					
Local Tax for Municipal Purpose	A-5	11,909,860.72		12,493,090.76	583,230.04
Minimum Library Levy	A-5	<u>708,804.22</u>	<u>                    </u>	<u>708,804.22</u>	<u>-</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget		<u>12,618,664.94</u>	<u>-</u>	<u>13,201,894.98</u>	<u>583,230.04</u>
Budget Totals		22,408,105.65	71,820.21	23,214,803.98	734,878.12
Non-Budget Revenues	A-1/A-2	<u>                    </u>	<u>                    </u>	<u>359,536.14</u>	<u>359,536.14</u>
Total		<u><u>\$ 22,408,105.65</u></u>	<u><u>\$ 71,820.21</u></u>	<u><u>\$ 23,574,340.12</u></u>	<u><u>\$ 1,094,414.26</u></u>
	<u>Ref.</u>	A-3	A-3		

The accompanying notes are an integral part of this statement.



**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2017

Analysis of Realized Revenues:

Allocation of Current Tax Collections:

Revenue from Collections	A-1/A-5	\$ 44,890,549.86
Allocated to School, County, and Special District Taxes	A-5	<u>32,689,012.14</u>

Total Amount to be Raised by Taxes for Support of Municipal Budget		12,201,537.72
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Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,000,357.26</u>
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Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 13,201,894.98</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collections	A-2/A-5	<u>\$ 879,956.94</u>
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		<u><u>\$ 879,956.94</u></u>
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The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2017

Fees & Permits - Other:

Clerk	\$ 22,456.14
Vital Statistics	153,328.00
Planning and Zoning	135,022.50
Board of Health	10.00
Police Taxi	1,980.00
Recreation Fees	50,927.50
	<u>\$ 363,724.14</u>

Analysis of Non-Budget Revenues:

FEMA - Sandy	\$ 99,898.12
FEMA - Jonas 2016	54,558.08
Copies	335.45
Returned Check Fees	280.00
Interfaith Neighbors	2,520.00
Monmouth Boat Club Donation	5,000.00
Restitution	224.94
Police Records	73,785.16
Auction Proceeds	6,884.82
Senior Citizen and Veteran Administrative Fee	1,075.00
Escrow Interest	23,137.32
Interfunds	8,000.00
Sidewalk Permits	6,220.83
Planning & Zoning Fees	28,586.50
Prior Year Library Insurance Reimbursement	30,265.99
MRNA - Other	<u>18,763.93</u>

A-2/A-4 \$ 359,536.14

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Operations Within CAPS					
General Government:					
General Administration					
Salaries and Wages	\$ 125,998.00	\$ 125,998.00	\$ 118,238.04	\$ 7,759.96	
Other Expenses	19,650.00	54,650.00	49,541.05	5,108.95	
Municipal Clerk					
Salaries and Wages	125,900.00	125,900.00	119,070.07	6,829.93	
Other Expenses	32,500.00	65,500.00	60,373.53	5,126.47	
Financial Administration					
Salaries and Wages	149,400.00	149,400.00	148,917.12	482.88	
Other Expenses	60,500.00	60,500.00	48,612.97	11,887.03	
Audit Services					
Other Expenses	30,000.00	30,000.00	17,657.15	12,342.85	
Mayor and Council					
Salaries and Wages	30,321.00	30,321.00	29,200.56	1,120.44	
Tax Assessment Administration					
Salaries and Wages	77,690.00	77,690.00	76,873.18	816.82	
Other Expenses	26,425.00	26,425.00	6,662.12	19,762.88	
Utilization of Banked Sick Time	100,000.00	100,000.00	100,000.00		
Revenue Administration					
Salaries and Wages	86,155.00	86,155.00	81,694.00	4,461.00	
Other Expenses	21,130.00	21,130.00	17,822.73	3,307.27	
Legal Services and Costs					
Other Expenses	175,000.00	175,000.00	104,914.29	20,085.71	\$ 50,000.00

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Engineering Services					
Other Expenses	100,000.00	100,000.00	34,829.62	15,170.38	50,000.00
Codification of Ordinances					
Other Expenses	10,000.00	10,000.00	8,311.11	1,688.89	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	98,975.00	96,475.00	81,139.88	15,335.12	
Other Expenses	54,500.00	41,500.00	26,153.30	15,346.70	
Zoning Board of Adjustment					
Salaries and Wages	98,975.00	98,975.00	81,000.67	17,974.33	
Other Expenses	31,500.00	31,500.00	19,301.10	12,198.90	
INSURANCE					
Liability Insurance	245,000.00	245,000.00	236,774.19	8,225.81	
Workers Compensation Insurance	318,000.00	318,000.00	316,878.52	1,121.48	
Employee Group Insurance	2,800,000.00	2,800,000.00	2,404,502.69	95,497.31	300,000.00
Unemployment Insurance	10,000.00	10,000.00	8,415.35	1,584.65	
Health Insurance Opt Out Payments	77,050.00	77,050.00	63,590.75	13,459.25	
PUBLIC SAFTEY					
Fire Department					
Other Expenses	139,200.00	139,200.00	104,760.43	34,439.57	
Uniform Fire Safety Act (Fire Department)					
Salaries and Wages	147,398.00	153,398.00	152,184.60	1,213.40	
Other Expenses	10,000.00	10,000.00	9,733.02	266.98	

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Police Department					
Salaries and Wages	5,141,600.00	5,141,600.00	5,040,329.17	101,270.83	
Other Expenses	164,000.00	164,000.00	159,080.57	4,919.43	
Volunteer Ambulance Companies					
Other Expenses	47,300.00	47,300.00	42,472.34	4,827.66	
Office of Emergency Management					
Salaries and Wages	5,412.00	5,412.00	5,375.75	36.25	
Other Expenses	5,500.00	5,500.00	5,437.38	62.62	
Rent Leveling					
Salaries and Wages	3,000.00	3,000.00	2,000.00	1,000.00	
Other Expenses	15,750.00	15,750.00	7,840.36	7,909.64	
<b>PUBLIC WORKS FUNCTIONS</b>					
Streets and Road Maintenance					
Salaries and Wages	604,400.00	579,900.00	571,714.15	8,185.85	
Other Expenses	119,250.00	134,250.00	113,873.35	20,376.65	
Sanitation					
Other Expenses	511,000.00	511,000.00	502,000.00	9,000.00	
Public Buildings and Grounds					
Salaries and Wages	575,549.67	560,549.67	532,859.91	27,689.76	
Other Expenses	242,000.00	257,000.00	234,158.30	22,841.70	
<b>LANDFILL/ SOLID WASTE DISPOSAL COSTS</b>					
Landfill					
Other Expenses	435,000.00	435,000.00	430,556.89	4,443.11	

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Canceled</u>
CODE ENFORCEMENT					
Salaries and Wages	138,928.50	138,928.50	129,987.19	8,941.31	
Other Expenses	7,750.00	7,750.00	2,605.00	5,145.00	
HEALTH AND WELFARE					
Visiting Nurse Association	24,730.00	24,730.00	18,547.32	6,182.68	
Relocation Assistance	1,425.00	1,425.00		1,425.00	
Monmouth County Regional Health Commission	180,498.00	180,498.00	180,498.00		
Animal Control Services					
Salaries & Wages	46,800.00	53,300.00	52,773.10	526.90	
Shade Tree					
Other Expenses	5,000.00	5,000.00	4,876.00	124.00	
PARKS AND RECREATION FUNCTIONS:					
Recreation Services and Programs					
Salaries and Wages	211,550.00	214,050.00	213,687.87	362.13	
Other Expenses	92,500.00	92,500.00	91,592.12	907.88	
UTILITY EXPENSES AND BULK PURCHASES					
Street Lighting	260,000.00	225,000.00	221,118.30	3,881.70	
Electricity	113,601.40	113,601.40	74,766.81	13,834.59	25,000.00
Telephone	95,000.00	95,000.00	71,675.62	23,324.38	
Natural Gas	50,000.00	50,000.00	21,225.31	28,774.69	
Gasoline	75,000.00	55,000.00	32,513.70	22,486.30	

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
UNIFORM CONSTRUCTION CODE				
APPROPRIATIONS OFFSET BY DEDICATED				
REVENUES (N.J.A.C. 5:23-4.17)				
Salaries and Wages	455,349.00	449,349.00	412,065.88	37,283.12
Other Expenses	39,507.00	39,507.00	29,721.11	9,785.89
Education and Technology				
Salaries and Wages	90,155.00	90,155.00	75,507.23	14,647.77
Other Expenses	37,991.00	37,991.00	27,688.32	10,302.68
Municipal Court				
Salaries and Wages	232,900.00	232,900.00	221,887.75	11,012.25
Other Expenses	34,495.00	34,495.00	25,343.10	9,151.90
Municipal Prosecutor				
Other Expenses	25,200.00	25,200.00	25,200.00	
Municipal Public Defender				
Other Expenses	10,000.00	10,000.00	5,410.00	4,590.00
Total Operations Within CAPS	<u>15,299,408.57</u>	<u>15,296,408.57</u>	<u>14,113,539.94</u>	<u>757,868.63</u>
Contingent	<u>1,000.00</u>	<u>1,000.00</u>		<u>1,000.00</u>
Total Operations Including Contingent Within CAPS	<u>15,300,408.57</u>	<u>15,297,408.57</u>	<u>14,113,539.94</u>	<u>758,868.63</u>
Detail:				
Salaries and Wages	8,546,456.17	8,513,456.17	8,246,506.12	266,950.05
Other Expenses	<u>6,753,952.40</u>	<u>6,783,952.40</u>	<u>5,867,033.82</u>	<u>491,918.58</u>
				<u>425,000.00</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
<u>Deferred Charges and Statutory Expenditures Within CAPS</u>				<u>Unexpended Balance Canceled</u>
Statutory Expenditures:				
Public Employees' Retirement System	372,500.00	372,500.00	372,485.15	14.85
Social Security System (O.A.S.I.)	393,000.00	393,000.00	389,554.92	3,445.08
Police and Firemen's Retirement System	1,029,658.00	1,029,658.00	1,029,658.00	
Defined Contribution Retirement Program	10,000.00	10,000.00	7,496.02	2,503.98
Deferred Charges and Statutory Expenditures Within CAPS	<u>1,805,158.00</u>	<u>1,805,158.00</u>	<u>1,799,194.09</u>	<u>5,963.91</u>
Total Appropriations Within CAPS	<u>17,105,566.57</u>	<u>17,102,566.57</u>	<u>15,912,734.03</u>	<u>764,832.54</u>
<u>Operations Excluded from CAPS</u>				
Maintenance of Free Public Library (P.L. 1985, Ch. 82)	708,804.22	708,804.22	593,181.63	115,622.59
Interlocal Services				
911 Emergency System - Monmouth County	14,310.00	14,310.00	14,309.96	0.04
Length of Service Awards Program	55,000.00	55,000.00	43,700.00	11,300.00
Municipal Stormwater Management				
Salaries and Wages	98,500.00	101,500.00	100,836.96	663.04
Other Expenses	2,500.00	2,500.00	1,704.83	795.17
Declared State of Emergency Costs for Snow Removal N.J.S.A. (40A:4-45.45(b))	21,398.60	21,398.60	21,398.60	
Recycling Tax PL 2007 c. 311	30,000.00	30,000.00	16,976.99	13,023.01
Tax Appeal Refunds	50,000.00	50,000.00	50,000.00	
Interlocal Municipal Service Agreements				
Board of Education - Snow Plowing				
Other Expenses	13,669.00	13,669.00	13,625.01	43.99

The accompanying notes are an integral part of this statement.



**BOROUGH OF RED BANK**  
**COUNTY OF MONMOUTH, NEW JERSEY**

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Borough of Little Silver Fires Services					
Salaries and Wages	9,000.00	9,000.00		9,000.00	
Other Expenses	2,000.00	2,000.00	150.00	1,850.00	
Township of Shrewsbury Municipal Court					
Salaries & Wages	6,000.00	6,000.00	6,000.00		
Other Expenses	3,000.00	3,000.00	1,662.11	1,337.89	
Public and Private Programs Offset by Revenues:					
U.S. Older American Act Grant					
Senior Citizens Center					
Salaries and Wages	17,312.00	17,312.00	17,312.00		
Other Expenses	12,000.00	12,000.00	12,000.00		
U.S. Older American Act Grant - Local Match					
Salaries and Wages	197,888.00	197,888.00	197,888.00		
Other Expenses	4,050.00	4,050.00	4,050.00		
Distracted Driving Crackdown	5,500.00	5,500.00	5,500.00		
Clean Communities Program		22,333.07	22,333.07		
Drunk Driving Enforcement					
Police		5,595.48	5,595.48		
Court		3,184.83	3,184.83		
COPS in Shops		1,600.00	1,600.00		
COPS in Shops - College Fall Initiative 2017 - 2018		3,520.00	3,520.00		
Pedestrian Safety Grant		16,500.00	16,500.00		
Body Armor Replacement Fund		3,713.80	3,713.80		
Recycling Tonnage Grant		15,373.03	15,373.03		
Total Operations - Excluded from CAPS	1,250,931.82	1,325,752.03	1,172,116.30	153,635.73	

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Appropriated</u>	<u>Expended</u>	<u>Unexpended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Detail:					
Salaries and Wages	328,700.00	331,700.00	322,036.96	9,663.04	
Other Expenses	922,231.82	994,052.03	850,079.34	143,972.69	
<u>Capital Improvements Excluded from CAPS</u>					
Capital Improvement Fund	225,000.00	225,000.00	225,000.00		
Total Capital Improvements Excluded from CAPS	225,000.00	225,000.00	225,000.00		
<u>Municipal Debt Service Excluded from CAPS</u>					
Payment of Bond Principal	1,612,753.00	1,612,753.00	1,612,752.50		0.50
Payment of Bond Anticipation Notes and Capital Notes	77,861.00	77,861.00	77,861.00		
Interest on Bonds	496,936.00	496,936.00	496,933.31		2.69
Interest on Notes	8,921.00	8,921.00	8,920.55		0.45
Green Trust Loan Program					
Loan Repayments for Principal and Interest	73,344.00	73,344.00	73,343.80		0.20
Capital Lease Obligations					
Principal	342,000.00	342,000.00	342,000.00		
Interest	62,035.00	62,035.00	61,448.66		586.34
Total Municipal Debt Service Excluded from CAPS	2,673,850.00	2,673,850.00	2,673,259.82		590.18

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>
				<u>Unexpended Balance Canceled</u>
<u>Deferred Charges Municipal Excluded from CAPS</u>				
Emergency Authorizations				
Special - 5 Years (N.J.S.A. 40A4-55)	152,400.00	152,400.00	152,400.00	
	<u>152,400.00</u>	<u>152,400.00</u>	<u>152,400.00</u>	
Total Deferred Charges Municipal Excluded from CAPS	152,400.00	152,400.00	152,400.00	
	<u>152,400.00</u>	<u>152,400.00</u>	<u>152,400.00</u>	
Total General Appropriations Excluded from CAPS	4,302,181.82	4,377,002.03	4,222,776.12	153,635.73
	<u>4,302,181.82</u>	<u>4,377,002.03</u>	<u>4,222,776.12</u>	<u>153,635.73</u>
Subtotal General Appropriations	21,407,748.39	21,479,568.60	20,135,510.15	918,468.27
Reserve for Uncollected Taxes	1,000,357.26	1,000,357.26	1,000,357.26	
	<u>1,000,357.26</u>	<u>1,000,357.26</u>	<u>1,000,357.26</u>	
Total General Appropriations	\$ 22,408,105.65	\$ 22,479,925.86	\$ 21,135,867.41	\$ 918,468.27
	<u>\$ 22,408,105.65</u>	<u>\$ 22,479,925.86</u>	<u>\$ 21,135,867.41</u>	<u>\$ 918,468.27</u>
				<u>\$ 425,590.18</u>
<u>Ref.</u>	A-2	A-3	A-1/A-3	A

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget After Modification</u>
Budget	A-3	\$ 22,408,105.65
Added by N.J.S. 40A:4-87	A-2	<u>71,820.21</u>
	A-3	<u><u>\$ 22,479,925.86</u></u>
		<u>Paid or Charged</u>
Disbursements	A-4	\$ 18,803,643.57
Reserve for Encumbrances	A-12	870,896.37
Appropriated Reserves for		
Federal and State Grants	A-26	308,570.21
Deferred Charges:		
Special Emergency Authorizations	A-19	152,400.00
Reserve for Uncollected Taxes	A-2	<u>1,000,357.26</u>
	A-3	<u><u>\$ 21,135,867.41</u></u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

TRUST FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

As of December 31,

ASSETS	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Animal Control Trust Fund:			
Cash	B-1	\$ 20,255.94	\$ 22,636.14
Intergovernmental Receivable	B-2	433.30	433.30
		<u>20,255.94</u>	<u>23,069.44</u>
Trust Other Fund:			
Cash	B-1	3,351,597.33	3,808,374.18
Interfund - Parking Operating Fund	B-8	1,231.40	2,253.31
		<u>3,352,828.73</u>	<u>3,810,627.49</u>
Length of Service Awards Program (LOSAP) - UNAUDITED:			
Funds Held by Trustee	B-9	523,710.01	537,022.00
Total Assets		<u>\$ 3,896,794.68</u>	<u>\$ 4,370,718.93</u>
<b>LIABILITIES AND RESERVES</b>			
Animal Control Trust Fund:			
Interfund - Current Fund	B-3	\$ 4,225.21	\$ 4,500.00
Reserve for Animal Control Expenditures	B-4	12,128.08	18,569.44
Due to State of New Jersey	B-5	56.40	
Reserve for Encumbrances	B-6	3,846.25	
		<u>20,255.94</u>	<u>23,069.44</u>
Trust Other Fund:			
Various Reserves	B-7	3,306,200.56	3,810,011.19
Reserve for Encumbrances	B-7	34,710.91	
Interfund - Current Fund	B-8	2,565.95	616.30
Interfund - Payroll Fund	B-8	9,351.31	
		<u>3,352,828.73</u>	<u>3,810,627.49</u>
Length of Service Awards Program (LOSAP) - UNAUDITED:			
Reserve for Length of Service Awards Program	B-10	523,710.01	537,022.00
Total Liabilities and Reserves		<u>\$ 3,896,794.68</u>	<u>\$ 4,370,718.93</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

As of December 31,

<b>ASSETS</b>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Cash	C-1	\$ 4,086,703.72	\$ 4,128,462.81
Investment in Notes	C-3	212,400.00	364,800.00
Due From Monmouth County Improvement Authority	C-4		26,576.40
Grants Receivable	C-5	620,321.00	
Deferred Charges to Future Taxation:			
Funded	C-7	10,621,819.67	12,301,607.76
Unfunded	C-8	<u>2,491,000.70</u>	<u>777,861.70</u>
		<u>\$18,032,245.09</u>	<u>\$17,599,308.67</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-10	\$10,356,769.00	\$11,969,521.50
Bond Anticipation Notes Payable	C-11	2,491,000.00	777,861.00
Green Trust Loan Payable	C-12	265,050.67	332,086.26
Improvement Authorizations:			
Funded	C-13	1,735,266.54	1,476,294.20
Unfunded	C-13	1,873,875.75	478,831.09
Reserve for Encumbrances	C-14	374,040.73	1,608,085.19
Capital Improvement Fund	C-15	182,512.76	106,191.76
Miscellaneous Reserves	C-9	750,276.67	850,437.67
Due Current Fund	C-6	<u>3,452.97</u>	
		<u>\$18,032,245.09</u>	<u>\$17,599,308.67</u>

There were bonds and notes authorized but not issued on December 31, 2017 of \$.70 (Exhibit C-16)

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER/SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

As of December 31,

ASSETS	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b><u>Operating Fund</u></b>			
Cash	D-5	\$ 1,318,333.53	\$ 1,591,344.42
Change Fund	D	225.00	225.00
Due From Water Sewer Capital Fund	D-14	1,315.14	
Due From Current Fund	D	3,841.66	
		<u>1,323,715.33</u>	<u>1,591,569.42</u>
Receivables and Other Assets with Full Reserves:			
Consumer Accounts Receivable	D-7	578,627.74	821,258.27
Liens Receivable	D-8	120.44	3,232.75
Water/Sewer Line Repairs Receivable	D-12	27,733.24	17,060.58
		<u>606,481.42</u>	<u>841,551.60</u>
Total Operating Fund		<u>1,930,196.75</u>	<u>2,433,121.02</u>
<b><u>Capital Fund</u></b>			
Cash	D-5	1,521,451.94	2,662,094.99
Fixed Capital	D-16	14,356,458.47	14,319,636.67
Fixed Capital Authorized and Uncompleted	D-17	18,207,111.00	17,243,932.80
Due from State of New Jersey Environmental Trust	D-27	610,971.00	
Total Capital Fund		<u>34,695,992.41</u>	<u>34,225,664.46</u>
Total Assets		<u>\$ 36,626,189.16</u>	<u>\$ 36,658,785.48</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER/SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

As of December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b><u>Operating Fund</u></b>			
Appropriation Reserves	D-4/D-9	\$ 296,783.96	\$ 637,399.25
Reserve for Encumbrances	D-15	181,293.61	77,671.62
Rent Overpayments	D-10	26,753.08	21,077.10
Accrued Interest on Bonds & Notes	D-11	55,383.01	95,041.60
Reserve for Water/Sewer Line Repairs	D-13	11,202.00	50,241.21
Reserve for Fees for Other Towns	D	15.00	77.24
		<u>571,430.66</u>	<u>881,508.02</u>
Reserve for Receivables and Other Assets	D	606,481.42	841,551.60
Fund Balance	D-1	752,284.67	710,061.40
Total Operating Fund		<u>1,930,196.75</u>	<u>2,433,121.02</u>
<b><u>Capital Fund</u></b>			
Serial Bonds	D-18	9,068,192.67	10,131,020.30
Bond Anticipation Notes	D-19	2,900,000.00	1,900,000.00
Reserve for Encumbrances	D-21	1,354,308.40	1,878,683.38
Improvement Authorizations:			
Funded	D-20	402,850.43	540,454.08
Unfunded	D-20	1,374,812.86	1,854,792.42
Capital Improvement Fund	D-22	3,074.00	3,074.00
Due to Water Sewer Operating Fund	D-14	1,315.14	
Reserve for:			
Amortization	D-23	5,288,265.80	17,498,392.99
Deferred Amortization	D-24	13,482,111.00	209,156.18
Reserve for Preliminary Costs - Well	D-25	1,845.00	1,845.00
Reserve for Payment of Bonds	D-26	192,869.89	192,869.89
State of New Jersey Environmental Infrastructure			
Short-Term Trust Loan Payable	D-28	610,971.00	
Fund Balance	D-2	15,376.22	15,376.22
		<u>34,695,992.41</u>	<u>34,225,664.46</u>
Total Capital Fund		<u>34,695,992.41</u>	<u>34,225,664.46</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 36,626,189.16</u>	<u>\$ 36,658,785.48</u>

There were Bonds & Notes Authorized but not Issued on December 31, 2017 of \$1,214,029.00.

The accompanying notes are an integral part of this statement.



**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER/SEWER UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Years Ended December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized:			
Fund Balance Utilized	D-1/D-3	\$ 239,000.00	\$ 194,771.00
Water/Sewer Rents	D-3	6,561,152.02	6,953,027.71
Water & Sewer Connection Fees	D-3	251,572.00	59,898.28
Miscellaneous Revenue	D-3	97,072.18	100,025.91
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-9	446,502.07	161,064.17
Accounts Payable Canceled	D		198.00
Reserve for Water/Sewer Line Repairs Canceled	D-13	<u>5,050.00</u>	
Total Revenue		<u>7,600,348.27</u>	<u>7,468,985.07</u>
Expenditures:			
Operating	D-4	4,955,750.00	4,421,876.52
Capital Improvements	D-4	50,000.00	50,000.00
Debt Service	D-4	1,328,475.00	1,439,415.61
Statutory Expenditures	D-4	178,300.00	173,000.00
Surplus - General Budget	D-4	481,600.00	827,478.00
Prior Year Surplus - General Budget	D-5	325,000.00	400,000.00
Refund of Prior Year Revenue			<u>17,048.16</u>
Total Expenditures		<u>7,319,125.00</u>	<u>7,328,818.29</u>
Excess/(Deficit) in Revenue		281,223.27	140,166.78
Fund Balance January 1	D	<u>710,061.40</u>	<u>764,665.62</u>
		991,284.67	904,832.40
Decreased by:			
Utilization as Anticipated Revenue	D-1/D-3	<u>239,000.00</u>	<u>194,771.00</u>
Fund Balance December 31	D	<u>\$ 752,284.67</u>	<u>\$ 710,061.40</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER/SEWER UTILITY CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance, December 31, 2017 and 2016	D	<u>\$ 15,376.22</u>

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER/SEWER UTILITY OPERATING FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	D-1	\$ 239,000.00	\$ 239,000.00	
Water/Sewer Rents	D-1/D-5	6,775,000.00	6,561,152.02	\$ (213,847.98)
Water/Sewer Connection Fees	D-1	59,800.00	251,572.00	191,772.00
Miscellaneous Revenue	D-1	<u>90,000.00</u>	<u>97,072.18</u>	<u>7,072.18</u>
		<u>\$7,163,800.00</u>	<u>\$7,148,796.20</u>	<u>\$ (15,003.80)</u>
	<u>Ref.</u>	D-4		
Water & Sewer Rents:				
Collections	D-7		\$6,536,233.26	
Overpayments Applied	D-7/D-10		21,077.10	
Liens Receivable	D-8		<u>3,841.66</u>	
	D-3		<u>\$6,561,152.02</u>	
Miscellaneous:				
Miscellaneous Revenue			\$ 11,300.13	
Interest on Delinquent Water/Sewer Rents			57,126.99	
Vulnerability Fees			11,200.00	
Interest on Investments			<u>17,445.06</u>	
	D-1/D-3		<u>\$ 97,072.18</u>	
Miscellaneous:				
Cash Receipts	D-5		\$ 95,757.04	
Interfund - Water/Sewer Utility Capital Fund	D-14		<u>1,315.14</u>	
	D-1/D-3		<u>\$ 97,072.18</u>	

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

WATER/SEWER UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	Appropriated		Expended		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Canceled</u>
Operating:					
Salaries and Wages	\$ 849,116.67	\$ 849,116.67	\$ 843,938.23	\$ 5,178.44	
Other Expenses	1,881,633.33	1,876,218.33	1,633,969.36	242,248.97	
Regional Sewer Authority	1,600,000.00	1,605,415.00	1,605,415.00		
Manasquan River Water Purchase	700,000.00	700,000.00	580,492.07	19,507.93	\$ 100,000.00
Accumulated Absence	25,000.00	25,000.00	25,000.00		
Total Operating	5,055,750.00	5,055,750.00	4,688,814.66	266,935.34	100,000.00
Capital Improvements:					
Capital Outlay	50,000.00	50,000.00	29,650.00	20,350.00	
Total Capital Improvements	50,000.00	50,000.00	29,650.00	20,350.00	
Debt Service:					
Payment of Bond Principal	1,062,828.00	1,062,828.00	1,054,427.37		8,400.63
Interest on Bonds	276,922.00	276,922.00	251,238.16		25,683.84
Interest on Notes	58,400.00	58,400.00	22,809.47		35,590.53
Total Debt Service	1,398,150.00	1,398,150.00	1,328,475.00		69,675.00
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	115,300.00	115,300.00	115,254.87	45.13	
Social Security System (O.A.S.I.)	60,000.00	60,000.00	50,546.51	9,453.49	
Unemployment Compensation Insurance	3,000.00	3,000.00	3,000.00		
Total Statutory Expenditures	178,300.00	178,300.00	168,801.38	9,498.62	
Surplus (General Budget)	481,600.00	481,600.00	481,600.00		
	<u>\$ 7,163,800.00</u>	<u>\$ 7,163,800.00</u>	<u>\$ 6,697,341.04</u>	<u>\$ 296,783.96</u>	<u>\$ 169,675.00</u>
	<u>Ref.</u>	<u>D-3</u>	<u>D-3</u>	<u>D</u>	
Cash Disbursements	D-5		\$ 6,241,999.80		
Reserve for Encumbrances	D-15		181,293.61		
Accrued Interest	D-11		274,047.63		
			<u>\$ 6,697,341.04</u>		

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PARKING UTILITY FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

As of December 31,

<b>ASSETS</b>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b><u>Operating Fund</u></b>			
Cash	E-5	\$ 986,837.05	\$ 1,068,365.27
Change Fund	E	<u>100.00</u>	<u>100.00</u>
Total Operating Fund		<u>986,937.05</u>	<u>1,068,465.27</u>
<b><u>Capital Fund</u></b>			
Cash	E-5	224,580.49	80,395.21
Fixed Capital	E-7	4,191,488.21	4,191,488.21
Fixed Capital Authorized and Uncompleted	E-8	<u>623,070.72</u>	<u>323,070.72</u>
Total Capital Fund		<u>5,039,139.42</u>	<u>4,594,954.14</u>
Total Assets		<u><u>\$ 6,026,076.47</u></u>	<u><u>\$ 5,663,419.41</u></u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PARKING UTILITY FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

As of December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b><u>Operating Fund</u></b>			
Appropriation Reserves	E-4/E-9	\$ 202,088.03	\$ 205,999.05
Accrued Interest Payable	E-10	1,145.83	979.17
Reserve for Encumbrances	E-11	73,312.72	46,690.96
Accounts Payable	E-19	8,890.45	1,302.00
Interfund -Trust Other Fund	E-20	1,231.40	2,253.31
Reserve for Parking Fee Variances	E-21	211,936.28	224,980.00
		<hr/>	<hr/>
		498,604.71	482,204.49
Fund Balance	E-1	488,332.34	586,260.78
		<hr/>	<hr/>
Total Operating Fund		986,937.05	1,068,465.27
		<hr/>	<hr/>
<b><u>Capital Fund</u></b>			
Serial Bonds	E-12	260,000.00	270,000.00
Bond Anticipation Notes	E-13	300,000.00	
Improvement Authorizations:			
Funded	E-14	56,735.79	56,735.79
Unfunded	E-14	127,288.08	
Capital Improvement Fund	E-15	3,400.00	3,400.00
Reserve for Amortization	E-16	4,191,488.21	3,874,558.93
Deferred Reserve for Amortization	E-17	63,070.72	370,000.00
Reserve for Encumbrances	E-18	33,370.45	16,473.25
Reserve for Payment of Bonds	E	3,778.19	3,778.19
Fund Balance	E-2	7.98	7.98
		<hr/>	<hr/>
Total Capital Fund		5,039,139.42	4,594,954.14
		<hr/>	<hr/>
Total Liabilities, Reserves and Fund Balance		\$ 6,026,076.47	\$ 5,663,419.41
		<hr/>	<hr/>

There were no bonds and notes authorized but not issued on December 31, 2017. (Exh. E-22)

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PARKING UTILITY OPERATING FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE  
REGULATORY BASIS

For the Years Ended December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized:			
Fund Balance Utilized	E-3	\$ 345,201.56	\$ 67,934.56
Parking Fees	E-3	1,481,878.12	1,420,140.28
Riverview Hospital Lease Agreement	E-3	349,665.48	349,665.48
Interest on Investments	E-3	5,292.88	12,015.67
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	E-9	191,999.74	344,572.72
Canceled Accounts Payable	E-19	1,302.00	
Adjustment to Change Fund	E		100.00
Total Revenue		<u>2,375,339.78</u>	<u>2,194,428.71</u>
Expenditures:			
Operating	E-4	846,050.00	802,075.00
Debt Service	E-4	21,916.66	21,324.77
Deferred Charges and Statutory	E-4	50,100.00	44,000.00
Surplus - General Budget	E-4	1,135,000.00	876,700.00
Prior Year Surplus - General Budget	E-5	<u>75,000.00</u>	<u>75,000.00</u>
Total Expenditures		<u>2,128,066.66</u>	<u>1,819,099.77</u>
Excess/(Deficit) in Revenue		247,273.12	375,328.94
Fund Balance January 1	E	<u>586,260.78</u>	<u>278,866.40</u>
		833,533.90	654,195.34
Decreased by:			
Utilization as Anticipated Revenue	E-1/E-3	<u>345,201.56</u>	<u>67,934.56</u>
Fund Balance December 31	E	<u><u>\$ 488,332.34</u></u>	<u><u>\$ 586,260.78</u></u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PARKING UTILITY CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	
Balance, December 31, 2016 and 2017	E	\$ <u>7.98</u>

The accompanying notes are an integral part of this statement.



**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PARKING UTILITY OPERATING FUND  
STATEMENT OF REVENUES - REGULATORY BASIS

For the Year Ended December 31, 2017

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	Excess or ( <u>Deficit</u> )
Fund Balance Anticipated	E-1	\$ 345,201.56	\$ 345,201.56	
Parking Fees	E-1/E-5	1,372,000.00	1,481,878.12	\$ 109,878.12
Riverview Hospital - Lease Payment	E-1/E-5	349,665.44	349,665.48	0.04
Interest on Investments	E-1/E-5		5,292.88	5,292.88
		<u>\$2,066,867.00</u>	<u>\$2,182,038.04</u>	<u>\$ 115,171.04</u>
	<u>Ref.</u>	E-4		

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PARKING UTILITY OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS

For the Year Ended December 31, 2017

	Appropriated		Expended		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Canceled</u>
Operating:					
Salaries and Wages	\$ 263,550.00	\$ 263,550.00	\$ 168,467.42	\$ 95,082.58	
Other Expenses	577,500.00	577,500.00	483,574.26	93,925.74	
Accumulated Absence	5,000.00	5,000.00		5,000.00	
Total Operating	846,050.00	846,050.00	652,041.68	194,008.32	
Debt Service:					
Payment of Bond Principal	10,000.00	10,000.00	10,000.00		
Interest on Bonds	11,717.00	11,717.00	11,716.66		\$ 0.34
Interest on Notes	14,000.00	14,000.00	200.00		13,800.00
Total Debt Service	35,717.00	35,717.00	21,916.66		13,800.34
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	29,100.00	29,100.00	29,097.98	2.02	
Social Security System (O.A.S.I.)	20,000.00	20,000.00	11,922.31	8,077.69	
Unemployment Compensation Insurance	1,000.00	1,000.00	1,000.00		
Total Statutory Expenditures	50,100.00	50,100.00	42,020.29	8,079.71	
Surplus (General Budget)	1,135,000.00	1,135,000.00	1,135,000.00		
	<u>\$ 2,066,867.00</u>	<u>\$ 2,066,867.00</u>	<u>\$ 1,850,978.63</u>	<u>\$ 202,088.03</u>	<u>\$ 13,800.34</u>
	Ref.	E-3	E-3	E	
Cash Disbursements	E-5		\$ 1,765,749.25		
Accrued Interest	E-10		11,916.66		
Reserve for Encumbrances	E-11		73,312.72		
			<u>\$ 1,850,978.63</u>		

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF MONMOUTH, NEW JERSEY

PAYROLL FUND  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS

As of December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash	F-1	\$ 91,209.72	\$ 95,973.36
Interfund - Trust Other Fund	F-4	9,351.31	
Due from IRS	F-5	<u>2,147.36</u>	<u></u>
		<u>\$ 102,708.39</u>	<u>\$ 95,973.36</u>
<b>LIABILITIES</b>			
Interfund - Current Fund	F-3	\$ 555.26	\$ 25.96
Payroll Liabilities	F-2	88,911.52	95,947.40
Miscellaneous	F-2	<u>13,241.61</u>	<u></u>
		<u>\$ 102,708.39</u>	<u>\$ 95,973.36</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
COUNTY OF OCEAN, NEW JERSEY

GENERAL FIXED ASSET ACCOUNT GROUP  
COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS  
REGULATORY BASIS

As of December 31,

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
General Fixed Assets:			
Land and Buildings	G-1	\$ 12,027,756.00	\$ 16,650,652.00
Furniture, Fixtures and Equipment	G-1	<u>13,310,637.15</u>	<u>15,793,716.39</u>
		<u>\$ 25,338,393.15</u>	<u>\$ 32,444,368.39</u>
Investments in General Fixed Assets	G-1	<u>\$ 25,338,393.15</u>	<u>\$ 32,444,368.39</u>

The accompanying notes are an integral part of this statement.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This report includes the financial statements of the Borough of Red Bank (“Borough”), within the County of Monmouth, in the State of New Jersey, and reflects the activities of the municipality which is under the control of the Mayor and Borough Council. The financial statements of the Board of Education, Housing Authority, Public Library, First Aid Organization and Fire Department are reported separately based on management’s interpretation of Governmental Accounting Standards Board (“GASB”) Standard No. 61.

**A. Reporting Entity**

In accordance with GASB 61, the Borough’s financial statements include those of the Borough of Red Bank and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefit to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Borough) is legally entitled to or can otherwise access the organization’s resources.
2. The primary government is legally obligated or has otherwise assumed the obligations to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above criteria, this report includes all programs and activities operated by the Borough. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Borough is not included in any other reporting entity on the basis of such criteria.

**B. Basis of Presentation and Basis of Accounting**

The financial statements are presented on the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

The GASB Codification also defines the financial statements of a governmental unit to be presented in general purpose financial statements in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation and Basis of Accounting (continued)**

In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

The accounting principles and practices prescribed for municipalities by the Division differ in certain aspects from GAAP applicable to local governmental units. The more significant differences are as follows:

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

**Fund Accounting** – A fund is a self-balancing set of accounts. The accounting policies of the Borough conform to the accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the “Division”). 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 activities through the following separate funds which differ from the fund structure required by accounting principles generally accepted in the United States of America:

Current Fund - records resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund - records the receipts, custodianship and disbursement of monies in accordance with the purpose for which each reserve was established.

General Capital Fund - records the receipt and disbursement of funds for the acquisition of general infrastructure and other capital facilities, other than those acquired through the Current Fund. General bonds and notes payable are recorded in this fund offset by deferred charges to future taxation.

Water/Sewer Utility Operating and Capital Funds - account for the operation and acquisition of capital facilities of the municipally-owned water/sewer utility.

Parking Utility Operating and Capital Funds - account for the operation and acquisition of capital facilities of the municipally-owned parking utility.

General Fixed Assets Account Group - utilized to account for land, buildings, machinery, equipment and vehicles that have been acquired by other governmental funds, other than utility funds.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Budgets and Budgetary Accounting** - The Borough of Red Bank must adopt an annual budget in accordance with N.J.S.A. 40A:4-4 et al. N.J.S.A. 40A:4-5 requires the governing body to introduce and approve the annual municipal budget no later than February 10 of each year. At introduction, the governing body shall fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulated in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with N.J.S.A. 40A:4-9.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the Borough's financial statements.

**C. Cash, Cash Equivalents and Investments**

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey municipal units.

The Borough of Red Bank is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Cash, Cash Equivalents and Investments (continued)**

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the governmental units.

The Borough considers highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**D. Property Taxes and Other Revenues**

Property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts. Property taxes are payable quarterly on the first day of February, May, August and November.

**E. Grant Revenues and Expenditures**

Federal and State grants, entitlement 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 are earned and the expenditures to be recognized when the liability is incurred.

**F. Expenditures**

Unexpended or uncommitted appropriations at December 31 are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

**G. Encumbrances**

Contractual orders at December 31 are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.



**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Appropriation Reserves**

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.

**I. Deferred Charges**

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, 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 respective balance sheet. 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 status of deferred charges at December 31, 2017 is set forth in Note 16.

**J. 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 be recorded as a long-term obligation.

**K. Property Acquired for Taxes**

Property acquired for taxes is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the general fixed assets account group at its market value.

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**L. Interfunds**

Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Revenue 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.

**M. Inventories of Supplies**

The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The inventories have offsetting reserve amounts. The Borough currently has no inventory.

**N. Reserve for Sale of Municipal Assets**

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

**O. Capital Leases**

Capital Leases are not recorded at the lesser of the fair value of the leased property or the present value of the minimum lease payments. GAAP requires an amount equal to the lesser of the fair value of the leased property or the present value of the minimum lease payments to be recorded in General Fixed Assets Account Group and the long-term obligation be recorded as part of a General Long-Term Debt Account Group.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. General Fixed Assets**

Property and equipment purchased by the Current and the General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized.

Accounting for Governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 2 as issued by the Division of Local Government Services, differs in certain respects from generally accepted accounting principles. The following is a brief description of the provisions of the Directive.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value.

No depreciation on general fixed assets is recorded in the financial statements.

Fixed assets acquired through grants-in-aid or contributed capital are not accounted for separately.

**Q. Fixed Assets - Utility**

Accounting for utility fund “fixed capital” remains unchanged under the Requirements of Technical Accounting Directive No. 85-2.

Property and equipment purchased by the Parking and Water/Sewer Utility Funds are recorded in the capital account at cost and are adjusted for disposition and abandonments. The amount reported for reserve for amortization of fixed capital acquired on the balance sheet of the Parking and Water/Sewer Capital Funds represents the aggregate charges (capital outlay and debt service) to the operating budget for the costs of acquisitions of property and equipment and proceeds from grants-in-aid. The utilities do not record depreciation of property and equipment. GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by enterprise funds.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**R. Comparative Data**

Comparative total data for the various funds for the prior year has been presented in the accompanying Balance Sheets and Statements of Operations and Changes in Fund Balance in order to provide an understanding of changes in the Borough's financial position. However, Comparative Statements of Revenues and Statements of Expenditures have not been presented since this inclusion would make the statements unduly complex and difficult to read.

**S. Impact of Recently Issued Accounting Principles**

Recently Issued Accounting Pronouncements

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plan*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Borough's financial statements.

Statement No. 85, *Omnibus 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]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Borough's financial statements.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 2    CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Deposits**

At December 31, 2017, the Borough's deposits had a carrying amount of \$20,875,693.22.

**Custodial Credit Risk Related to Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits might not be recovered. Although the Borough does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA should not be relied on to protect intermingled trust funds, bail funds, withholdings from an employee's salary or funds that may pass to the municipality upon the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below.

As of December 31, 2017, the Borough's bank balances of \$21,482,860.56 were exposed to custodial credit risk as follows:

Insured by FDIC	\$ 750,000.00
Insured by GUDPA	20,168,920.28
Uninsured and Uncollateralized	<u>563,940.28</u>
	<u><u>\$ 21,482,860.56</u></u>

**Investments**

The Borough's general capital fund contains an investment in current fund special emergency notes in the amount of \$212,400.00. The Note is an interest free internal note due from the Borough's current fund. The notes mature on May 24, 2018 and September 25, 2018 in the amount of \$140,000.00 and \$72,400.00, respectively. There is no custodial, interest rate, credit or concentration of credit risk associated with this type of investment.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 3    PROPERTY TAXES**

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years.

**Comparison Schedule of Tax Rates:**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	<u>\$ 2.110</u>	<u>\$ 2.107</u>	<u>\$ 2.033</u>
Apportionment of Tax Rate:			
Municipal - Local Purpose	0.561	0.551	0.541
Municipal Library	0.034	0.033	0.033
County - General	0.260	0.267	0.253
County - Open Space	0.015	0.015	0.014
Local School	0.802	0.796	0.770
Regional School	0.438	0.445	0.422

**Assessed Valuation (Net Valuation Taxable):**

<u>Year</u>	<u>Amount</u>
2017	\$2,122,308,781.00
2016	\$ 2,078,099,910.00
2015	\$ 2,075,371,065.00

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$ 45,472,480.51	\$ 44,890,549.86	98.72%
2016	44,570,413.65	43,730,097.83	98.11%
2015	43,234,075.90	42,259,610.07	97.75%

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2017	\$4,563.80	\$567,720.66	\$ 572,284.46	1.26%
2016	4,556.14	880,826.69	885,382.83	1.99%
2015	-	677,386.08	677,386.08	1.57%

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 4    PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

The Borough had no properties acquired by liquidation of tax title liens as of December 31, 2017.

**NOTE 5    WATER & SEWER UTILITY SERVICE CHARGES**

The following is a three-year comparison of water/sewer utility charges (rents) and collections for the current and previous two years.

<u>Year</u>	<u>Beginning Balance</u>	<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2017	\$821,258.27	\$6,315,701.68	\$7,136,959.95	\$6,557,310.36	91.88%
2016	835,243.62	6,941,280.08	7,776,523.70	6,953,027.71	89.41%
2015	807,863.00	6,673,821.23	7,481,684.23	6,646,440.74	88.84%

**NOTE 6    FUND BALANCES APPROPRIATED**

The following schedule details the amount of fund balances available at the end of the current year and two previous years and the amounts utilized in the subsequent year's budgets:

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
<u>Current Fund:</u>			
2017	\$ 1,913,196.61	\$ 1,617,456.63	84.54%
2016	1,595,552.17	1,450,000.00	90.88%
2015	2,514,088.28	2,035,000.00	80.94%
<u>Water/Sewer Utility Operating Fund:</u>			
2017	\$ 752,284.67	\$ 337,968.58	44.93%
2016	710,061.40	239,000.00	33.66%
2015	764,665.62	194,771.00	25.47%
<u>Parking Utility Fund:</u>			
2017	\$ 488,332.34	\$ 299,051.72	61.24%
2016	586,260.78	345,201.56	58.88%
2015	278,866.40	67,934.56	24.36%

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 7    INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2017:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 80,516.58	\$ 3,841.66
State and Federal Grant Fund		69,717.19
Animal Control Fund		4,225.21
Payroll Trust	9,351.31	555.26
Trust Other Fund	1,231.40	11,917.26
General Capital Fund		3,452.97
Water/Sewer Operating Fund	5,156.80	
Water/Sewer Capital Fund		1,315.14
Parking Operating Fund	<u>                    </u>	<u>1,231.40</u>
	<u>\$ 96,256.09</u>	<u>\$ 96,256.09</u>

The purpose of these interfunds was short-term borrowings. During the year 2018, the Borough expects to liquidate such interfunds, depending upon the availability of cash flow.



**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 8    FIXED ASSETS**

The following is a summary of changes in the General Fixed Assets Account Group for the year 2017:

	Balance December 31, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	Balance December 31, <u>2017</u>
Land and Buildings	\$ 16,650,652.00			\$ 4,622,896.00	\$ 12,027,756.00
Vehicles & Equipment	<u>15,793,716.39</u>	<u>\$ 107,565.30</u>	<u>\$ 23,069.00</u>	<u>2,567,575.54</u>	<u>13,310,637.15</u>
	<u>\$ 32,444,368.39</u>	<u>\$ 107,565.30</u>	<u>\$ 23,069.00</u>	<u>\$ 7,190,471.54</u>	<u>\$ 25,338,393.15</u>

**NOTE 9    PENSION PLANS**

**A. Public Employees' Retirement System (PERS)**

**General Information About the Plan**

**Plan Description** - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Vesting and Benefit Provisions** -The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. 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 to enroll 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

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**General information about the Plan (continued)**

**Plan Description (continued)**

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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.

**Basis of Presentation** - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of the PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Contributions** - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**Contributions (continued)**

contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers 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 those retirement systems, 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. For the year ended December 31, 2017, the Borough's contributions to the PERS was \$463,554.

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

**Net Pension Liability** - At December 31, 2017, the Borough reported a liability of \$17,109,703 as the Borough's proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Borough's proportion measured as of June 30, 2017, was 0.06081% which was an increase of .00304% from its proportion measured as of June 30, 2016.

**Pension Expense** - At December 31, 2017, the Borough's proportionate share of the PERS pension expense, calculated by the plan as of the June 30, 2017 measurement date is \$2,581,167. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1.

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

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

**Deferred Outflows and Deferred Inflows of Resources, and Pension Expense** – At December 31, 2017 the State reported deferred outflows of resources and deferred inflows from resources attributable to the Borough from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between Expected and Actual Experience	\$ 333,330	
Changes in Assumptions	2,851,993	\$ 2,841,537
Net Difference between Projected and Actual Earnings on Pension Plan Investments	96,394	
Changes in Proportion and Differences between Borough Contributions and Proportionate Share of Contributions	<u>1,751,002</u>	<u>1,166,210</u>
	<u><u>\$ 5,032,719</u></u>	<u><u>\$ 4,007,747</u></u>

The Borough will amortize the above sources of deferred outflows and inflows related to the PERS over the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan with the exception of net differences between projected and actual earnings on pension plan investments which will be amortized over 5 years. The average of the expected remaining service lives of all employees are 6.44, 5.72, 5.57 and 5.48 for the years 2014, 2015, 2016 and 2017, respectively.

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

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

**Deferred Outflows and Deferred Inflows of Resources, and Pension Expense (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions that would be recognized in future periods if the Borough was on a GAAP basis of accounting, is as follows.

<b>Year Ending <u>Dec. 31,</u></b>	<b><u>PERS</u></b>
2018	\$ 432,077.00
2019	613,220.00
2020	381,384.00
2021	(176,182.00)
2022	<u>(225,527.00)</u>
	<u><u>\$ 1,024,972.00</u></u>

**Actuarial Assumptions** - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

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%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

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

**Actuarial Assumptions (continued)**

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 (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 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.

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

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

**Long-term Expected Rate of Return** - In accordance with State statute, 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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's 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%
	<u>100.00%</u>	

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

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

**Discount Rate** - The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. The single blended discount rate was based on 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. 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 the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	<b>1% Decrease <u>(4.00%)</u></b>	<b>Current Discount Rate <u>(5.00%)</u></b>	<b>1% Increase <u>(6.00%)</u></b>
Borough's Proportionate Share of the Net Pension Liability	<u>\$17,561,767</u>	<u>\$14,156,232</u>	<u>\$11,319,000</u>



**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**A. Public Employees' Retirement System (PERS) (continued)**

**Required Supplementary Pension Information** – In accordance with GASB 68, the following information is also presented for the PERS Pension Plan. These schedules are presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**Schedule of the Borough's Proportionate Share of the Net Pension Liability (Last 5 Plan Fiscal Years)**

	2014	2015	2016	2017
Borough's proportion of the net pension liability	0.0562832775%	0.0534817949%	0.0577696141%	0.0608127304%
Borough's proportionate share of the net pension liability	\$ 12,158,476	\$ 12,005,591	\$ 17,109,703	\$ 14,156,232
Borough's covered-employee payroll	\$ 3,668,311	\$ 3,925,291	\$ 4,187,753	\$ 4,209,473
Borough's proportionate share of the net pension liability as a percentage of its covered-employee payroll	331.45%	305.85%	408.57%	336.29%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%	48.10%

**Schedule of the Borough's Contributions (Last 5 Plan Fiscal Years)**

	2014	2015	2016	2017
Contractually Required Contribution	\$ 424,083	\$ 535,353	\$ 459,800	\$ 513,217
Contributions in Relation to the contractually Required Contribution	424,083	535,353	459,800	513,217
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Borough's covered-employee payroll	\$ 3,668,311	\$ 3,925,291	\$ 4,187,753	\$ 4,209,473
Contribution as a percentage of covered-employee payroll	11.56%	13.64%	10.98%	12.19%

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

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

**General Information About the Plan**

**Plan Description** – The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

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.

**Basis of Presentation** - The schedules of employer allocations and the schedules of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PFRS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PFRS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PFRS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**B. Police and Firemen's Retirement System (PFRS) (continued)**

**General Information About the Plan (continued)**

**Contributions** - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 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 employers 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 those retirement systems, 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. For the year ended December 31, 2017, the Borough's contributions to PFRS was \$950,826. The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

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

**Net Pension Liability** - At December 31, 2017, the Borough's proportionate share of the PFRS net pension liability is valued to be \$19,721,571. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Borough's proportion measured as of June 30, 2017, was .12775%, which was an increase of .00146% from its proportion measured as of June 30, 2016.

**Pension Expense** - At December 31, 2017, the Borough's proportionate share of the PFRS pension expense, calculated by the plan as of the June 30, 2017 measurement date is \$1,788,610. This expense is not recognized by the Borough because of the regulatory basis of accounting as described in Note 1.

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**B. Police and Firemen's Retirement System (PFRS) (continued)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources** - At December 31, 2017, the Borough had deferred outflows of resources and deferred inflows of resources related to the PFRS from the following sources:

	<b><u>Deferred Outflows Of Resources</u></b>	<b><u>Deferred Inflows Of Resources</u></b>
Differences Between Expected and Actual Experience	\$ 12,193	
Changes in Assumptions	2,431,889	\$ 3,229,817
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	376,334	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,347,181</u>	<u>755,511</u>
	<u>\$ 4,167,597</u>	<u>\$ 3,985,328</u>

The Borough will amortize the above sources of deferred outflows and inflows related to PFRS over the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan with the exception of net differences between projected and actual earnings on pension plan investments which will be amortized over 5 years. The average of the expected remaining service lives of all employees are 6.17, 5.53, 5.58 and 5.59 for the years 2014, 2015, 2016 and 2017, respectively.

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**B. Police and Firemen's Retirement System (PFRS) (continued)**

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

**Pension Expense and Deferred Outflows/Inflows of Resources**

The following is a summary of the pension expense, deferred outflows of resources and deferred inflows of resources related to the PFRS that would be recognized in future periods if the Borough was on GAAP basis of accounting:

Year Ending <u>Dec 31,</u>	<u>Amount</u>
2018	\$321,044
2019	718,316
2020	199,713
2021	(672,013)
2022	<u>(384,791)</u>
	<u>\$182,269</u>

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**B. Police and Firemen's Retirement System (PFRS) (continued)**

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

**Actuarial Assumptions-** The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations 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%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2010 - June 30, 2013

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 (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females). The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. 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.

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**B. Police and Firemen's Retirement System (PFRS) (continued)**

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

**Long-Term Expected Rate of Return** - In accordance with State statute, 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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term 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%
	<u>100.00%</u>	

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**B. Police and Firemen's Retirement System (PFRS) (continued)**

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

**Discount Rate** - The discount rate used to measure the total pension liability was 6.14% as of June 30, 2017. The single blended discount rate was based on 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. 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Special Funding Situation**

Under N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation.



**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**B. Police and Firemen's Retirement System (PFRS) (continued)**

**Special Funding Situation (continued)**

The State's proportionate share of the PFRS net pension liability attributable to the Borough is \$2,208,982 as of December 31, 2017. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2017. The State's proportion of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2017 was .12774%, which was a decrease of .00146% from its proportion measured as of June 30, 2016, which is the same proportion as the Borough's. At December 31, 2017, the Borough's and the State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$    19,721,571
State of New Jersey's Proportionate Share of the Net Pension Liability Attributable to the Borough	<u>2,208,982</u>
	<u>\$    21,930,553</u>

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**B. Police and Firemen's Retirement System (PFRS) (continued)**

**Sensitivity of the Borough's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14%) or 1-percentage-point higher (7.14%) than the current rate:

	<b>1% Decrease <u>(5.14%)</u></b>	<b>Current Discount Rate <u>(6.14%)</u></b>	<b>1% Increase <u>(7.14%)</u></b>
Borough's Proportionate Share of the Net Pension Liability	\$25,984,794	\$19,721,571	\$14,575,621
State of New Jersey's Proportionate Share of Net Pension Liability associated with the Borough	<u>2,910,515</u>	<u>2,208,982</u>	<u>1,632,592</u>
	<u><u>\$28,895,309</u></u>	<u><u>\$21,930,553</u></u>	<u><u>\$16,208,213</u></u>

**Related Party Investments** - The Division of Pensions and Benefits does not invest in securities issued by the Borough.

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 9    PENSION PLANS (continued)**

**B. Police and Firemen's Retirement System (PFRS) (continued)**

**Required Supplementary Pension Information** – In accordance with GASB 68, the following information is also presented for the PFRS Pension Plan. These schedules are presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**Schedule of the Borough's Proportionate Share of the Net Pension Liability (Last 5 Plan Fiscal Years)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Borough's proportion of the net pension liability	0.1237943358%	0.1142101293%	0.1262856294%	0.1277463752%
Borough's proportionate share of the net pension liability	\$ 15,572,179	\$ 19,023,426	\$ 24,123,786	\$ 19,721,571
Borough's covered-employee payroll	\$ 3,640,526	\$ 4,001,065	\$ 4,144,728	\$ 4,122,026
Borough's proportionate share of the net pension liability as a percentage of its covered-employee payroll	427.75%	475.46%	582.04%	478.44%
Plan fiduciary net position as a percentage of the total pension liability	62.41%	56.31%	52.01%	58.60%

**Schedule of the Borough's Contributions (Last 5 Plan Fiscal Years)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 892,521	\$ 950,826	\$ 928,358	\$ 1,029,658
Contributions in Relation to the contractually Required Contribution	892,521	950,826	928,358	1,029,658
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Borough's covered-employee payroll	\$ 3,640,526	\$ 4,001,065	\$ 4,144,728	\$ 4,122,026
Contribution as a percentage of covered-employee payroll	24.52%	23.76%	22.40%	24.98%

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 10 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)**

In addition to the pension and retirement plans described in Note 9, the Borough provides post-retirement health care benefits, in accordance with State statute N.J.S.A. 40A:10-23 to employees who retire with at least 25 years of service with the Borough or go out on disability with 10 years of service or more. The Borough does not issue a publicly available financial report for the plan. Benefit provisions for the plan are established and amended with the approval of the Borough's governing body and there is no statutory requirement for the Borough to continue this plan for future Borough employees. The plan is a contributory plan with all payments for plan benefits being funded by the Borough.

The Borough followed the accounting provisions of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires that the Borough disclose its annual OPEB cost for the plan which is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. In accordance with GASB 45 the Borough is only required to calculate every three years. The Borough's contributions for postretirement benefits for the years ended December 31, 2017, 2016 and 2015 were \$1,395,704, \$1,376,955 and \$1,408,044, respectively. The last actuarial valuation was completed for the year ending December 31, 2017. The Borough's annual OPEB Cost Summary for year 2016 is as follows:

Annually Required Contributions (ARC)	\$ 4,393,134.00
Interest on the Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	<u>4,393,134.00</u>
Pay-as-you-go contributions (Existing retirees)	<u>(1,395,704.00)</u>
Increase/(Decrease) in Net OPEB Obligation	2,997,430.00
Net OPEB Obligations, January 1	<u>12,877,182.00</u>
Net OPEB Obligations, December 31st	<u><u>\$ 15,874,612.00</u></u>
Percentage of Annual OPEB cost contributed	1137%

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 10 POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (continued)**

As of December 31, 2016, the last actuarial valuation date, the actuarial accrued liability for benefits was \$46,072,891 all of which was unfunded.

Actuarial Date	<u>12/31/2016</u>
Actuarial Accrued Liability (AAL)	\$ 46,072,891.00
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 46,072,891.00</u>

Actuarial valuations involve estimates of the value reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Borough and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the December 31, 2016 actuarial valuation, the projected unit credit funding method was used. The actuarial assumptions included a 4.50% discount rate and an annual medical cost trend rate of 6.0% in the first year (2016), reducing by 0.1% per annum, leveling at 5% per annum in year 2026. There is an annual prescription cost trend rate of 11.0% in 2016 reducing by 0.5% per annum to 2021 and 1.0% per annum thereafter, leveling at 5% per annum in 2026. As required by Local Finance Notice 2007-15, the Borough's demographic assumptions were selected based on those used by the State Division of Pensions and Benefits calculation from its July 1, 2016 report. The Borough has a total of 236 plan members of which 128 are active participants with an average age of 47 years and 128 are retired participants with an average age of 70 years.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 11 BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

At December 31, 2017, the Borough had authorized but not issued bonds and notes as follows:

General Capital Fund	\$ .70
Water/Sewer Utility Capital Fund	<u>1,214,029.00</u>
Total	\$ <u>1,214,029.70</u>

**NOTE 12 LONG-TERM DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The terms of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 12 LONG-TERM DEBT (continued)**

The Borough's long-term debt consisted of the following at December 31, 2017:

Purpose

General Capital Bonds

\$540,000 2011 Pension Early Retirement Incentive Refunding Bonds due in annual installments of \$60,000 to \$81,000 through 2021 at interest rates ranging from 4.88% to 5.70%.	\$ 281,000.00
\$5,637,000 2012 bonds due in annual installments of \$385,000 to \$612,000 through October 2025 at an interest rate of 2.00%.	3,972,000.00
\$5,785,000 2015 Bonds due in annual installments of \$325,000 to \$555,000 through 2029 at interest rates of 2.00% to 5.00%.	5,180,000.00
\$1,800,521.50 2015 Refunding Bonds due in an annual installment of \$923,769.00 through 2018 at an interest rate of 4.00%	<u>923,769.00</u>
	<u>\$ 10,356,769.00</u>

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 12 LONG-TERM DEBT (continued)**

Purpose (continued)

Water/Sewer Utility Capital Bonds

\$680,000 2009 Series A NJEIT Trust Loan Bonds due in annual installments ranging from \$30,000 to \$50,000 Through August, 2029 at interest rates ranging from 3.5% to 5.0%. \$ 490,000.00

\$680,076 2009 NJEIT Series A Fund Loan Bonds due in annual installments of \$34,580.13 through August, 2029 at an interest rate of 0%. 414,961.67

\$2,662,000 2012 bonds due in annual installments of \$150,000 to \$252,000 through October, 2027 at interest rates ranging from 2.00% to 2.10%. 2,012,000.00

\$3,775,000 2015 Bonds due in annual installments of \$130,000 to \$260,000 through 2035 at interest rates ranging from 3.50% to 5.00%. 3,515,000.00

\$3,084,478.50 2015 Refunding Bonds due in annual installments of \$471,231.00 to \$555,000.00 through 2022 at interest rates ranging from 4.00% to 5.00%. 2,636,231.00

\$ 9,068,192.67

Parking Utility Capital Bonds

\$280,000 2015 Parking Utility Bonds due in annual installments of \$10,000 to \$20,000 through 2035 at interest rates ranging from 3.50% to 5.00% \$ 260,000.00



**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 12 LONG-TERM DEBT (continued)**

Annual debt service for principal and interest over the next five years and five-year increments thereafter for bonded debt issued and outstanding are as follows:

Year	General Capital Fund		
	Principal	Interest	Total
2018	\$ 1,693,769.00	\$ 404,381.91	\$ 2,098,150.91
2019	810,000.00	324,814.50	1,134,814.50
2020	870,000.00	296,032.00	1,166,032.00
2021	936,000.00	264,998.50	1,200,998.50
2022	925,000.00	234,190.00	1,159,190.00
2023-2027	4,037,000.00	697,570.00	4,734,570.00
2028-2029	1,085,000.00	82,000.00	1,167,000.00
Totals	<u>\$ 10,356,769.00</u>	<u>\$ 2,303,986.91</u>	<u>\$ 12,660,755.91</u>

Year	Water/Sewer Utility Capital Fund		
	Principal	Interest	Total
2018	\$ 815,811.13	\$ 292,018.60	\$ 1,107,829.73
2019	879,580.13	292,489.50	1,172,069.63
2020	909,580.13	254,989.50	1,164,569.63
2021	944,580.13	218,914.50	1,163,494.63
2022	979,580.13	181,789.50	1,161,369.63
2023-2027	2,459,900.65	626,612.50	3,086,513.15
2028-2032	1,309,160.37	273,175.00	1,582,335.37
2033-2035	770,000.00	54,250.00	824,250.00
Total	<u>\$ 9,068,192.67</u>	<u>\$ 2,194,239.10</u>	<u>\$ 11,262,431.77</u>

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 12 LONG-TERM DEBT (continued)**

Year	Parking Utility Capital Fund		
	Principal	Interest	Total
2018	\$ 10,000.00	\$ 11,350.00	\$ 21,350.00
2019	10,000.00	10,850.00	20,850.00
2020	10,000.00	10,350.00	20,350.00
2021	10,000.00	9,850.00	19,850.00
2022	10,000.00	9,350.00	19,350.00
2023-2027	70,000.00	37,750.00	107,750.00
2028-2032	80,000.00	19,925.00	99,925.00
2033-2037	60,000.00	4,200.00	64,200.00
	<u>\$260,000.00</u>	<u>\$113,625.00</u>	<u>\$373,625.00</u>

**Green Trust Loans**

The Borough has entered into various Green Trust Loan Agreements as follows:

Green Trust Loan Program for the Riverside Gardens Development 1. Principal is paid semiannually. Annual debt service requirements for principal range from \$15,391.88 to \$30,328.08 through 2020, interest rate of 2.000%

\$ 75,450.45

Green Trust Loan Program for the Riverside Gardens Development 2. Principal is paid semiannually. Annual debt service requirements for principal range from \$15,391.88 to \$30,328.08 through 2020, interest rate of 2.000%

75,450.45

Green Trust Loan Program for the Waterfront Acquisition. Principal is paid semiannually. Annual debt service requirements for principal range from \$5,525.06 to \$10,886.54 through 2029, interest rate of 2.000%

114,149.77

\$ 265,050.67

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 12 LONG-TERM DEBT (continued)**

**Green Trust Loans (continued)**

The following schedule represents the remaining debt service, through maturity, for the Green Trust Loans described above for the next five (5) years and five (5) year increments thereafter:

<u>Year</u>	<u>General Capital Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 68,383.01	\$ 4,960.79	\$ 73,343.80
2019	69,757.50	3,586.30	73,343.80
2020	40,068.03	2,184.17	42,252.20
2021	9,470.90	1,689.72	11,160.62
2022	9,661.26	1,499.36	11,160.62
2023-2027	51,298.40	4,504.69	55,803.09
2028-2029	16,411.57	329.32	16,740.89
Totals	<u>\$ 265,050.67</u>	<u>\$ 18,754.35</u>	<u>\$ 283,805.02</u>

**Capital Leases**

Monmouth County Improvement Authority (MCIA) – The Borough entered into various capital equipment lease programs with the MCIA. The leases are for various equipment that is owned by the MCIA and to which the Borough has a bargain purchase option at the end of the lease period in the amount of \$1.00.

The following schedule represents the remaining debt service, though maturity, for the capital lease payable described above for the next five (5) years and five (5) year increments thereafter:

<u>Year</u>	<u>General Capital Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 629,073.80	\$ 120,309.25	\$ 749,383.05
2019	488,697.70	97,893.26	586,590.96
2020	510,113.90	77,145.36	587,259.26
2021	346,907.80	51,969.66	398,877.46
2022	327,407.40	34,924.28	362,331.68
2023-2027	454,863.70	50,879.70	505,743.40
	<u>\$ 2,757,064.30</u>	<u>\$ 433,121.51</u>	<u>\$ 3,190,185.81</u>

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 12 LONG-TERM DEBT (continued)**

**Capital Leases (continued)**

<u>Year</u>	<u>Water/Sewer Utility Capital Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,835.40	\$ 1,828.71	\$ 8,664.11
2019	7,624.10	1,691.76	9,315.86
2020	7,958.70	1,386.80	9,345.50
2021	6,357.40	988.86	7,346.26
2022	6,644.20	671.00	7,315.20
2023-2027	8,102.10	988.85	9,090.95
	<u>\$ 43,521.90</u>	<u>\$ 7,555.98</u>	<u>\$ 51,077.88</u>

  

<u>Year</u>	<u>Parking Utility Capital Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,090.80	\$ 1,361.96	\$ 6,452.76
2019	5,678.20	1,259.98	6,938.18
2020	5,927.40	1,032.84	6,960.24
2021	4,734.80	736.48	5,471.28
2022	4,948.40	499.74	5,448.14
2023-2027	6,034.20	736.48	6,770.68
	<u>\$ 32,413.80</u>	<u>\$ 5,627.48</u>	<u>\$ 38,041.28</u>

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 12 LONG-TERM DEBT (continued)**

**Changes in Outstanding Long-Term Debt**

Transactions for the year ended December 31, 2017 are summarized as follows:

	Balance Dec. 31, <u>2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance Dec. 31, <u>2017</u>
<u>General Capital Fund</u>				
Serial Bonds	\$ 11,969,521.50		\$ 1,612,752.50	\$ 10,356,769.00
Green Trust Loans	<u>332,086.26</u>	<u>          </u>	<u>67,035.59</u>	<u>265,050.67</u>
	<u>12,301,607.76</u>	<u>-</u>	<u>1,679,788.09</u>	<u>10,621,819.67</u>
 <u>Water/Sewer Utility</u>				
<u>Capital Fund</u>				
Serial Bonds	<u>10,131,020.30</u>	<u>-</u>	<u>1,062,927.63</u>	<u>9,068,092.67</u>
 <u>Parking Utility</u>				
<u>Capital Fund</u>				
Serial Bonds	<u>270,000.00</u>	<u>-</u>	<u>10,000.00</u>	<u>260,000.00</u>
	<u>\$ 22,702,628.06</u>	<u>\$ -</u>	<u>\$ 2,752,715.72</u>	<u>\$ 19,949,912.34</u>

**Borrowing Power**

New Jersey statutes limit the debt of a municipality to 3.50% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2017 was 0.593%. The Borough's remaining borrowing power is 2.907%. The summary of municipal debt for the last three years and the calculation of statutory net debt is presented in Note 14.

**NOTE 13 SHORT-TERM DEBT**

**Bond Anticipation Notes**

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuing of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 13 SHORT-TERM DEBT (continued)**

**Bond Anticipation Notes (continued)**

On December 31, 2017, the Borough's outstanding bond anticipation notes were as follows:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
<u>General Capital Fund</u>				
Acquisition of a Water Park	12-14-17	12-13-18	\$ 20,750.00	1.50%
Acquisition of Various Capital Equipment and Completion of Various Capital Projects	12-14-17	12-13-18	679,250.00	1.50%
Improvements to Count Basie/East Side Park	12-14-17	12-13-18	375,500.00	1.50%
Various Roadway Improvements	12-14-17	12-13-18	468,000.00	1.50%
2017 Road Program	12-14-17	12-13-18	<u>947,500.00</u>	1.50%
			<u>\$ 2,491,000.00</u>	
<u>Water/Sewer Utility Fund</u>				
Acquisition and Installation of Water Meters	12-14-17	12-13-18	\$ 1,900,000.00	1.50%
Various Improvements by Water/Sewer Utility	12-14-17	12-13-18	400,000.00	1.50%
Various Water/Sewer Improvements	12-14-17	12-13-18	<u>600,000.00</u>	1.50%
			<u>\$ 2,900,000.00</u>	
<u>Parking Utility Fund</u>				
Various Parking Utility Improvements	12-14-17	12-13-18	<u>\$ 300,000.00</u>	1.50%

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 13 SHORT-TERM DEBT (continued)**

**Bond Anticipation Notes (continued)**

**Changes in Bond Anticipation Notes**

	Balance Dec. <u>2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance Dec. <u>2017</u>
General Capital Fund	\$ 777,861.00	\$ 2,491,000.00	\$ 777,861.00	\$ 2,491,000.00
Water/Sewer Utility Capital Fund	1,900,000.00	2,900,000.00	1,900,000.00	2,900,000.00
Parking Utility Capital Fund	<u>                    </u>	<u>300,000.00</u>	<u>                    </u>	<u>300,000.00</u>
	<u>\$2,677,861.00</u>	<u>\$5,691,000.00</u>	<u>\$ 2,677,861.00</u>	<u>\$ 5,691,000.00</u>

**Special Emergency Notes**

The Borough authorized the issuance of interest-free internal notes from the Borough's General Capital Fund to finance the costs of the deferred charges related to the special emergency appropriations. The term of the notes cannot exceed one year. All such notes must be paid within three to five years depending on the type of special emergency.

On December 31, 2017, the Borough's outstanding special emergency notes were as follows:

<u>Special Emergency Authorization</u>	Date of <u>Issue</u>	Date of <u>Maturity</u>	<u>Amount</u>	Interest <u>Rate</u>
2013 Utilization Banked Time	9/26/2017	9/25/2018	\$ 72,400.00	0.00%
2014 Tax Revaluation	5/25/2017	5/24/2018	<u>140,000.00</u>	0.00%
			<u>\$ 212,400.00</u>	

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 13 SHORT-TERM DEBT (continued)**

The following schedule represents the Borough's summary of debt for the current and two previous years:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Issued:</b>			
General:			
Bonds, Notes and Loans	\$ 13,112,819.67	\$ 13,079,468.76	\$ 16,028,927.48
Water/Sewer Utility:			
Bonds, Notes and Loans	12,579,163.67	12,031,020.30	11,896,040.43
Parking Utility			
Bonds, Notes and Loans	<u>560,000.00</u>	<u>270,000.00</u>	<u>280,000.00</u>
Total Debt Issued	<u>26,251,983.34</u>	<u>25,380,489.06</u>	<u>28,204,967.91</u>
<b>Authorized but Not Issued:</b>			
General:			
Bonds, Notes and Loans	0.70	0.70	136,111.70
Water/Sewer Utility:			
Bonds, Notes and Loans	<u>1,214,029.00</u>	<u>1,825,000.00</u>	<u>                    </u>
Total Authorized but Not Issued	<u>1,214,029.70</u>	<u>1,825,000.70</u>	<u>136,111.70</u>
<b>Total Gross Debt</b>	<u><u>\$ 27,466,013.04</u></u>	<u><u>\$ 27,205,489.76</u></u>	<u><u>\$ 28,341,079.61</u></u>

**State of New Jersey Environmental Infrastructure Short-Term Trust Loan Payable**

The New Jersey Environmental Infrastructure Program ("NJEIFP") provides Short-Term Loans for terms up to three full fiscal years to allow for the completion of construction. The Loan acts like a line-of-credit wherein a borrower receives funds for eligible project expenses upon approval of submitted invoices, and as such, only pays interest, if applicable, on funds drawn. Upon completion of construction, short term loans are termed out through a traditional NJEIFP Loan. The initial short-term loan closing amount was \$1,800,000, dated November 13, 2017 and carries an interest rate of 0.00%. At December 31, 2017 the total costs allowable certified by the NJEIFP were \$1,732,480. The remaining available balance at December 31, 2017 was \$1,121,508.33.



**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 14 SUMMARY OF MUNICIPAL DEBT (continued)**

**Summary of Statutory Debt Condition – Annual Debt Statements**

The following schedule is a summary of the previous schedule and is prepared in accordance with the required method of setting up the Annual Debt Statement:

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$ 2,095,000.00	\$ 2,095,000.00	\$ -
Regional School District	1,718,106.54	1,718,106.54	-
General Debt	13,112,819.67	544,547.63	12,568,272.04
Water/Sewer Utility Debt	12,579,163.67	12,579,163.67	-
Parking Utility Debt	<u>560,000.00</u>	<u>560,000.00</u>	<u>-</u>
	<u>\$ 30,065,089.88</u>	<u>\$ 17,496,817.84</u>	<u>\$ 12,568,272.04</u>

New Jersey statutes limit the debt of a municipality to 3.50% of the average of the last three preceding year's equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2017 was 0.593% as calculated below. The Borough's remaining borrowing power is 2.907%.

Net Debt \$12,568,272.04 divided by the equalized valuation basis per N.J.S.A. 40A:2-2 as amended, \$2,120,613,354.33 equals 0.593%.

**Borrowing Power under N.J.S.A. 40A:2-6 as amended**

3-1/2% Equalized Valuation Basis Municipal	\$ 74,221,467.40
Net Debt	<u>12,568,272.04</u>
Remaining Borrowing Power	<u>\$ 61,653,195.36</u>

**BOROUGH OF RED BANK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**NOTE 14 SUMMARY OF MUNICIPAL DEBT (continued)**

**Calculation of “Self-liquidating purpose” – Water/Sewer Utility per N.J.S. 40A:2-45**

Cash Receipts from Fees, Rents or Other Charges for the Year		\$ 7,148,796.20
Deductions:		
Operating and Maintenance Costs	\$ 5,234,050.00	
Debt Service	1,328,475.00	
Total Deductions		<u>6,562,525.00</u>
Excess in Revenue		<u>\$ 586,271.20</u>

**Calculation of “Self-liquidating purpose” – Parking Utility per N.J.S. 40A:2-45**

Cash Receipts from Fees, Rents or Other Charges for the Year		\$ 2,176,745.16
Deductions:		
Operating and Maintenance Costs	\$ 896,150.00	
Debt Service	22,140.72	
Total Deductions		<u>918,290.72</u>
Excess in Revenue		<u>\$ 1,258,454.44</u>

The annual debt statement as filed by the Chief Financial Officer should be amended.

**NOTE 15 DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED**

Upon the authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 16 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

As noted in Note 2, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2017, the following deferred charges are shown on the Balance Sheets of the various funds:

	<u>Balance December 31, 2017</u>	<u>2018 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Special Emergency Authorizations (40A:4-55)	\$ 232,400.00	\$ 152,400.00	\$ 80,000.00

**NOTE 17 SCHOOL TAXES**

Local School District Taxes and Regional High School Taxes have been raised and liabilities deferred by statute, resulting in the school taxes payable set forth in the current fund liabilities as follows:

	<u>Local District School Tax</u>		<u>Regional High School Tax</u>	
	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>
Balance of Tax	\$ 8,282,862.67	\$ 8,021,425.65	\$ 4,645,790.64	\$ 4,624,534.66
Deferred	<u>6,256,724.50</u>	<u>6,256,724.50</u>	<u>4,216,556.36</u>	<u>4,216,556.36</u>
Tax Payable	<u>\$ 2,026,138.17</u>	<u>\$ 1,764,701.15</u>	<u>\$ 429,234.28</u>	<u>\$ 407,978.30</u>

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 18 DEFERRED COMPENSATION PLAN**

The Borough of Red Bank offers its employees a Deferred Compensation Plan created in accordance with the provisions of N.J.S. 43:15B-1 et seq., and the Internal Revenue Code, Section 457. The plan, available to all municipal 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 unforeseeable emergency.

Statutory and regulatory requirements governing the establishment and operation of Deferred Compensation Plans have been codified in the New Jersey Administrative Code under the reference N.J.A.C. 5:37.

The “Small Business Job Protective Act of 1996” revised several provisions of Section 457 of the Internal Revenue Code. A provision of the act required that all existing plans be modified to provide that the funds be held for the exclusive benefit of the participating employees and their beneficiaries.

The administrator for the Borough of Red Bank Deferred Compensations Plan is VALIC and AXA Advisors.

The plan’s assets are not the property of the Borough and therefore are not presented in the financial statements.

**NOTE 19 RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. The Borough is a member of the Central Jersey Joint Insurance Fund (JIF). This public entity risk pool is both an insured and self-administered group of public entities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen’s compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program. There were no settlements in excess of insurance coverage in 2017, 2016, and 2015.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 20 CONTINGENCIES**

A. Accrued Sick and Vacation Unaudited

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation and sick pay. The Borough permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation would approximate \$1,746,505.03 at December 31, 2017. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

B. Litigation

The Borough is involved in various other legal and administrative proceedings and claims of various types. While any litigation contains an element of uncertainty, Borough Officials, based upon the opinion of the Borough Counsels, presently believe that the outcome of each such proceedings or claims which are pending or known to be threatened, or all of them combined, will not have a material or adverse effect on the Borough's financial position or adversely affect the Borough's ability to levy, collect, and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

C. Federal and State Grants

The Borough receives financial assistance from the U.S. government and the State of New Jersey in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require payment to the grantor agency. As of December 31, 2017, the Borough estimates that no material liabilities will result from such audits.

D. Unemployment Compensation Insurance

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et. seq.). The Borough has elected to provide a self-insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. The reserve for unemployment compensation insurance at December 31, 2017 was \$35,742.88.

**BOROUGH OF RED BANK**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**NOTE 19   SUBSEQUENT EVENTS**

On March 28, 2018, the Borough adopted ordinance 2018-09 amending and supplementing bond ordinance 2017-21. The ordinance increases the total appropriation therein from \$600,000.00 to \$825,000.00 to increase the total debt authorization therein from \$600,000.00 to \$825,000.00.

The Borough has evaluated subsequent events occurring after December 31, 2017 through the date of June 29, 2018, which is the date the financial statements were available to be issued.

## **APPENDIX C**

### **FORM OF APPROVING LEGAL OPINION FOR THE BONDS**

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

December \_\_\_\_, 2019

Mayor and Borough Council  
of the Borough of Red Bank  
Red Bank, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of the \$7,134,000\* aggregate principal amount of General Obligation Bonds, Series 2019, consisting of \$2,712,000\* aggregate principal amount of General Improvement Bonds, Series 2019 (the "General Improvement Bonds"), \$3,700,000\* aggregate principal amount of Water-Sewer Utility Bonds, Series 2019 (the "Water-Sewer Utility Bonds") and \$722,000\* aggregate principal amount of Parking Utility Bonds (the "Parking Utility Bonds" and together with the General Improvement Bonds and the Water-Sewer Utility Bonds, the "Bonds"), of the Borough of Red Bank, in the County of Monmouth (the "Borough"), a body politic and corporate of the State of New Jersey (the "State").

The Bonds are authorized by and are issued pursuant to: (i) the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"); (ii) various bond ordinances duly adopted by the Borough Council and published as required by law and (iii) a resolution duly adopted by the Borough Council on November 13, 2019.

The Bonds are issued in fully registered, book-entry only form, without coupons, initially registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of Bonds of each series maturing in each year. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$1,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required.

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\* Preliminary, subject to change

So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough as Paying Agent (or a Paying Agent duly appointed by the Borough) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semi-annually on the first day of June and December (each an "Interest Payment Date") in each year until maturity or prior redemption, commencing June 1, 2020. The Bonds shall mature on December 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>General Improvement Bonds*</u>	<u>Water- Sewer Utility Bonds*</u>	<u>Parking Utility Bonds*</u>	<u>Combined Principal Amounts*</u>	<u>Interest Rates</u>
2020	\$102,000	\$ 140,000	\$ 42,000	\$284,000	%
2021	100,000	140,000	45,000	285,000	
2022	200,000	140,000	45,000	385,000	
2023	200,000	280,000	45,000	525,000	
2024	200,000	280,000	45,000	525,000	
2025	200,000	280,000	50,000	530,000	
2026	200,000	280,000	50,000	530,000	
2027	200,000	280,000	50,000	530,000	
2028	200,000	280,000	50,000	530,000	
2029	200,000	280,000	50,000	530,000	
2030	200,000	280,000	50,000	530,000	
2031	195,000	280,000	50,000	525,000	
2032	170,000	280,000	50,000	500,000	
2033	170,000	280,000	50,000	500,000	
2034	<u>175,000</u>	<u>200,000</u>	<u>50,000</u>	<u>425,000</u>	
Total:	<u>\$2,712,000*</u>	<u>\$3,700,000*</u>	<u>\$722,000*</u>	<u>\$7,134,000*</u>	

The Bonds of this issue maturing prior to December 1, 2027 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after December 1, 2027 are redeemable at the option of the Borough, in whole or in part, on any date on or after December 1, 2026, upon notice as required therein, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or

appropriate for the purposes of the opinion rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

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

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

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

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

[The Bonds maturing on December 1 in the years \_\_\_\_ through \_\_\_\_, inclusive (collectively, the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the

purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.]

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

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

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

We have examined one of the Bonds of each series, as executed by the Borough, and, in our opinion, the form of each Bond and their execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS**

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated December \_\_, 2019 (the "Disclosure Certificate") is executed and delivered by the Borough of Red Bank, in the County of Monmouth, State of New Jersey (the "Borough" or the "Issuer") in connection with the issuance of its \$7,134,000\* aggregate principal amount of General Obligation Bonds, Series 2019, consisting of \$2,712,000\* aggregate principal amount of General Improvement Bonds, Series 2019 (the "General Improvement Bonds"), \$3,700,000\* aggregate principal amount of Water-Sewer Utility Bonds, Series 2019 (the "Water-Sewer Utility Bonds") and \$722,000\* aggregate principal amount of Parking Utility Bonds, Series 2019 (the "Parking Utility Bonds" and together with the General Improvement Bonds and the Water-Sewer Utility Bonds, the "Bonds"), all such Bonds being dated their date of delivery. The Bonds are being issued pursuant to various bond ordinances duly adopted by the Borough Council of the Borough approved and published as required by law, and a resolution entitled, "RESOLUTION PROVIDING FOR THE COMBINATION OF CERTAIN BOND ORDINANCES AND DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF \$7,134,000 GENERAL OBLIGATION BONDS, SERIES 2019 CONSISTING OF \$2,712,000 GENERAL IMPROVEMENT BONDS, SERIES 2019, \$3,700,000 WATER-SEWER UTILITY BONDS, SERIES 2019 AND \$722,000 PARKING UTILITY BONDS, SERIES 2019 OF THE BOROUGH OF RED BANK, IN THE COUNTY OF MONMOUTH, STATE OF NEW JERSEY AND PROVIDING FOR THEIR SALE" (the "Resolution"), being duly adopted by the Borough Council of the Borough on November 13, 2019. The Borough covenants and agrees as follows:

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

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

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

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

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\* Preliminary, subject to change

*“Business Day”* shall mean any day other than a Saturday, Sunday or a day on which the Borough or the Dissemination Agent is authorized by law or contract to remain closed.

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

*“Disclosure Representative”* shall mean the Chief Financial Officer of the Borough or her designee, or such other person as the Borough shall designate in writing from time to time for the purposes of this Disclosure Certificate.

*“Dissemination Agent”* shall mean, initially, Phoenix Advisors, LLC or any Dissemination Agent subsequently designated in writing by the Borough which has filed with the Borough a written acceptance of such designation.

*“EMMA”* shall mean the Electronic Municipal Market Access system, a website created by the MSRB (as defined below) and approved by the SEC (as defined below) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Borough or the Dissemination Agent shall submit disclosure documents to EMMA as a Portable Document File (PDF file) to [www.emma.msrb.org](http://www.emma.msrb.org).

*“Financial Obligation”* shall mean a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) listed hereinabove. The term *“Financial Obligation”* shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below) consistent with the Rule (as defined below).

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

*“MSRB”* shall mean the Municipal Securities Rulemaking Board.

*“National Repository”* shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC (as defined below) as a repository for purposes of the Rule (as defined below).

*“Rule”* shall mean Rule 15c2-12(b)(5) adopted by the SEC (as defined below) under the Securities Exchange Act of 1934, as the same may be amended from time to time.

*“SEC”* shall mean the United States Securities and Exchange Commission.



*“State”* shall mean the State of New Jersey.

*“Underwriters”* shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

**SECTION 3. Provision of Annual Reports.** (a) The Borough shall not later than two hundred seventy (270) days after the end of its fiscal year (currently December 31) for each fiscal year until termination of the Borough’s reporting obligations under this Disclosure Certificate pursuant to the provisions of Section 6 of this Disclosure Certificate provide to the Dissemination Agent the Annual Report prepared for the preceding fiscal year of the Borough (commencing for the fiscal year ending December 31, 2018). Each Annual Report provided to the Dissemination Agent by the Borough shall comply with the requirements of Section 4 of this Disclosure Certificate but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

(b) The Dissemination Agent, promptly (within fifteen (15) Business Days) after receiving the Annual Report from the Borough, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the Borough certifying that the Annual Report has been provided pursuant to this Disclosure Certificate to the National Repository and stating the date it was provided to the National Repository.

(c) If the Borough fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the Borough advising of such failure. Whether or not such notice is given or received, if the Borough thereafter fails to submit the Annual Report to the Dissemination Agent within fifteen (15) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with a copy of said notice to the Borough) to the National Repository in substantially the form attached as Exhibit A hereto.

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

(1) The audited financial statements of the Borough as of December 31 of each year (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available).

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

(2) The general financial information and operating data of the Borough consistent with the information set forth in Appendix A to the Official Statement dated November 26, 2019, prepared in connection with the sale of the Bonds (the "Official Statement").

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

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

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;

12. Bankruptcy, insolvency, receivership or similar event of the Borough;

13. The consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;

15. Incurrence of a financial obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect Bondholders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation, any of which reflect financial difficulties.

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

(b) Whenever the Borough has or obtains knowledge of the occurrence of any of the Listed Events, the Borough shall, as soon as possible, determine if such event would constitute information material to the Beneficial Owners of the Bonds.

(c) If the Borough determines that the occurrence of a Listed Event would be material to the Beneficial Owners of the Bonds, the Borough shall promptly notify the Dissemination Agent in writing (if the Borough is not the Dissemination Agent) and the Borough shall instruct the Dissemination Agent to report such Listed Event and the Dissemination Agent shall report the occurrence of such Listed Event pursuant to subsection (e) hereof.

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

(e) If the Dissemination Agent has been instructed in writing by the Borough to report the occurrence of a Listed Event, the Dissemination Agent shall file a

notice of such occurrence with EMMA, with a copy to the Borough (if the Dissemination Agent is not the Borough). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Resolution.

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

**SECTION 7. Dissemination Agent; Compensation.** The Borough may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Phoenix Advisors, LLC. The Borough shall compensate the Dissemination Agent (which shall be appointed) for the performance of its obligations hereunder in accordance with an agreed upon fee structure.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Borough may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the Borough to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the Borough or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Resolution at the time of the amendment. The Borough shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 of this Disclosure Certificate. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Borough shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on

the presentation) of financial information or operating data being presented by the Borough. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 of this Disclosure Certificate, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Borough from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Borough chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Borough shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the Borough to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Borough to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the Borough agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Borough) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the Borough further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the Borough under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Borough, the Dissemination Agent, the Underwriters, and the Beneficial

Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

**SECTION 13. Notices.** All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the Borough:

Borough of Red Bank  
90 Monmouth Street  
Red Bank, New Jersey 07701  
Attention: Chief Financial Officer

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

Phoenix Advisors, LLC  
625 Farnsworth Avenue  
Bordentown, New Jersey 08505

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

**SECTION 14. Counterparts.** This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Borough and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

**SECTION 15. Severability.** If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Borough and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

**SECTION 16. Governing Law.** This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**BOROUGH OF RED BANK**

By: \_\_\_\_\_  
**PETER O'REILLY,**  
**Chief Financial Officer**

**Acknowledged and Accepted by:**

**PHOENIX ADVISORS, LLC,**  
**as Dissemination Agent**

\_\_\_\_\_  
**Authorized Signatory**

**EXHIBIT A**

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

Name of Issuer: Borough of Red Bank,  
in the County of Monmouth, State of New Jersey

Name of Issue: \$7,134,000\* General Obligation Bonds, Series 2019  
Dated: December \_\_\_\_, 2019  
(CUSIP Number: 756299\_\_)

Date of Issuance: December \_\_\_\_, 2019

NOTICE IS HEREBY GIVEN that the above designated Borough has not provided an Annual Report with respect to the above-named Bonds as required by the Resolution and a Continuing Disclosure Certificate for the General Obligation Bonds, Series 2019 dated December \_\_\_\_, 2019 executed by the Borough.

DATED: \_\_\_\_\_

\_\_\_\_\_  
**DISSEMINATION AGENT**  
(on behalf of the Borough)

cc: The Borough

\_\_\_\_\_  
\* Preliminary, subject to change