

OFFICIAL STATEMENT DATED AUGUST 7, 2019

NEW ISSUE – Book-Entry-Only

SERIAL BONDS

Rating: Moody's: "Aaa stable"  
(See "RATING" herein)

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

**BOROUGH OF NEW PROVIDENCE,  
IN THE COUNTY OF UNION, NEW JERSEY**

**\$7,300,000 GENERAL IMPROVEMENT BONDS, SERIES 2019**  
(Callable) (Bank-Qualified)

**Dated Date: Date of Delivery**

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

The \$7,300,000 General Improvement Bonds, Series 2019 (the "Bonds"), of the Borough of New Providence, in the County of Union, New Jersey (the "Borough"), are being issued to: (i) currently refund the Borough's \$5,400,000 Bond Anticipation Note, dated October 30, 2018 and maturing October 30, 2019; (ii) provide \$1,900,000 in new money to finance various capital improvements; and (iii) provide for the costs associated with the authorization, sale and issuance of the Bonds. See "AUTHORIZATION AND PURPOSE OF THE BONDS – Purpose of the Bonds" herein.

Interest on the Bonds will be payable semiannually on the first day of March and September in each year until maturity or prior redemption, commencing March 1, 2020. The principal of and interest due on the Bonds will be paid to DTC (as defined herein) by the Borough as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding February 15 and August 15 (the "Record Dates" for the payment of interest on the Bonds).

The Bonds are subject to optional redemption prior to their stated maturities. See "THE BONDS – Optional Redemption" herein.

The Bonds will be issued in the form of one certificate for the principal amount of the Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as "securities depository". See "THE BONDS – Book-Entry-Only System" herein.

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

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

*The Bonds are offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. NW Financial Group, LLC, Hoboken, New Jersey, served as Municipal Advisor to the Borough in connection with the Bonds. Delivery is anticipated to be through the facilities of DTC in New York, New York, on or about September 5, 2019.*

**Baird**

**BOROUGH OF NEW PROVIDENCE, IN THE  
COUNTY OF UNION, NEW JERSEY**

**\$7,300,000 GENERAL IMPROVEMENT BONDS, SERIES 2019  
(Callable) (Bank-Qualified)**

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

<b><u>Year</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP Number*</u></b>
2020	\$375,000	4.00%	0.90%	648227 KX3
2021	375,000	4.00	0.91	648227 KY1
2022	550,000	4.00	0.92	648227 KZ8
2023	425,000	4.00	0.93	648227 LA2
2024	375,000	4.00	0.94	648227 LB0
2025	375,000	4.00	1.00	648227 LC8
2026	525,000	4.00	1.08	648227 LD6
2027	550,000	4.00	1.16	648227 LE4
2028	750,000	4.00	1.24	648227 LF1
2029	750,000	2.00	1.80	648227 LG9
2030	750,000	2.00	1.90	648227 LH7
2031	750,000	2.00	2.00	648227 LJ3
2032	750,000	2.00	2.10	648227 LK0

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"CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by Standard & Poor's Capital IQ. 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 representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**BOROUGH OF NEW PROVIDENCE, IN THE  
COUNTY OF UNION, NEW JERSEY**

**MAYOR**  
Al Morgan

**COUNCIL MEMBERS**

Michael Gennaro  
Matthew Cumiskey  
Peter DeSarno  
Nadine Geoffroy  
Robert Munoz  
Robert T. Robinson

**BOROUGH ADMINISTRATOR**  
Douglas R. Marvin

**BOROUGH CLERK**  
Wendi B. Barry

**CHIEF FINANCIAL OFFICER**  
Gabriela V. Simoes Dos Santos

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Warren, New Jersey

**INDEPENDENT ACCOUNTANT**  
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Pompton Lakes, New Jersey

**BOND COUNSEL**  
McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

**MUNICIPAL ADVISOR**  
NW Financial Group, LLC  
Hoboken, New Jersey

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

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

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

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough or the Underwriter.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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

## TABLE OF CONTENTS

INTRODUCTION.....	1
THE BONDS .....	1
General Description .....	1
Optional Redemption .....	2
Notice of Redemption .....	2
Book-Entry-Only System .....	2
Discontinuation of Book-Entry-Only System.....	5
SECURITY AND SOURCE OF PAYMENT .....	5
AUTHORIZATION AND PURPOSE OF BONDS.....	5
MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES .....	6
Local Bond Law (N.J.S.A. 40A:2-1 <i>et seq.</i> ) .....	6
Local Budget Law (N.J.S.A. 40A:4-1 <i>et seq.</i> ).....	7
Tax Assessment and Collection Procedure.....	9
Tax Appeals .....	9
Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 <i>et seq.</i> ).....	10
TAX MATTERS .....	10
Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes .....	10
Original Issue Discount.....	11
Original Issue Premium .....	11
Bank-Qualification.....	12
Additional Federal Income Tax Consequences of Holding the Bonds .....	12
Changes in Federal Tax Law Regarding the Bonds.....	12
State Taxation.....	13
LITIGATION .....	13
SECONDARY MARKET DISCLOSURE.....	13
MUNICIPAL BANKRUPTCY.....	15
APPROVAL OF LEGAL PROCEEDINGS .....	16
UNDERWRITING.....	16
RATING.....	16
MUNICIPAL ADVISOR .....	16
PREPARATION OF OFFICIAL STATEMENT .....	16
ADDITIONAL INFORMATION .....	17
MISCELLANEOUS.....	17
 CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE BOROUGH OF NEW PROVIDENCE .....	Appendix A
 SUMMARY OF 2019 ADOPTED BUDGET .....	Appendix B
 AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2018 .....	Appendix C
 FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL .....	Appendix D

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**OFFICIAL STATEMENT**  
**RELATING TO**  
**\$7,300,000 GENERAL IMPROVEMENT BONDS, SERIES 2019**  
**OF THE**  
**BOROUGH OF NEW PROVIDENCE, IN THE**  
**COUNTY OF UNION, NEW JERSEY**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Borough of New Providence (the "Borough"), in the County of Union (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$7,300,000 aggregate principal amount General Improvement Bonds, Series 2019 (the "Bonds"). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

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

**THE BONDS**

**General Description**

The Bonds shall be dated their date of issuance and will mature on September 1 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date, payable semiannually on each March 1 and September 1 (each, an "Interest Payment Date"), commencing March 1, 2020, in each year until maturity or prior redemption, at the interest rates shown on the inside front cover page hereof. Interest on the Bonds shall be computed on a 30-day month/360-day year basis.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the amount of \$5,000, or any integral multiple thereof, through book-entries made on the books and records of The Depository Trust Company, New York, New York ("DTC"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid to DTC or Cede & Co., as its nominee. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 15 and August 15 (the "Record Dates" for the payment of interest on the Bonds). See "Book-Entry-Only System" herein.

## **Optional Redemption**

The Bonds of this issue maturing prior to September 1, 2027 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after September 1, 2027 are redeemable at the option of the Borough, in whole or in part, on any date on or after September 1, 2026 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

## **Notice of Redemption**

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds to be redeemed not less than thirty (30) days, nor more than sixty (60) days, prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough or a duly appointed bond registrar. Any failure of the securities depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Borough shall send redemption notices only to Cede & Co. See "Book-Entry-Only System" herein for further information regarding conveyance of notices and beneficial owners.

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 to be redeemed after the date fixed for redemption and no further interest shall accrue beyond the redemption date. Payment shall be made upon surrender of the Bonds redeemed.

## **Book-Entry-Only System**

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds to Direct and Indirect Participants (each as defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough.

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

DTC, the world's largest 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts 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.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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).

Redemption proceeds, if applicable, and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or the paying agent, if any, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

THE BOROUGH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

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

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

## **SECURITY AND SOURCE OF PAYMENT**

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

## **AUTHORIZATION AND PURPOSE OF BONDS**

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.* (the "Local Bond Law"), the bond ordinances adopted by the Borough Council referred to in the chart below and a resolution duly adopted by the Borough Council on July 15, 2019 (the "Resolution").

Proceeds from the sale and issuance of the Bonds will be used by the Borough to: (i) currently refund the Borough's \$5,400,000 Bond Anticipation Note, dated and issued on October 30, 2018 and maturing October 30, 2019; (ii) provide \$1,900,000 in new money to finance various capital improvements; and (iii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

<b>Bond Ordinance</b>	<b>Description of Improvement and Date of Adoption of Ordinance</b>	<b>Refunding Amount</b>	<b>New Money Amount</b>	<b>Aggregate Amount of Bonds to be Issued</b>
2016-07	Providing for various capital improvements, finally adopted 4/11/16.	\$1,450,000		\$1,450,000
2016-08	Providing for various recreation and community activity projects, finally adopted 5/23/16.	\$2,300,000		\$2,300,000
2017-06	Providing for various capital improvements, finally adopted 5/8/17.	\$575,000		\$575,000
2018-04	Providing for various capital improvements, finally adopted 5/21/18.	\$1,075,000	\$100,000	\$1,175,000
2019-04	Providing for various capital improvements, finally adopted 5/6/19.		\$1,800,000	\$1,800,000
	<b>Totals:</b>	<b>\$5,400,000</b>	<b>\$1,900,000</b>	<b>\$7,300,000</b>

## **MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

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

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

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Borough, as annually determined by the State Director of Taxation, is \$2,684,571,067.33.

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

The Borough has not exceeded its statutory debt limit. As of December 31, 2018, the statutory net debt as a percentage of average equalized valuation was 0.891%. As noted above, the statutory limit is 3½%.

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

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

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

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

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

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

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

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

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

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

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAPS" appropriations nor can transfers be made between excluded from "CAP" appropriations.

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

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

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

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

### **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A Borough-wide re-assessment was completed in 2006. A Borough-wide re-assessment was completed in 2012 and effective for the 2013 tax year.

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

Tax bills are mailed annually in June by the Borough. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes. A table detailing delinquent taxes and tax title liens is included in Appendix A.

### **Tax Appeals**

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was

unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

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

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

## **TAX MATTERS**

### **Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes**

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

Assuming the Borough observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the Borough ("Bond Counsel"), is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service

("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

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

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Discount**

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

### **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond

premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

### **Bank-Qualification**

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

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

### **Additional Federal Income Tax Consequences of Holding the Bonds**

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

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

### **Changes in Federal Tax Law Regarding the Bonds**

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

## **State Taxation**

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

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

## **LITIGATION**

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

## **SECONDARY MARKET DISCLOSURE**

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

(a) On or prior to September 30 of each year, beginning September 30, 2020, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Borough consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Borough and certain financial information and operating data consisting of (i) the Borough and overlapping indebtedness, including a schedule of outstanding debt issued by the Borough, (ii) the Borough's property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

(b) In a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (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 or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Borough, if any such event reflects financial difficulties.

The term "Financial Obligation" as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); *provided, however,* that the term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(c) In a timely manner to the EMMA, notice of failure of the Borough to provide required annual financial information on or before the date specified in the Resolution. In the event that the Borough fails to comply with the above-described undertaking and covenants, the Borough shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

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

The Borough has entered into prior undertakings to provide continuing disclosure for certain outstanding debt issues. In connection with such debt issues, the Borough failed to timely file its audited financial statements for the fiscal years ended December 31, 2015 and 2016 and its adopted budgets for fiscal years ended December 31, 2016 and 2017. In addition, the Borough failed to timely file certain financial information pertaining to its overlapping indebtedness for the years ended December 31, 2013 through 2017. Specifically, the Borough did not include the overlapping debt of the County of Union. In addition, the Borough failed to timely file notices with respect to such late filings and event notices with respect to certain rating changes. The Borough has engaged a Dissemination Agent to assist with the Borough's continuing disclosure obligations.

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

#### **MUNICIPAL BANKRUPTCY**

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

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

## APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix D. Certain legal matters will be passed on for the Borough by its Borough Attorney, Paul Rizzo, Esq., Warren, New Jersey.

## UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by R.W. Baird & Co. Incorporated (the "Underwriter") at a price of \$7,863,686.25 (consisting of the par amount of the Bonds plus net original issue premium of \$563,686.25). The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement.

On April 1, 2019, Baird Financial Corporation, the parent company of the Underwriter, acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively "Hilliard Lyons"). As a result of such common control, the Underwriter, Hilliard Lyons and Hilliard Lyons Trust Company are now affiliated. It is expected that Hilliard Lyons will merge with and into the Underwriter later in 2019.

## RATING

Moody's Investors Service, Inc. (the "Rating Agency") has assigned a rating of "Aaa stable" to the Bonds based upon the creditworthiness of the Borough. The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

## MUNICIPAL ADVISOR

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

## PREPARATION OF OFFICIAL STATEMENT

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

Ferraioli, Wielkotz, Cerullo & Cuva, P.A., Pompton Lakes, New Jersey, has not participated in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in its Independent Auditors' Report attached hereto as Appendix C.

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

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

#### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Gabriela V. Simoes Dos Santos, the Borough's Chief Financial Officer, at 360 Elkwood Avenue, New Providence, New Jersey 07974, telephone (908) 665-1400 or by email [gdossantos@newprov.org](mailto:gdossantos@newprov.org).

#### **MISCELLANEOUS**

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

#### **BOROUGH OF NEW PROVIDENCE**

By: /s/ Gabriela V. Simoes Dos Santos  
Gabriela V. Simoes Dos Santos  
Chief Financial Officer

Dated: August 7, 2019

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## **APPENDIX A**

### **CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE BOROUGH OF NEW PROVIDENCE**

## APPENDIX A

### TABLE OF CONTENTS

	<u>Page</u>
General Information.....	A-1
Municipal Government.....	A-1
Corporate Residents.....	A-2
Fiber Optics.....	A-2
Protection.....	A-2
Public Works.....	A-3
Recreation.....	A-3
Cultural-Social.....	A-3
The School System.....	A-4
Municipal Complex.....	A-5
Major Real Property Taxpayers.....	A-6
Net Assessed Property Valuations.....	A-6
Levy and Collection of Taxes.....	A-7
Current Fund Balances And Amounts Utilized in Succeeding Year's Budget.....	A-9
State Aid.....	A-9
Comparison of Municipal Tax Levy to Annual Debt Service Requirement.....	A-10
Debt Information.....	A-10
General Information.....	A-10
Appropriation Not Required for Payments on Debt.....	A-10
Statutory Debt Information.....	A-11
Statutory Borrowing Power.....	A-11
Trend of Statutory Remaining Borrowing Power.....	A-12
Permanent Bonded Debt Issued and Outstanding.....	A-12
Annual Debt Service Schedule for Bonded Debt Issued & Outstanding.....	A-12
Direct and Overlapping Debt Issued and Outstanding.....	A-13
Debt Ratios.....	A-13

## THE BOROUGH OF NEW PROVIDENCE

### General Information

The history of New Providence can be first traced back to 1664 when James, Duke of York and brother to King Charles II, purchased the land from Native Americans. Its first settlers were a Puritan colony that came to the area in 1720. The abundance of large flocks of wild turkeys led to the initial name for the area of "Turkey." By 1737, the Presbyterian Church was formed and was the center of life in the small settlement. In 1759, a crowded church balcony collapsed. It was considered a miracle that no one was seriously injured in the disaster. The miracle was soon referred to as a divine act of "providence." The small town thereafter became known as "New Providence" and included present-day Summit and Berkeley Heights.

In 1869 Summit seceded from New Providence Township over disagreement with town management, as well as its rapid increase in population and businesses due to its railroad facilities. New Providence Borough was formed in 1899 and present-day Berkeley Heights retained the name New Providence Township until 1952. The Borough covers 3.6 square miles in northwestern Union County. The Borough is nestled in the Watchung Mountains, approximately fifteen miles from downtown Newark and twenty-eight miles from New York City.

The Borough is easily accessible by all modes of transportation, with railroad passenger service provided by New Jersey Transit. There are two passenger stations in the Borough providing direct service to Newark (Broad Street), Allied Junction (Secaucus Transfer), Hoboken and midtown Manhattan. Bus service is available locally, providing interstate as well as intrastate services. The Borough also provides quick and easy access to Newark Liberty International Airport, with the interchange to I-78 being located less than a mile away. The Garden State Parkway, Route 287, Route 24 and the New Jersey Turnpike are less than a 15 minute drive.

New Providence is a predominately residential community of owner occupied, single-family dwellings. There are also garden apartments and condominiums within walking distance of the train stations. The Murray Hill Inn provides accommodations and meeting facilities for guests.

The Borough's vibrant retail business in the downtown area has recently undergone a major streetscape renovation, funded through a Special Improvement District. A nearly absent vacancy rate underscores the strength and energy of this important business segment.

The majority of residents in the community serve in executive, managerial and professional specialty positions, with a median family income of \$145,000. The Borough is operating under an updated Master Plan adopted in 1978, reexamined in 1982, 1988, 1995 and then updated in 2003.

### Municipal Government

The Borough of New Providence is governed by a Mayor and six Council members who are elected at large. The term of office for the Mayor is four years, while Council members serve three years. New Providence has been governed by a mayor and council since it was incorporated as an independent, self-governing municipality on March 14, 1899. To strengthen the executive arm of borough government, the position of borough administrator was created by local ordinance in 1962.

The local government provides services for the residents, and in turn collects taxes which pay for those services. Portions of the tax also go to the county and public schools. The schools are administered independently of the Borough government by an elected board of education.

The municipal services include planning and zoning, police protection, public health and welfare, road maintenance, garbage and recycling collection, sewage and storm drainage systems, the public library, and recreational parks and facilities.

Volunteer groups who operate under governmental direction give fire protection, ambulance service, and disaster relief. Private utilities are responsible for furnishing gas, water, electricity, and transportation.

The Municipal Center, located at 360 Elkwood Avenue, houses the Borough administrative offices, including the Borough Administrator, Borough Clerk, Tax Collector, Tax Assessor, Planning and Development Department, as well as the Borough Nurse, Recreation Department, Municipal Court, and Police Department. The Board of Education is also located within the building. The Municipal Court Offices now host a shared court with Summit and Berkeley Heights, where sharing personnel has created staffing efficiencies while generating revenue for New Providence.

## **Corporate Residents**

The corporate community of New Providence is comprised of companies with worldwide reputations in their respective sectors. Among them are:

**Accenture:** A global management consulting, technology services and outsourcing company, with more than 323,000 people serving clients in more than 200 countries.

**NOKIA:** An international manufacturer and supplier of communications equipment. Their Murray Hill location, partially located in New Providence, is the global headquarters for the world-renown Bell Laboratories.

**C.R. Bard:** Headquartered in New Providence, C.R. Bard is a leading multinational developer, manufacturer, and marketer of innovative, life-enhancing medical technologies. This site was sold to Becton-Dickenson and site closed. Pending sale for development of 192 housing units in compliance with the Borough's settlement agreement with Fair Share. This will be developed with 20% set-aside inclusionary affordable housing units.

**Lexis Nexis:** One of the world's leading publishing and information companies, local subsidiaries in their New Providence campus include ***Martindale-Hubbell, R.R. Bowker*** and ***Marquis Who's Who***.

**Linde:** New Providence is the North American headquarters for this major supplier of industrial gases and air products. Linde products and services can be found in nearly every industry, in more than 100 countries. This Main campus is under contract with Erickson Living who is planning to expand their Continuing Care Retirement Community (Lantern Hill) onto that site.

**NJ Sharing Network:** A non-profit, federally-certified, state-approved organ procurement organization, headquartered in New Providence, responsible for the recovery of organs and tissue for the 4,700 New Jersey residents currently awaiting transplantation. It is also part of the national recovery system, which is in place for the over 110,000 people on waiting lists.

Several banking institutions serve the financial needs of the business community, as well as local residents. Banking institutions located in the Borough include branches of:

TD Bank  
Bank of America  
Wells Fargo Bank  
Investor Savings Bank  
PNC Bank  
Provident Bank

The Borough also boasts numerous professional offices representing the medical, legal, veterinary, accounting and consulting sectors.

## **Fiber Optics**

The Borough's commercial districts are equipped with fiber optic lines running through Central Avenue, Floral Avenue and South Street, providing easy connectivity for commercial tenants. The Borough also has proprietary fiber optic lines running the entire length of South and Passaic Streets.

In 2011 the Borough capitalized on this infrastructure, equipping Borough Council Chambers with a wireless internet connection so that council members could access and review documents, ordinances, and other important information during council meetings, thereby increasing efficiency of meetings and achieving considerable savings for the Borough by eliminating paper meeting packets.

## **Protection**

The New Providence Police Department consists of 26 uniformed officers, 4 special police officers and two administrative assistants. Dispatch now handled through a joint meeting agreement with Summit and Miburn. The dispatch center is located in

the New Providence Municipal Center. There are ten police cars, four of which patrol the Borough on a continuous basis, and an Office of Emergency Management (OEM) 4WD vehicle.

Animal Control services are under contract with Animal Control Solutions, LLC, an organization specializing in nuisance animal removal, wildlife trapping, wildlife management, and animal control.

New Providence has a volunteer Fire Department comprised of approximately 40 members and six pieces of fire-fighting equipment. The Borough owns all the fire equipment and annually provides the necessary funds for the normal operating expenses of the department. The Borough is committed to a program to maintain modern equipment. In 2005 a new aerial ladder truck was purchased. A new pumper truck was purchased in 2012 and the other pumper truck was purchased in 2015. A new Fire Command vehicle was added in 2019.

Two modern fully equipped ambulances operated by the New Providence Rescue Squad, a volunteer organization, are available at all times. In 2015 a new ambulance was purchased for the Rescue Squad with plans for the second ambulance to be refurbished or replaced during the year, as well.

In 2014 the Borough entered a shared dispatch agreement with the City of Summit and the Township of Millburn to provide emergency 911 services. Housed in the New Providence Municipal Center, the Shared Dispatch Center will handle the 911 calls for all three communities and will dispatch police, fire and emergency medical services. The cost of the construction of the new center is being shared equally among the three towns, with each paying \$350,000. A \$1.6 million federal grant will pay for the most up-to-date communication equipment installed in the center. It is expected that the combined dispatch center will provide cost savings for each of the communities. The cost of running the center will be split equally for the first year of operation. In subsequent years, each community will be billed based on how much they use the system.

## **Public Works**

The Borough's expanded secondary waste water treatment plant became operational in 1972, with partial funding being provided by a federal demonstration grant. Under an agreement with the City of Summit, the Borough pumps residual sludge to the facilities of that city, which is a member of the Joint Meeting of Union and Essex Counties. The Joint Meeting apportions the costs for this service annually based on industrial and domestic flows. In June 1991 the Borough of New Providence entered into a Consent Order with the New Jersey Department of Environmental Protection and Energy to update its Waste Water Treatment Plant, as required to meet the more stringent mandated effluent limits being imposed on all waste water infrastructure facilities. In 2011, Summit and New Providence entered into an agreement where New Providence employees perform daily inspections and maintenance of the Summit Wastewater Pump Stations. In addition, the licensed wastewater operator from New Providence oversees the Summit wastewater collection system. Previously, Summit engaged the services of a private contractor to perform these services. This agreement provides a superior level of service for Summit at a comparable cost, while creating a source of revenue for New Providence.

The Borough has 52 miles of paved or hard surfaced streets, 54 miles of sewers, 49 miles of gas mains, and 50.5 miles of water mains. Gas, electric and water services are provided by privately owned utility corporations.

Garbage collections are made once each week under a contract between the Borough and a private contractor. The existing contract requires one clean-up week a year. Recycling collections are made every two weeks, under a contract between the Borough and a private contractor.

## **Recreation**

The Borough conducts a year round recreation program under the supervision of a Profession Director and staff as well as a 12 member advisory board. Members, appointed by the Mayor, are not salaried.. Facilities include three playgrounds, an ice skating rink, eight ball fields and eight public tennis courts. There are two swimming pools of approximate Olympic size under the supervision of the New Providence Community Pool Corporation. This corporation is a volunteer citizens' group and operates the swimming pool facility on land leased from the Borough.

## **Cultural-Social**

The Public Library began in 1921 with a group of interested citizens who formed a Library Committee. In 1942 it became a branch of the municipal government and the Library Committee gave way to a Board of Trustees appointed by the Mayor.

The original red brick structure on Elkwood Avenue was completed in 1950, and enlarged in 1958 and 1964, with a major expansion and renovation completed in 2006.

Presently, the Library houses approximately 76,000 print volumes, 2,600 audiobooks, 1,800 CDs, 5,200 DVDs and over 2,700 periodical issues. The Library also has downloadable collections of ebooks, music and videos amounting to around 100,000 items along with 2 collections of streaming content consisting of ebooks, music, entertainment videos and documentaries.

Circulation is in excess of 201,000 annually. The Library is open 7 days a week during the school year, with over 114,000 visits per year.

The Library's catalog was automated in 1995 and internet access was added in 1998 with wifi following soon after. Currently, there are 7 workstations available to the public for internet access. Last year, over 7,200 sessions were logged on the public computers and over 11,500 on the Library's wireless network.

The Library is a member of MUF (Morris Union Federation), a consortium of nine area libraries sharing holdings of over 800,000 books, 50,000 media items, and 2,200 magazines and newspapers. The Library is also a member of LUCC, the Libraries of Union County which provides borrowing privileges for patrons at all libraries in Union County. In addition, the Library is a member of MURAL, or Middlesex Union Reciprocal Agreement Libraries which allows patrons to borrow from most libraries in Middlesex County in addition to Union and some in Morris.

Interlibrary Loan is available for most materials not in the Library.

The Library offers a full range of programming for all ages throughout the year including movies, concerts, story times, talks, crafts and regular interest groups.

A Senior Citizen Center, renamed the DeCorso Community Center at New Providence, has been in operation since 1979. The Senior Citizen Center is recognized as one of the finest facilities of its kind in Union County. Building a structure to house the Senior Citizen bus and developing a parking lot were accomplished through funds received from a Community Development Block Grant. A grant was also received from the State of New Jersey which provided all the furniture in the complex. A New Providence resident and long term member of the Senior Center donated a 40 passenger bus for use by the Center. This bus provides transportation for Senior Citizens to shopping malls twice weekly and to the Center for meetings and other social events. Over 350 senior citizens utilize this facility, which is manned by a professional staff. Regular cultural, recreational and health programs are conducted each day, in addition to unorganized events, such as playing cards, sewing, reading, playing pool, etc.

An attractive park, designated "Centennial Park" and funded by grants and donations, was developed at the Municipal Complex. Also, a park designated "Veterans Memorial Park," is adjacent to the Central Business District and was developed in 1976 with matching Green Acres funding. In the center of both parks is the central business district, which was recently redesigned to be more pedestrian and shopper friendly. Funding for these improvements has been made possible through several grant programs and the formation of a Special Improvement District. The District is professionally managed through a shared agreement with the Borough where we assign an employee to provide those services.

### **The School System**

New Providence enjoys a long tradition of educational excellence, with an ongoing commitment to academics, the arts, athletics, community service, and character education. The school district has earned recognition at the national, state, county, and local levels for the achievements of students and staff. A seven member Board of Education, elected to three year terms of office administers the New Providence School District, a type II school district. Referendum on bond issues are submitted to the voters for approval. Approximately 2,400 students are enrolled in the two K-6 schools, one middle school and one high school (the middle and high schools share the same building and some of the same facilities) that comprise the school district. These three buildings with adjacent grounds are well maintained and available for both school and community functions.

The school district has earned recognition at the national, state, county, and local levels for the achievement of students and staff. In 2018 New Providence High School was ranked #9 overall of top public high schools in New Jersey by *New Jersey Monthly*. The National Association of Music Merchants, known as the NAMM Foundation, also recognized New Providence School District for its outstanding commitment to music education with Best Communities for Music Education designation for the 8<sup>th</sup> time in 2019.

### **Municipal Complex**

In 1980, due to declining enrollment, the Board of Education was required to close the Lincoln Elementary School facility. With knowledge of municipal space needs, the Board deeded the entire complex to the Borough. The Mayor and Council immediately hired an architect, ultimately authorized Bond Anticipation Notes in the amount of \$1.4 million and completely renovated the existing two and one-half story school building. New construction was required to meet the needs of the Recreation Commission, provide facilities for the volunteer Rescue Squad, provide Police garages, including a "Sally Port" and storage space, as well as meeting the requirements for the handicapped. In 1997 the interior courtyard and office area was renovated to house the Board of Education Administrative Offices and Special Services office. Subsequent to those additions and renovations, a new state-of-the-art rescue squad facility was constructed on Academy Street in 2009. The space vacated in the municipal center by the rescue squad was then reconfigured to house the new Shared dispatch Center.

The Borough is considered stable, attractive and, from a real estate investment aspect, indications are that it will continue to prosper within the foreseeable future. It is considered to be a well administered town with a stable tax rate and base.

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## MAJOR REAL PROPERTY TAXPAYERS

Redwood-ERC New Providence LLC	\$62,377,800
MHP New Providence Gardens LLC	20,235,000
Tower Spring Gardens One 2015, LLC	15,795,700
Murray Hill Gardens LLC	15,594,100
UB New Providence LLC	14,272,800
BOC Group Inc.	13,479,600
Shelbourne Spring LLC	10,032,000
C.R. Bard, Inc.	10,000,000
121 Chanlon LLC	8,500,000
Lucent Technologies, Inc.	<u>5,800,000</u>
<b>Total 2019 Assessed Valuation</b>	<b><u>\$176,087,000</u></b>

Percent of Borough's Total Taxable  
Real Property Assessed Valuation for 2019 (\$1,410,992,306) 12.48%

Source: The Borough's 2019 tax duplicate.

## NET ASSESSED PROPERTY VALUATIONS

<b><u>Classification</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Residential	\$1,107,685,000	\$1,096,855,000	\$1,083,203,100	\$1,072,696,100	\$1,066,460,900
Commercial	177,422,292	160,680,292	140,168,392	120,542,792	120,491,592
Industrial	51,783,300	50,212,900	57,382,400	57,710,000	57,157,500
Vacant	10,030,700	9,928,600	10,003,600	10,671,200	11,011,900
Apartment	<u>61,790,500</u>	<u>59,769,800</u>	<u>59,769,800</u>	<u>50,807,100</u>	<u>35,058,600</u>
<b>Total Real Property</b>	<b><u>\$1,408,711,792</u></b>	<b><u>\$1,377,446,592</u></b>	<b><u>\$1,350,527,292</u></b>	<b><u>\$1,312,427,192</u></b>	<b><u>\$1,290,180,492</u></b>

Source: The Borough's tax duplicates for years shown.

## Net Taxable Assessed Valuation - Real & Personal Tangible Property Comparisons

	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Real Property	\$1,408,711,792	\$1,377,446,592	\$1,350,527,292	\$1,312,427,192	\$1,290,180,492
Personal Tangible Property	<u>2,280,514</u>	<u>2,292,589</u>	<u>2,311,203</u>	<u>2,347,370</u>	<u>2,345,779</u>
<b>Total Assessed Valuation</b>	<b><u>\$1,410,992,306</u></b>	<b><u>\$1,379,739,181</u></b>	<b><u>\$1,352,838,495</u></b>	<b><u>\$1,314,774,562</u></b>	<b><u>\$1,292,526,271</u></b>

Percent Increase/(Decrease)  
Over Previous Year 2.27% 1.95% 2.89% 1.72% 0.30%

Source: The Borough's tax duplicates for the year's shown.

**LEVY AND COLLECTION OF TAXES**  
**As of December 31 for Years Shown**

The levy and collection of taxes are based upon a calendar year. The Borough is the political entity responsible for the levying and collection of taxes on all taxable real property within its borders, including the tax levies for the County and the School District.

Property taxes are based on an assessor's valuation of real property and are levied for a calendar year. The taxes for Borough, Local School District, and County purposes are combined into one tax levy which is apportioned on the tax bill by rate and amount for taxpayer information only. Taxes levied for the purpose of the School District cover the current calendar year. Turnover of tax monies by the Borough to a school district are based on school needs and are generally made on a periodic basis throughout the year. The Borough remits 100% of the County taxes, payable quarterly on the 15th day of February, May, August and November.

Tax bills for the second half of the current year's tax levy, and an estimate based on 50% of the levy for the first half of the following year, are mailed annually in June and are due in quarterly installments on the first day of August, November, February and May. Delinquent payments are subject to an interest penalty of 8% on the first \$1,500 of delinquency and 18% on amounts exceeding \$1,500. Unpaid taxes are subject to tax sale as of the 11<sup>th</sup> day of the 11<sup>th</sup> month in the current year taxes are levied, in accordance with statutes of the State of New Jersey. Tax liens are subsequently subject to foreclosure proceedings in order to enforce tax collections or acquire title to property.

Chapter 99 of the Pamphlet Laws of 1997 of New Jersey allows 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 a surety bond. The purchaser is entitled to receive delinquent taxes and other municipal charges collected by the tax collector. The statute sets forth bidding procedures and minimum bidding terms and requires the review and approval of the sale by the Division of Local Government Services.

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. The taxpayer has a right to petition the Union County Tax Board on or before the first day of April of the current tax year for review. The Union County Tax Board has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the Union County Tax Board, appeal may be made to the State Department of Taxation, Division of Tax Appeal, for a further hearing. State tax appeals tend to take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed, generally, over a three to five year period.

**Tax Rate Apportionment**  
(Per \$100 of Assessed Valuation)

<b>Year</b>	<b>Municipal</b>	<b>Municipal Open Space</b>	<b>Municipal Library</b>	<b>County</b>	<b>County Open Space</b>	<b>Local School</b>	<b>Tax Rate</b>
2019	.971	.008	.066	1.013	.030	2.782	4.87
2018	.967	.007	.065	1.031	.029	2.746	4.845
2017	.950	.006	.063	1.023	.029	2.695	4.766
2016	.938	.005	.063	.998	.028	2.667	4.699
2015	.926	.003	.062	.973	.028	2.642	4.634

Source: The Borough and audited financial statements of the Borough.

**Tax Levy Apportionment**

<b>Year</b>	<b>Municipal</b>	<b>County(1)</b>	<b>County Open Space(1)</b>	<b>Local School(1)</b>	<b>Municipal Open Space</b>	<b>Municipal Library</b>	<b>Tax Levy</b>
2019	\$13,695,103	\$14,282,994	\$431,336	\$39,251,455	\$116,725	\$934,372	\$68,711,985
2018	13,336,952	14,224,401	413,831	37,876,745	94,832	898,786	66,845,547
2017	12,851,195	13,826,320	396,639	36,452,412	81,170	853,727	64,461,463
2016	12,321,827	13,130,346	379,952	35,057,647	59,059	827,184	61,776,015
2015	11,969,133	12,569,292	363,454	34,145,610	45,238	802,236	59,894,963

(1) The Borough is required, under State statutes, to remit to the County and the School Districts 100% of the respective taxes levies.

**Tax Collection Experience**

<b>Current Tax Levy Collected</b>			
<b>Year</b>	<b>Tax Levy(1)</b>	<b>Amount</b>	<b>Percent</b>
2018	\$68,180,367	\$69,613,494	99.17%
2017	66,004,248	65,725,661	99.58
2016	62,459,704	62,178,958	99.55
2015	60,148,709	59,830,823	99.47
2014	59,073,713	58,772,813	99.49

(1) Includes Added Taxes and Special Improvement District Taxes.

Source: Audited financial statements of the Borough.

**Tax Title Liens and Delinquent Taxes**

<b>Year</b>	<b>Tax Title Liens</b>	<b>Delinquent Taxes</b>	<b>Total Delinquent</b>	<b>Percent of Tax Levy</b>
2018	\$226,625	\$219,219	\$445,844	.65%
2017	213,464	239,050	452,514	.68
2016	200,517	234,415	434,932	.70
2015	187,753	258,647	446,400	.74
2014	175,164	256,949	432,113	.73

Source: Audited financial statements of the Borough.

**Foreclosed Property**

<u>Year</u>	<u>Balance December 31</u>
2018	\$11,955
2017	11,955
2016	11,955
2015	11,955
2014	11,955

Source: Audited financial statements of the Borough.

**CURRENT FUND BALANCES  
AND  
AMOUNTS UTILIZED IN SUCCEEDING YEAR'S BUDGET**

<u>Year</u>	<u>Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>	
		<u>Amount</u>	<u>Percent</u>
2018	\$6,328,661	\$3,750,000	59.25%
2017	5,619,456	3,675,000	65.40
2016	4,626,349	3,525,000	76.19
2015	4,191,197	3,205,000	76.47
2014	3,855,725	2,930,000	75.99

Source: Audited financial statements of the Borough.

**STATE AID**

<u>Year</u>	<u>Energy &amp; Supp. Energy Receipts Tax(1)</u>	<u>Consolidated Municipal Property Tax Relief</u>	<u>Total</u>
2018	\$1,303,819	\$-0-	\$1,303,819
2017	1,298,646	5,173	1,303,819
2016	1,292,146	11,673	1,303,819
2015	1,292,146	11,673	1,303,819
2014	1,272,751	31,068	1,303,819

(1) Represents taxes received from public utilities in the State. The State keeps a portion of such taxes, and distributes the balance to local governmental units according to a formula. The amount of taxes distributed by the State to the local governmental unit is not governed by law. Previously called Franchise and Gross Receipts Tax.

**COMPARISON OF MUNICIPAL TAX LEVY  
TO  
ANNUAL DEBT SERVICE REQUIREMENT**

<b>Year</b>	<b>Municipal Purpose Tax Levy</b>	<b>Debt Service Requirement</b>	<b>Percent of Debt Service To Tax Levy</b>
2019	\$13,695,103	\$2,230,040	16.28%
2018	13,336,952	1,955,425	14.66
2017	12,851,195	1,958,490	15.24
2016	12,321,827	2,054,913	16.68
2015	11,969,133	1,428,390	11.93

**DEBT INFORMATION**

**General Information**

The State has enacted certain laws and statutes regulating the authorization and issuance of debt by tax levying local governmental units of the State. The statutory gross debt must include all debt authorized plus all debt issued which remains outstanding. Debt, bonds or notes, which has been refunded, and payment for which is made from escrowed U.S. Treasury securities or other permitted investments, is considered outstanding under State statutes until such outstanding debt has matured or has been called for redemption. However, any debt which is self-supporting or which is payable from other sources or debt issued for refunding purposes may be deducted from the statutory gross debt to arrive at the amount of statutory net debt. The statutory net debt figure is the amount to determine if a local governmental unit is within the limit of its statutory borrowing power.

A municipality's debt incurring power is limited by State statute to 3.50% of the equalized valuation, determined annually by the State, of all taxable real property within a local governmental unit (see "Statutory Borrowing Power"). A local governmental unit's general purpose bonds must be issued in serial form, with the first principal payment to occur within one year of an issue's date and the final maturity not to exceed \$1,000 above or be less than the principal amount of a bond issue. Refunding bonds may be sold on a negotiated basis with the approval of the New Jersey Local Finance Board. Notes may be sold on a competitive or on a negotiated, or private sale, basis for a period of one year, and may be renewed annually but the final maturity may not exceed the first day of the fifth month immediately following the end of the tenth fiscal year following the original date of issuance.

**Appropriation Not Required for Payments on Debt**

It is not necessary to have an appropriation in order to release money for debt service on obligations. N.J.S.A. 40A:4-57 states "No officer, board, body or commission shall, during any fiscal year, expend any money (except to pay notes, bonds or interest thereon), incur any liability, or enter into any contract which by its terms involves the expenditure of money for any purpose for which no appropriation is provided, or in excess of the amount appropriated for such purpose". 40A:2-4 states "The power and obligation of a local unit to pay any and all bonds and notes issued by it pursuant to this chapter, or any act of which this chapter is a revision, shall be unlimited...".

The following schedules set forth information on the amounts of debt authorized but unissued, debt issued and outstanding, the remaining borrowing capacity, and overlapping debt. The debt information and statistics noted on the following pages may vary from the figures shown because of either a reduction or an increase in the amounts of debt for each of the political entities noted after the respective dates shown.

**STATUTORY DEBT INFORMATION  
AS OF DECEMBER 31, 2018**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b>School Purpose:</b>			
Local School District			
Bonds Issued	\$21,110,000		
Less Deductions		\$21,110,000	
Net Debt for School Purposes			\$-0-
<b>Municipal Purpose:</b>			
Bonds and Loans Issued	15,085,000		
Notes Issued	5,400,000		
Authorized/Unissued Debt	4,611,860		
Less Deductions		1,166,250	
Net Debt for Municipal Purpose			23,930,610
<b>Total Gross Statutory Debt</b>	<b><u>\$46,206,860</u></b>		
<b>Total Statutory Deductions</b>		<b><u>\$22,276,250</u></b>	
<b>Total Net Statutory Debt</b>			<b><u>\$23,930,610</u></b>

**STATUTORY BORROWING POWER(1)  
AS OF DECEMBER 31, 2018**

Statutory Equalized Valuation(1)	\$2,684,571,067	
Statutory Borrowing Power(2)	\$93,959,987	
Statutory Net Debt	<u>23,930,610</u>	
Remaining Statutory Borrowing Power	<u>\$70,029,377</u>	
Net Debt to Statutory Equalized Valuation	0.891%	

(1) Average of the immediately preceding three years (2018, 2017, 2016).

(2) 3.50% of the statutory equalized valuation.

Source: The Borough and the local school districts.

### TREND OF STATUTORY REMAINING BORROWING POWER

<b>Year</b>	<b>Statutory Equalized Valuation(1)</b>	<b>Borrowing Capacity(2)</b>	<b>Bonds &amp; Notes Outstanding</b>	<b>Less Deductions</b>	<b>Net Debt Outstanding(3)</b>	<b>Authorized Unissued Debt</b>	<b>Remaining Borrowing Power</b>
2018	\$2,684,571,067	\$93,959,987	\$20,485,000	\$1,166,250	\$19,318,750	\$4,611,860	\$70,029,377
2017	2,577,365,235	90,207,783	19,910,000	1,064,538	18,845,462	4,421,860	66,940,461
2016	2,480,838,946	86,829,363	17,935,000	1,064,538	16,870,462	5,079,860	64,879,041
2015	2,456,212,141	85,967,425	19,360,000	183,394	19,176,606	482,565	66,308,254
2014	2,465,219,916	86,282,697	13,770,000	183,394	13,586,606	4,312,545	68,383,546

(1) Average of the immediately preceding three years as calculated by the State.

(2) 3 1/2% of the Statutory Equalized Valuation.

(3) Authorized Unissued Debt is not combined here; listed separately in next column.

Source: The Borough's audited financial statements for years shown.

### PERMANENT BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2018

<b>Purpose</b>	<b>Interest Rate</b>	<b>Original Issue Date</b>	<b>Final Maturity Date</b>	<b>Amount Outstanding</b>
<b>General:</b>				
General Improvement Bonds of 2006	Var. 4.125-4.250%	08-01-2006	08-01-2021	\$980,000
General Improvement Bonds of 2012	Var. 2.000-2.125%	05-15-2012	05-15-2027	5,550,000
General Improvement Bonds of 2015	Var. 3.00-4.00%	07-10-2015	03-01-2029	8,555,000
Total Permanent Debt Issued and Outstanding				<u><u>\$15,085,000</u></u>

Source: The Borough.

### ANNUAL DEBT SERVICE SCHEDULE FOR BONDED DEBT ISSUED & OUTSTANDING AS OF DECEMBER 31, 2018

General			
Calendar Year	Principal	Interest	Total
2019	\$1,425,000.00	\$443,040.00	\$1,868,040.00
2020	1,450,000.00	397,315.00	1,847,315.00
2021	1,460,000.00	349,665.00	1,809,665.00
2022	1,270,000.00	300,615.00	1,570,615.00
2023	1,445,000.00	258,715.00	1,703,715.00
2024	1,445,000.00	213,315.00	1,658,315.00
2025	1,570,000.00	165,415.00	1,735,415.00
2026	1,570,000.00	119,377.50	1,689,377.50
2027	1,570,000.00	77,470.00	1,647,470.00
2028	950,000.00	42,150.00	992,150.00
2029	<u>930,000.00</u>	<u>13,950.00</u>	<u>943,950.00</u>
	<u><u>\$15,085,000.00</u></u>	<u><u>\$2,381,027.50</u></u>	<u><u>\$17,466,027.50</u></u>

**DIRECT AND OVERLAPPING DEBT  
ISSUED AND OUTSTANDING  
AS OF DECEMBER 31, 2018**

	<u>Direct Debt</u>	<u>Overlapping Debt</u>
Direct Debt:		
Bonds	\$15,085,000	
Notes (including authorized but not issued)	10,011,860	
Overlapping Debt:		
Local School District		\$21,110,000
Union County(1)		23,112,954
Total Direct Debt:		
Gross	25,096,860	
Deductions	<u>1,166,250</u>	
Net	<u>\$23,930,610</u>	_____
Total Overlapping Debt:		
Gross		44,222,954
Deductions		<u>21,110,000</u>
Net		<u>\$23,112,954</u>

(1) The County has outstanding \$713,793,709 in short and long-term gross debt and \$587,410,876 in net debt. The Borough's share (3.934716739%) is obtained by dividing the Borough's 2018 equalized valuation (\$2,758,875,619) by the County's 2018 equalized valuation (\$70,116,248,547), both valuations as calculated by the County.

Source: The political entities noted above.

**DEBT RATIOS**

	<u>Direct Debt</u>		<u>Overlapping Debt</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Per Capita(1)	\$2,062	\$1,966	\$3,638	\$1,899
Equalized Valuation(2)	.935%	.891%	1.647%	786%

(1) 12,171 population (2010 Census)

(2) \$2,684,571,067 (2018 Equalized Valuation)

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**APPENDIX B**

**SUMMARY OF 2019 BUDGET**

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**BOROUGH OF NEW PROVIDENCE  
SUMMARY OF CURRENT FUND  
2019 ADOPTED BUDGET**

Summary of General Revenues Anticipated:

Surplus	<u>\$3,750,000</u>
Miscellaneous Revenues:	
Local Revenues	1,132,560
State Aid Without Offsetting Appropriations	1,303,819
Dedicated Uniform Construction Code Fees	
Offset With Appropriations	455,000
Special Items of General Revenue Anticipated	
With Prior Consent of Director of Local Government Services:	
Public and Private Revenues	89,900
Other Special Items	<u>1,095,489</u>
Total Miscellaneous Revenues	<u>4,076,768</u>
Delinquent Taxes Receipts	<u>200,000</u>
Sub-total General Revenues	<u>8,026,768</u>
Amount to be Raised for Support of Municipal Budget,	
Including Reserve for Uncollected Taxes	13,695,103
Minimum Library Tax	<u>934,372</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>14,629,475</u>
Total General Revenues	<u>\$22,656,243</u>

Summary of General Appropriations:

Operations:	
Salaries and Wages	7,205,123
Other Expenses	8,964,854
Deferred Charges, Statutory Expenditures and Judgments	1,916,686
Capital Improvements	281,500
Municipal Debt Service	<u>2,230,040</u>
Sub-total General Appropriations	20,598,203
Reserve for Uncollected Taxes	<u>2,058,040</u>
Total General Appropriations	<u>\$22,656,243</u>

Source: The Borough's 2019 Adopted Budget.

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**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2018**

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# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA  
Steven D. Wielkotz, CPA, RMA  
James J. Cerullo, CPA, RMA  
Paul J. Cuva, CPA, RMA  
Thomas M. Ferry, CPA, RMA

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
Members of the Borough Council  
Borough of New Providence  
New Providence, NJ 07974

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of New Providence in the County of Union, as of December 31, 2018 and 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

Honorable Mayor and  
Members of the Borough Council  
Page 2.

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

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

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

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

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

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

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

#### ***Basis for Qualified Opinion on Regulatory Basis Accounting Principles***

As described in Note 16 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$428,258.54 and \$449,808.27 for 2018 and 2017, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Honorable Mayor and  
Members of the Borough Council  
Page 3.

***Qualified Opinion on Regulatory Basis of Accounting***

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

***Emphasis of Matter***

***Adoption of New Accounting Principle***

As discussed in Note 1 to the basic financial statements, during the year ended December 31, 2018, the Borough adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this statement only required financial statement disclosure. Our opinions are not modified with respect to this matter.

***Other Matters***

***Other Information***

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

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

Honorable Mayor and  
Members of the Borough Council  
Page 4.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2019 on our consideration of the Borough of New Providence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of New Providence's internal control over financial reporting and compliance.

*James Cerullo*

James Cerullo, C.P.A.  
Registered Municipal Accountant  
No. 415

*Ferraioli, Wielkotz, Cerullo & Cuva, P.A.*

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
Certified Public Accountants  
Pompton Lakes, New Jersey

July 18, 2019

## Comparative Balance Sheet - Regulatory Basis

## Current Fund

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b>Current Fund:</b>			
Cash	A-4	\$ 10,003,872.89	16,460,809.59
Change Fund	A-5	150.00	150.00
		<u>10,004,022.89</u>	<u>16,460,959.59</u>
 Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	219,219.18	239,049.89
Tax Title Liens	A-9	226,625.40	213,464.12
Property Acquired for Taxes -			
Assessed Valuation	A-10	11,955.00	11,955.00
Revenue Accounts Receivable	A-11	36,338.31	59,308.29
Due from:			
General Capital Fund	A-12	71.73	
Animal Control Trust Fund	A-12	<u>8,809.40</u>	<u>1,504.11</u>
		<u>503,019.02</u>	<u>525,281.41</u>
		<u>10,507,041.91</u>	<u>16,986,241.00</u>
 Federal and State Grant Fund:			
Cash	A-4	397,784.04	547,266.89
Grants Receivable	A-21	<u>1,477,329.51</u>	<u>809,494.74</u>
		<u>1,875,113.55</u>	<u>1,356,761.63</u>
 Total Assets		<u>\$ 12,382,155.46</u>	<u>18,343,002.63</u>

See Accompanying Notes to Financial Statements

## Borough of New Providence, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Current Fund

December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves	A-3/A-13	\$ 1,302,637.07	1,691,440.60
Due to:			
Municipal Open Space Trust	A-12		1,789.66
General Capital Fund	A-12		3,963.94
Encumbrances Payable	A-14	509,060.91	387,174.61
Prepaid Taxes	A-15	392,901.36	7,011,473.12
Due to Special Improvement District	A-16	6,634.96	3,678.16
County Tax Payable	A-19	273,712.55	319,409.62
Prepaid Revenue	A-20	330,000.00	330,000.00
Accounts Payable	A-20	8,519.25	7,137.50
Due to State of New Jersey:			
Senior Citizen and Veteran Deductions	A-7	6,280.34	6,838.56
Reserve for:			
Revaluation	A-20	75,000.00	
Tax Map Preparation	A-20	50,000.00	50,000.00
Tax Appeals	A-20	720,615.79	1,028,598.14
		3,675,362.23	10,841,503.91
Reserve for Receivables	Contra	503,019.02	525,281.41
Fund Balance	A-1	6,328,660.66	5,619,455.68
		<u>10,507,041.91</u>	<u>16,986,241.00</u>
Federal and State Grant Fund:			
Appropriated Reserve for Grants	A-22	1,225,113.55	692,617.07
Unappropriated Reserve for Grants	A-23		14,144.56
Interfund - General Capital Fund	A-24	650,000.00	650,000.00
		<u>1,875,113.55</u>	<u>1,356,761.63</u>
Total Liabilities, Reserves and Fund Balance		\$ <u>12,382,155.46</u>	<u>18,343,002.63</u>

See Accompanying Notes to Financial Statements

## Borough of New Providence, N.J.

## Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

## Current Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenues and Other Income:			
Fund Balance Utilized	A-2	\$ 3,675,000.00	3,525,000.00
Miscellaneous Revenue Anticipated	A-2	5,011,513.12	3,913,852.73
Receipts from Delinquent Taxes	A-2	234,775.41	231,858.21
Receipts from Current Taxes	A-2	67,413,493.62	65,502,661.00
Non-Budget Revenue	A-2	328,331.67	491,004.42
Other Credits to Income:			
Interfunds Returned	A-12	1,504.11	1,814.89
Prior Year Voided Checks	A-4	4,541.50	
Statutory Excess Animal License Fund	A-12	8,809.40	1,504.11
Unexpended Balance of Appropriation Reserves	A-13	1,116,112.81	1,036,262.39
Canceled Grant Reserves	A-22	3.75	26.39
		<u>77,794,085.39</u>	<u>74,703,984.14</u>
Total Revenues and Other Income			
Expenditures:			
Budget and Emergency Appropriations:			
Operations:			
Salaries and Wages	A-3	6,812,125.00	6,553,950.00
Other Expenses	A-3	9,280,070.16	8,336,760.13
Capital Improvement Fund	A-3	560,000.00	445,000.00
Municipal Debt Service	A-3	1,955,190.78	1,958,490.00
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,821,695.00	1,729,790.00
Refund of Prior Year's Revenue	A-4	1,314.80	3,790.41
State Audit Recovery Senior Citizen & Veteran Deductions	A-7	3,500.00	
Interfund Advances	A-12	8,881.13	1,504.11
Special Improvement District Taxes	A-16	81,792.66	78,830.86
Municipal Open Space Tax	A-17	96,616.74	82,959.66
Local District School Tax	A-18	37,876,745.00	36,452,412.00
County Taxes including Added Taxes	A-19	14,911,945.39	14,542,369.33
Canceled Grants Receivable	A-21	3.75	20.98
		<u>73,409,880.41</u>	<u>70,185,877.48</u>
Total Expenditures			
Excess (Deficit) Revenue Over Expenditures		4,384,204.98	4,518,106.66
Adjustment to Income Before Fund Balance - Expenditures			
Included above Which are by Statute Deferred			
Charges to Budget of Succeeding Year			
		<u>4,384,204.98</u>	<u>4,518,106.66</u>
Statutory Excess to Fund Balance			
Fund Balance, January 1,	A	<u>5,619,455.68</u>	<u>4,626,349.02</u>
		10,003,660.66	9,144,455.68
Decreased by:			
Fund Balance Utilized as Budget Revenue		<u>3,675,000.00</u>	<u>3,525,000.00</u>
Fund Balance, December 31,	A	<u>\$ 6,328,660.66</u>	<u>5,619,455.68</u>

See Accompanying Notes to Financial Statements

## Statement of Revenues - Regulatory Basis

## Current Fund

Year Ended December 31, 2018

	<u>Ref.</u>	<u>Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 3,675,000.00	3,675,000.00	
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	A-11	9,000.00	145,180.00	136,180.00
Other	A-2	25,000.00	38,212.00	13,212.00
Fees and Permits	A-2	33,000.00	32,410.96	(589.04)
Fines and Costs:				
Municipal Court	A-11	105,000.00	154,255.91	49,255.91
Interest and Costs on Taxes	A-4	45,000.00	56,644.78	11,644.78
Parking Meters	A-11	25,000.00	46,996.00	21,996.00
Sewer Rentals	A-11	235,000.00	250,471.82	15,471.82
Cat Licenses	A-11	1,500.00	2,154.00	654.00
Parking Permits	A-11	183,000.00	187,990.00	4,990.00
Rental of Municipal Owned Property	A-11	70,000.00	72,757.94	2,757.94
Cable Television Franchise Fees	A-11	192,830.60	192,830.60	
Energy Receipts Tax	A-11	1,303,819.00	1,303,819.00	
Consolidated Municipal Property Tax Relief Aid	A-11			
Uniform Construction Code Fees	A-11	305,000.00	550,957.00	245,957.00
Public and Private Revenues:				
Drunk Driving Enforcement Fund	A-22	6,015.25	6,015.25	
Clean Communities	A-22	23,645.10	23,645.10	
Alcohol Education and Rehab Grant	A-22	1,025.25	1,025.25	
Recycling Tonnage Grant	A-22	14,144.56	14,144.56	
NJ Transportation Trust	A-22	310,000.00	310,000.00	
Bulletproof Vest Partnership	A-22	885.00	885.00	
CDBG - Senior Services High Risk Health	A-22	5,000.00	5,000.00	
CDBG - Senior Enrichment & Exercise	A-22	7,000.00	7,000.00	
Union County Recycling Enhancement Grant	A-22	10,000.00	10,000.00	
Union County - Sponsorship Grant	A-22	3,800.00	3,800.00	
CDBG - Level the Playing Field	A-22	25,470.00	25,470.00	
Municipal Alliance on Alcoholism and Drug Abuse	A-22	16,867.00	16,867.00	
Safe Street Pedestrian Services	A-22	12,800.00	12,800.00	
Safe Street Pedestrian Services	A-22	10,000.00	10,000.00	
Safe Routes to School Grant	A-22	462,000.00	462,000.00	
Union County-Greening Grant	A-22	2,500.00	2,500.00	
Union County - Kids Recreation Trust	A-22	50,000.00	50,000.00	
Union County - Infrastructure Grant	A-22	55,000.00	55,000.00	
Other Special Items:				
False Alarm Revenue	A-11	1,000.00		(1,000.00)
New Providence DID - Contribution for BAN P&I	A-11	31,835.86	31,835.86	
Library Reimbursement	A-11	70,000.00	70,229.46	229.46
Leaf Collection Revenue	A-11	52,000.00	62,810.00	10,810.00
Mountain Valley Dispatch Rent/Services	A-11	64,800.00	65,760.00	960.00
Berkeley Heights Shared Court	A-11	92,000.00	92,666.40	666.40
Summit Shared Sewer Services	A-11	150,000.00	186,319.30	36,319.30
Multi Family Sewer Fees	A-11	74,200.00	87,100.00	12,900.00
Uniform Fire Safety Act	A-11	11,000.00	26,056.21	15,056.21
Police Escort Administration Fees	A-11	45,000.00	117,640.00	72,640.00
Summit Shared Court	A-11	205,820.00	220,263.72	14,443.72
Total Miscellaneous Revenues	A-1	4,346,957.62	5,011,513.12	664,555.50
Receipts from Delinquent Taxes	A-1/A-2	225,000.00	234,775.41	9,775.41
Subtotal General Revenues		8,246,957.62	8,921,288.53	674,330.91
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes Including Reserve for Uncollected Taxes		13,336,951.54	15,600,987.83	2,264,036.29
Minimum Library Tax		898,786.00	898,786.00	
Total Amt. to be Raised by Taxes for Support of Budget	A-2	14,235,737.54	16,499,773.83	2,264,036.29
Budget Totals		22,482,695.16	25,421,062.36	2,938,367.20
Non-Budget Revenue	A-1/A-2		328,331.67	328,331.67
		\$ 22,482,695.16	25,749,394.03	3,266,698.87
A-3				
Adopted Budget	A-3	22,322,054.56		
Appropriated by (N.J.S. 40A:4-87)	A-3	160,640.60		
			22,482,695.16	

Borough of New Providence, N.J.  
**Statement of Revenues - Regulatory Basis**

**Current Fund****Year Ended December 31, 2018****Analysis of Realized Revenues**

	<u>Ref.</u>	
Revenue from Collections	A-1/A-8	67,613,493.62
Less: Applied to Reserve for Pending Tax Appeals	A-20	200,000.00
		<u>67,413,493.62</u>
Allocated to School and County Taxes	A-8	<u>52,967,099.79</u>
Balance for Support of Municipal Budget Appropriations		14,446,393.83
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>2,053,380.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>16,499,773.83</u>
Receipts from Delinquent Taxes:		
Delinquent Taxes	A-8	<u>234,775.41</u>
	A-2	<u>234,775.41</u>
Licenses - Other:		
Clerk	A-11	12,110.00
Registrar	A-11	96.00
Board of Health	A-11	<u>26,006.00</u>
	A-2	<u>38,212.00</u>
Fees and Permits - Other:		
Clerk	A-11	6,824.91
Building Inspector Other	A-11	630.00
Police	A-11	2,598.05
Engineering Department	A-11	4,800.00
Registrar	A-11	1,890.00
Board of Adjustment	A-11	13,370.00
Planning Board	A-11	<u>2,298.00</u>
	A-2	<u>32,410.96</u>

**Analysis of Non-budget Revenues**

	<u>Ref.</u>	
Hotel Tax		84,956.97
State DMV		400.00
Senior Citizens & Veterans Administration Fee		1,236.27
Scrap Metal/Plastic Recycling		6,855.24
Interest on Investments		215,946.77
Various Miscellaneous Items		5,380.00
Miscellaneous Reimbursements		<u>13,556.42</u>
	A-4	<u>328,331.67</u>
	A-2	<u>328,331.67</u>

See Accompanying Notes to Financial Statements

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2018

General Appropriations	Ref.	Budget	Budget	Budget	Paid or Charged	Reserved	Unexpended Balance Cancelled
		After	Modification	After			
Operations - within "CAPS"							
Administrative and Executive							
Salaries and Wages	\$	490,500.00		480,500.00	458,571.32		21,928.68
Other Expenses		195,200.00		205,200.00	196,201.45		8,998.55
Human Resources (Personnel/Labor Attny)							
Salaries and Wages		42,500.00		42,500.00	35,599.92		6,900.08
Other Expenses		46,950.00		46,950.00	11,155.10		35,794.90
Mayor and Council							
Salaries and Wages		33,000.00		33,000.00	33,000.00		
Other Expenses		7,500.00		7,500.00	3,180.90		4,319.10
Municipal Clerk							
Other Expenses		18,500.00		18,500.00	14,942.79		3,557.21
Financial Administration							
Salaries and Wages		236,000.00		160,000.00	106,180.02		53,819.98
Other Expenses		60,500.00		60,500.00	26,371.67		34,128.33
Audit Services							
Other Expenses		47,000.00		47,000.00	36,525.00		10,475.00
Collection of Taxes							
Salaries and Wages		83,000.00		83,000.00	80,621.07		2,378.93
Other Expenses		5,550.00		5,550.00	3,696.76		1,853.24
Assessment of Taxes							
Salaries and Wages		37,500.00		37,500.00	37,440.00		60.00
Other Expenses		181,300.00		131,300.00	37,774.13		93,525.87
Revaluation		25,000.00		75,000.00	75,000.00		
Legal Services and Costs							
Other Expenses		116,000.00		116,000.00	91,789.51		24,210.49
Engineering Services and Costs							
Other Expenses		102,500.00		102,500.00	80,814.90		21,685.10

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2018

General Appropriations Ref.	Budget Budget After Modification	Paid or Charged	Reserved	Unexpended Balance <u>Cancelled</u>
Planning Board				
Salaries and Wages	4,000.00	4,000.00		1,216.00
Other Expenses	50,000.00	65,000.00		4,752.77
Board of Adjustment				
Salaries and Wages	3,600.00	3,600.00		584.00
Other Expenses	17,000.00	17,000.00		784.84
Insurance:				
General Liability	535,000.00	535,000.00		535,000.00
Employee Group Health	1,250,000.00	1,250,000.00		1,046,857.53
Health Benefit Waiver	75,000.00	65,000.00		44,945.90
Municipal Court:				
Salaries and Wages	338,325.00	353,325.00		347,856.41
Other Expenses	10,300.00	10,300.00		5,734.60
Public Defender				
Salaries and Wages	2,550.00	2,550.00		2,500.08
Police				
Salaries and Wages	3,317,000.00	3,307,000.00		3,198,747.52
Other Expenses	196,500.00	236,500.00		226,934.19
Police Dispatch/911				
Other Expenses	600,000.00	600,000.00		599,108.52
Emergency Management Services				
Other Expenses	3,500.00	3,500.00		2,120.79
Fire				
Other Expenses	106,990.00	106,990.00		84,724.48
Uniform Fire Safety Act (Ch. 383, P.L. 1983)				22,265.52
Salaries and Wages	40,000.00	40,000.00		36,993.75
Other Expenses	4,000.00	4,000.00		3,249.68
Road Repairs and Maintenance				
Other Expenses	195,500.00	270,500.00		17,563.46

## Borough of New Providence, N.J.

## Statement of Expenditures - Regulatory Basis

Page 3 of 7

## Current Fund

Year Ended December 31, 2018

General Appropriations	Ref.	Budget		Paid or Charged	Reserved	Unexpected Balance Cancelled
		Budget	After Modification			
Public Works		1,133,150.00	1,083,150.00	1,076,993.90		6,156.10
Salaries and Wages		7,000.00	7,000.00	1,560.79		5,439.21
Other Expenses						
Traffic Signal Maintenance		15,000.00	15,000.00	14,789.46		210.54
Other Expenses						
Public Buildings and Grounds						
Other Expenses		289,250.00	289,250.00	260,704.80		28,545.20
Fleet Maintenance						
Other Expenses		93,450.00	98,450.00	96,183.49		2,266.51
Solid Waste/Recycling Collections						
Other Expenses		660,000.00	660,000.00	641,824.92		18,175.08
Solid Waste Disposal Costs		350,000.00	350,000.00	294,775.65		55,224.35
Waste Water Treatment Plant						
Salaries and Wages		423,000.00	390,000.00	355,937.93		34,062.07
Other Expenses		81,500.00	94,500.00	91,315.36		3,184.64
Board of Health						
Salaries and Wages		2,000.00	2,000.00	2,000.00		
Other Expenses		58,925.00	58,925.00	58,801.09		123.91
Animal Control Services						
Other Expenses		24,000.00	24,000.00	16,824.03		7,175.97
Health Services						
Salaries and Wages		53,000.00	54,000.00	54,000.00		
Other Expenses		3,550.00	3,550.00	187.41		3,362.59
Community Activities						
Salaries and Wages		224,500.00	227,500.00	226,259.79		1,240.21
Other Expenses		18,500.00	18,500.00	7,511.72		10,988.28
Senior Citizen Programs						
Salaries and Wages		91,000.00	91,000.00	77,790.73		13,209.27
Other Expenses		33,950.00	33,950.00	23,033.73		10,916.27

## Borough of New Providence, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2018

General Appropriations	Ref.	Budget		Paid or Charged	Reserved	Unexpended Balance Cancelled
		Budget After	Modification			
Tuition Reimbursement Program		2,500.00	2,500.00			2,500.00
Other Expenses						
Construction Code Official		411,000.00	411,000.00	379,829.39		31,170.61
Salaries and Wages		13,000.00	13,000.00	10,634.00		2,366.00
Other Expenses						
Utility Expenses/Bulk Purchases:						
Electricity		260,000.00	260,000.00	204,833.84		55,166.16
Telephone and Telegraph		50,000.00	50,000.00	35,667.85		14,332.15
Natural Gas		95,000.00	95,000.00	58,730.71		36,269.29
Street Lighting		140,000.00	140,000.00	98,026.98		41,973.02
Water		55,000.00	52,000.00	26,599.01		25,400.99
Motor Supplies		150,000.00	150,000.00	127,423.72		22,576.28
Fire Hydrant Service		180,000.00	180,000.00	149,814.35		30,185.65
Contingent		500.00	500.00	500.00		500.00
Total Operations within "CAPS"		<u>13,396,540.00</u>	<u>13,381,540.00</u>	<u>12,188,891.57</u>	<u>1,192,648.43</u>	
Detail:						
Salaries and Wages	A-1	6,965,625.00	6,805,625.00	6,514,121.83		291,503.17
Other Expenses	A-1	6,430,915.00	6,575,915.00	5,674,769.74		901,145.26
Deferred Charges and Statutory Expenditures - Municipal within "CAPS"						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		407,400.00	407,400.00	407,399.59		0.41
Social Security System (O.A.S.I.)		495,000.00	510,000.00	497,654.34		12,345.66
Police and Firemen's Retirement System of N.J.		709,295.00	709,295.00	709,295.00		
Defined Contribution Retirement Plan		20,000.00	20,000.00	20,000.00		4,592.83

## Borough of New Providence, N.J.

## Statement of Expenditures - Regulatory Basis

## Current Fund

## Year Ended December 31, 2018

General Appropriations	Ref.	Budget	Budget	Budget	Paid or Charged	Reserved	Unexpended Balance Cancelled
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	<u>1,631,695.00</u>	<u>1,646,695.00</u>	<u>1,629,756.10</u>	<u>16,938.90</u>		
Total General Appropriations for Municipal Purposes within "CAPS"		<u>15,028,235.00</u>	<u>15,028,235.00</u>	<u>13,818,647.67</u>	<u>1,209,587.33</u>		
Operations - Excluded from "CAPS"							
Maintenance of Free Public Library Sewer System		898,786.00	898,786.00	898,786.00	898,786.00		
Joint Meeting Expenses		800,000.00	800,000.00	747,691.56	52,308.44		
Berkley Heights Expenses		15,000.00	15,000.00	10,013.86	4,986.14		
Emergency Services Volunteer Length of Service Award Program		30,000.00	30,000.00			30,000.00	
Reserve for Tax Appeals		250,000.00	250,000.00	250,000.00			
Fair Housing Act of 1985							
Council on Affordable Housing		6,500.00	6,500.00	6,500.00	6,500.00		
Salaries and Wages						744.84	5,755.16
Public and Private Programs Offset by Revenues							
Drunk Driving Enforcement Fund		6,015.25	6,015.25	6,015.25	6,015.25		
Clean Communities		23,645.10	23,645.10	23,645.10	23,645.10		
Alcohol Education and Rehab Grant		1,025.25	1,025.25	1,025.25	1,025.25		
Recycling Tonnage Grant		14,144.56	14,144.56	14,144.56	14,144.56		
Bulletproof Vest Partnership		885.00	885.00	885.00	885.00		
Union County - Kids Recreation Trust		50,000.00	50,000.00	50,000.00	50,000.00		
CDBG - Senior Citizen High Risk Health Services		5,000.00	5,000.00	5,000.00	5,000.00		
CDBG - Enrichment & Exercise		7,000.00	7,000.00	7,000.00	7,000.00		
Union County Recycling Enhancement		10,000.00	10,000.00	10,000.00	10,000.00		
Union County Level the Playing Field Grant		25,470.00	25,470.00	25,470.00	25,470.00		
Union County Sponsorship Grant		3,800.00	3,800.00	3,800.00	3,800.00		
Safe Routes to School		462,000.00	462,000.00	462,000.00	462,000.00		
Greening Union County Tree Grant		2,500.00	2,500.00	2,500.00	2,500.00		

## Statement of Expenditures - Regulatory Basis

## Current Fund

## Year Ended December 31, 2018

General Appropriations	Ref.	Budget	Budget	Paid or	Reserved	Unexpended
		After	Modification	Charged		Balance Cancelled
Union County Infrastructure Grant		55,000.00	55,000.00			55,000.00
Street Safe Pedestrian Grant		12,800.00	12,800.00			12,800.00
Street Safe Pedestrian Grant		10,000.00	10,000.00			10,000.00
Municipal Alliance on Alcoholism and Drug Abuse		16,867.00	16,867.00			16,867.00
Municipal Alliance on Alcoholism and Drug Abuse - Local Share		4,217.00	4,217.00			4,217.00
<b>Total Operations - Excluded from "CAPS"</b>		<b>2,710,655.16</b>	<b>2,710,655.16</b>			<b>2,617,605.42</b>
<b>Detail:</b>						<b>93,049.74</b>
Salaries & Wages	A-1	6,500.00	6,500.00			744.84
Other Expenses	A-1	<u>2,704,155.16</u>	<u>2,704,155.16</u>			<u>2,616,860.58</u>
Capital Improvements:						
Capital Improvement Fund		250,000.00	250,000.00			250,000.00
NJ Transportation Trust Fund Authority Act		<u>310,000.00</u>	<u>310,000.00</u>			<u>310,000.00</u>
<b>Total Capital Improvements Excluded from "CAPS"</b>	A-1	<b>560,000.00</b>	<b>560,000.00</b>			<b>560,000.00</b>
<b>Municipal Debt Service:</b>						
Payment of Bond Principal		1,425,000.00	1,425,000.00			1,425,000.00
Interest on Bonds		488,265.00	488,265.00			488,265.00
Interest on Notes		<u>42,160.00</u>	<u>42,160.00</u>			<u>41,925.78</u>
<b>Total Municipal Debt Service-Excluded from "CAPS"</b>	A-1	<b>1,955,425.00</b>	<b>1,955,425.00</b>			<b>1,955,190.78</b>
<b>Deferred Charges:</b>						
Deferred Changes to Future Taxation - Unfunded						
Ordinance 15-03 Various Capital Improvements		<u>175,000.00</u>	<u>175,000.00</u>			<u>175,000.00</u>
Total Deferred Charges - Municipal - Excluded						
from "CAPS"	A-1	<u>175,000.00</u>	<u>175,000.00</u>			<u>175,000.00</u>

## Statement of Expenditures - Regulatory Basis

## Current Fund

Year Ended December 31, 2018

General Appropriations	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		<u>5,401,080.16</u>	<u>5,401,080.16</u>	<u>5,307,796.20</u>	<u>93,049.74</u>	<u>234.22</u>
Subtotal General Appropriations		20,429,315.16	20,429,315.16	19,126,443.87	1,302,637.07	234.22
Reserve for Uncollected Taxes		<u>2,053,380.00</u>	<u>2,053,380.00</u>	<u>2,053,380.00</u>	<u>2,053,380.00</u>	
Total General Appropriations		<u>\$ 22,482,695.16</u>	<u>22,482,695.16</u>	<u>21,179,823.87</u>	<u>1,302,637.07</u>	<u>234.22</u>
Adopted Budget	A-2			22,322,054.56		
Appropriated by (N.J.S.A. 40A:4-87)	A-2			160,640.60		
				<u>22,482,695.16</u>	<u>A</u>	
<u>Analysis of Paid or Charged</u>						
Reserve for Uncollected Taxes	A-2			2,053,380.00		
Cash Disbursed	A-4			17,272,013.80		
Encumbrances Payable	A-15			509,060.91		
Reserve for Revaluation	A-20			75,000.00		
Reserve for Tax Appeals	A-20			250,000.00		
Reserve for Federal and State Grants	A-22			1,016,152.16		
Matching Funds for Federal and State Grants	A-4,A-22			<u>4,217.00</u>	<u>4,217.00</u>	
						<u>21,179,823.87</u>

## Analysis of Paid or Charged

1

Reserve for Unconnected Taxes	
Cash Disbursed	A-4
Encumbrances Payable	A-15
Reserve for Revaluation	A-20
Reserve for Tax Appeals	A-20
Reserve for Federal and State Grants	A-22
Matching Funds for Federal and State Grants	A-4,A-22

See Accompanying Notes to Financial Statements

**Exhibit B****Borough of New Providence , N.J.**

Page 1 of 2

**Comparative Balance Sheet - Regulatory Basis****Trust Funds****December 31, 2018 and 2017**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>			
Animal License Fund:			
Cash	B-1	\$ 30,673.60	22,761.51
Cash - License Collector	B-2	48.00	13.20
		<u>30,721.60</u>	<u>22,774.71</u>
Other Trust Funds:			
Cash	B-1	2,357,251.31	2,332,098.83
Cash - Payroll	B-7	55,076.82	50,681.07
Due from Current Fund (Open Space)	B-3		1,789.66
		<u>2,412,328.13</u>	<u>2,384,569.56</u>
Emergency Services Volunteer Length of Service Award Program: (Unaudited)			
Cash in Plan	B-1	405,758.54	428,308.27
Contributions Receivable	B-11	22,500.00	21,500.00
		<u>428,258.54</u>	<u>449,808.27</u>
Total Assets		<u>\$ 2,871,308.27</u>	<u>2,857,152.54</u>

See Accompanying Notes to Financial Statements

**Exhibit B****Borough of New Providence , N.J.**

Page 2 of 2

**Comparative Balance Sheet - Regulatory Basis****Trust Funds****December 31, 2018 and 2017**

<u>Liabilities, Reserves &amp; Fund Balance</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<b>Animal License Fund:</b>			
Interfund - Current Fund	B-3	\$ 8,809.40	1,504.11
Reserve for Dog Fund Expenditures	B-4	21,912.20	21,257.40
Due to State of New Jersey	B-5	13.20	
		<u>30,721.60</u>	<u>22,774.71</u>
<b>Other Trust Fund:</b>			
Various Other Trust Funds	B-6	1,368,126.53	1,149,611.12
Payroll Deductions	B-7	55,076.82	50,681.07
Reserve for:			
Construction and Other Deposits	B-8	336,448.52	634,963.17
Unemployment Insurance Trust Fund	B-9	24,176.08	24,912.91
Municipal Open Space	B-10	628,500.18	524,401.29
		<u>2,412,328.13</u>	<u>2,384,569.56</u>
<b>Emergency Services Volunteer Length of Service Award Program: (Unaudited)</b>			
Net Assets Available for Benefits	B-12	<u>428,258.54</u>	<u>449,808.27</u>
		<u>428,258.54</u>	<u>449,808.27</u>
<b>Total Liabilities, Reserves &amp; Fund Balance</b>		<b>\$ 2,871,308.27</b>	<b>2,857,152.54</b>

See Accompanying Notes to Financial Statements

## Borough of New Providence, N.J.

## Comparative Balance Sheet - Regulatory Basis

## General Capital Fund

December 31, 2018 and 2017

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Cash	C-2/C-3	\$ 4,410,601.98	3,478,136.96
Various Receivables	C-4	103,087.15	325,407.50
Deferred Charges to Future Taxation:			
Funded	C-5	15,085,000.00	16,510,000.00
Unfunded	C-6	10,011,859.74	7,821,859.74
Interfund - Current Fund	C-7		3,963.94
Interfund - State & Federal Grant Fund	C-8	650,000.00	650,000.00
		<u>30,260,548.87</u>	<u>28,789,368.14</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Interfund - Current Fund	C-7	71.73	
General Serial Bonds	C-9	15,085,000.00	16,510,000.00
Bond Anticipation Notes	C-10	5,400,000.00	3,400,000.00
Improvement Authorizations:			
Funded	C-11	1,672,442.17	2,199,317.68
Unfunded	C-11	6,159,701.84	5,003,154.37
Capital Improvement Fund	C-12	275,199.13	145,199.13
Reserve for:			
Debt Service	C-13	1,166,249.82	1,064,537.78
Redwood ERC Sewer Project	C-13	225,000.00	225,000.00
Fund Balance	C-1	276,884.18	242,159.18
		<u>\$ 30,260,548.87</u>	<u>28,789,368.14</u>

Footnote: There were \$4,611,859.74 and \$4,421,859.74 of Bonds and Notes Authorized But Not Issued per Exhibit C-14 on December 31, 2018 and 2017

See Accompanying Notes to Financial Statements

**Borough of New Providence, N.J.**

## Comparative Statement of Changes in Fund Balance - Regulatory Basis

## General Capital Fund

### **Year Ended December 31, 2018**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Balance - December 31, 2017	C	\$ 242,159.18	242,026.03
Increased by:			
Premium on Sale of Notes	C-2	34,725.00	
Funded Improvement Authorizations Canceled			133.15
Balance - December 31, 2018	C,C-3	\$ 276,884.18	242,159.18

See Accompanying Notes to Financial Statements

## GENERAL FIXED ASSET ACCOUNT GROUP

**Exhibit D****Borough of New Providence , N.J.****Comparative Statement of General Fixed Assets****December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<u>General Fixed Assets:</u>		
Buildings and Construction	\$ 12,918,098.59	\$ 12,918,098.59
Machinery and Equipment	8,203,001.31	8,057,956.81
Land Improvements	2,793,981.23	2,793,981.23
Underground Equipment & Utilities	<u>1,265,385.74</u>	<u>1,313,726.26</u>
	<u>\$ 25,180,466.87</u>	<u>\$ 25,083,762.89</u>
Investment in Fixed Assets	<u>\$ 25,180,466.87</u>	<u>\$ 25,083,762.89</u>

See Accompanying Notes to Financial Statements

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

The Borough of New Providence (the “Borough”) operates under a Mayor/Council form of government. There are six elected members on the Council. Each is elected to a three year term. The Mayor is elected in a general election for a four year term. The Mayor carries a legislative vote only if there is a tie amongst Council members. The Borough’s major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the Free Public Library, which is considered a component unit under GAAP. Complete financial statements of the above component can be obtained by contacting the Treasurer of the respective entity.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

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

**B. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

The Borough has the following funds and account groups:

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

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

Assessment Trust - This fund deals with the hauling of special assessment levies against property for the cost of an improvement, the whole or a part of which costs are levied against the property receiving the benefit.

All Other Trust Funds - These funds are established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

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

Emergency Services Volunteer Length of Service Awards Program - This fund is used to account for the cumulative payments to participant's in the emergency services volunteer length of service award program including any income, gains, losses or increases or decreases in market value attributable to the interest of the participant's length of service awards.

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

General Fixed Asset Account Group - To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

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

**Basis of Accounting**

A modified accrual basis of accounting is followed by the Borough of New Providence. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditures are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

**Property Tax Revenues** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on the 11<sup>th</sup> day of the 11<sup>th</sup> month in the fiscal year taxes are levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

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

**Basis of Accounting, (continued)**

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

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

General Capital Fund  
Trust Funds

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2018, the Borough Council increased the original budget by \$160,640.60. The increase was funded by \$160,640.60 of additional grants and contributions given to the Borough. In addition, several budget transfers were approved by the governing body.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless 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.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

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

**Basis of Accounting, (continued)**

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

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

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

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 market value on the date of acquisition.

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

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

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost which approximates fair value and are limited by N.J.S.A. 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs 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 nonfunding of the authorized cost of capital

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

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

**Basis of Accounting, (continued)**

projects. According to N.J.S.A. 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 that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

**General Fixed Assets** - The Borough of New Providence has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accounting principles.

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 land which is valued at estimated market value.

No depreciation has been provided for in the financial statements.

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

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

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

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

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

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

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

**Basis of Accounting, (continued)**

**Impact of Recently Issued Accounting Principles**

**Recently Issued and Adopted Accounting Pronouncements**

For the year ended December 31, 2018, the Borough adopted Government Accounting Standards Board GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. As a result of adopting this Statement, the Borough was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their post-employment benefits other than pensions. As a result of the regulatory basis of accounting previously described in Note 1, the implementation of this Statement only required financial statement disclosure. There exists no impact on the financial statements of the Borough.

**C. Basic Financial Statements**

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be 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. 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.

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

**Cash**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2018 and 2017, \$0- of the Borough's bank balance of \$17,386,347.79 and \$20,617,931.23, respectively, was exposed to custodial credit risk.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)**

**Investments**

**Investment Rate Risk**

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

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Borough places no limit on the amount the Borough may invest in any one issuer.

New Jersey Cash Management Fund - All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of December 31, 2018 and 2017, the Borough had \$173,820.44 and \$170,684.52, respectively, on deposit with the New Jersey Cash Management Fund.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)**

**Unaudited Investments**

As more fully described in Note 16, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2018 and 2017 amounted to \$405,758.54 and \$428,308.27, respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Growth	\$223,485.56	\$240,169.59
Fixed Income	70,343.87	71,444.51
Income	44,326.44	46,090.77
Growth and Income	45,871.00	50,104.37
All Others	<u>21,731.67</u>	<u>20,499.03</u>
<b>Total</b>	<b><u>\$405,758.54</u></b>	<b><u>\$428,308.27</u></b>

**NOTE 3: MUNICIPAL DEBT**

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

	<u>Balance Dec. 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds Payable - General Obligation Debt	<u>\$16,510,000.00</u>	<u>\$_____</u>	<u>\$1,425,000.00</u>	<u>\$15,085,000.00</u>	<u>\$1,425,000.00</u>

The Local Bond Law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. All 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, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 3: MUNICIPAL DEBT, (continued)**

The Borough's debt is summarized as follows:

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued:</u>			
General:			
Bonds and Notes	<u>\$20,485,000.00</u>	<u>\$19,910,000.00</u>	<u>\$17,935,000.00</u>
Total Issued	<u>20,485,000.00</u>	<u>19,910,000.00</u>	<u>17,935,000.00</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	<u>4,611,859.74</u>	<u>4,421,859.74</u>	<u>5,079,859.74</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$25,096,859.74</u>	<u>\$24,331,859.74</u>	<u>\$23,014,859.74</u>

**SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .891%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	<u>\$21,110,000.00</u>	<u>\$21,110,000.00</u>	<u>\$0.00</u>
General Debt	<u>25,096,859.74</u>	<u>1,166,249.82</u>	<u>23,930,609.92</u>
	<u>\$46,206,859.74</u>	<u>\$22,276,249.82</u>	<u>\$23,930,609.92</u>

Net Debt \$23,930,609.92 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$2,684,571,067.33 = .891%.

**BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED**

3 ½% of Equalized Valuation Basis (Municipal)	\$93,959,987.36
Net Debt	23,930,609.92
Remaining Borrowing Power	<u>\$70,029,377.44</u>

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 3: MUNICIPAL DEBT, (continued)**

The Borough's bonded debt consisted of the following at December 31, 2018:

Paid by Current Fund:	Amount <u>Outstanding</u>
General Improvement Bonds - \$4,165,000.00 issued August 1, 2006 due through August 1, 2021 with variable interest rates of 4.125% to 4.250%	\$980,000.00
General Improvement Bonds - \$8,910,000.00 issued May 15, 2012 due through May 15, 2027 with variable interest rates of 2.00% to 2.125%	5,550,000.00
General Improvement Bonds - \$9,980,000.00 issued July 10, 2015 due March 1, 2016 through March 1, 2029 with variable interest rates of 3.00% to 4.00%	<u>8,555,000.00</u>
	<u><u>\$15,085,000.00</u></u>

General Capital Serial Bonds are direct obligations of the Borough for which its full faith and credit are pledged and are payable from taxes levied on all taxable property located within the Borough.

**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST BONDED DEBT ISSUED AND OUTSTANDING.**

General			
Calendar <u>Year</u>	Principal	Interest	Total
2019	\$1,425,000.00	\$443,040.00	\$1,868,040.00
2020	1,450,000.00	397,315.00	1,847,315.00
2021	1,460,000.00	349,665.00	1,809,665.00
2022	1,270,000.00	300,615.00	1,570,615.00
2023	1,445,000.00	258,715.00	1,703,715.00
2024	1,445,000.00	213,315.00	1,658,315.00
2025	1,570,000.00	165,415.00	1,735,415.00
2026	1,570,000.00	119,377.50	1,689,377.50
2027	1,570,000.00	77,470.00	1,647,470.00
2028	950,000.00	42,150.00	992,150.00
2029	<u>930,000.00</u>	<u>13,950.00</u>	<u>943,950.00</u>
	<u><u>\$15,085,000.00</u></u>	<u><u>\$2,381,027.50</u></u>	<u><u>\$17,466,027.50</u></u>

At December 31, 2018, the Borough had authorized but not issued debt of \$4,611,859.74.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 4: BOND ANTICIPATION NOTES**

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance 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. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On December 31, 2018, the Borough had \$5,400,000.00 in outstanding general capital bond anticipation notes.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable: TD Bank N.A.	\$3,400,000.00	\$5,400,000.00	\$3,400,000.00	\$5,400,000.00

**NOTE 5: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, there were no deferred charges shown on the balance sheets of the various funds.

**NOTE 6: SCHOOL TAXES**

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district. The Borough raises its share of local school district taxes on a calendar year basis; hence there is no deferral of school taxes.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 7: PENSION PLANS**

Description of Plans:

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

*Public Employees' Retirement System (PERS)*

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 the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

Benefits Provided

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 NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 7: PENSION PLANS, (continued)**

*Public Employees' Retirement System (PERS), (continued)*

Benefits Provided, (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 to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit 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.

*Police and Firemens' Retirement System (PFRS)*

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 the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 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

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 7: PENSION PLANS, (continued)**

*Police and Firemens' Retirement System (PFRS), (continued)*

Benefits Provided, (continued)

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.

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS.

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2018	\$404,106.00	\$709,295.00	\$15,401.17
2017	398,265.00	610,098.00	12,590.24
2016	389,571.00	601,555.00	14,500.00

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

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

**Public Employees Retirement System (PERS)**

At December 31, 2018, the Borough had a liability of \$8,640,699.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was

**BOROUGH OF NEW PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Public Employees Retirement System (PERS), (continued)**

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 governmental entities, actuarially determined. At June 30, 2018, the Borough's proportion was 0.0002633659 percent, which was an increase/(decrease) of 0.04388480 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Borough recognized pension expense of \$404,106.00. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$164,779.00	\$44,554.00
Changes of assumptions	1,423,844.00	2,762,836.00
Net difference between projected and actual earnings on pension plan investments		81,050.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	210,917.00	211,608.00
Borough contributions subsequent to the measurement date	0.00	0.00
<b>Total</b>	<b><u>\$1,799,540.00</u></b>	<b><u>\$3,100,048.00</u></b>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$59,971.00
2020	(83,031.00)
2021	(595,396.00)
2022	(516,099.00)
2023	(165,262.00)

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

**Additional Information**

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$4,684,852,302	\$6,424,455,842
Collective deferred inflows of resources	7,646,736,226	5,700,625,981
Collective net pension liability	19,689,501,539	23,278,401,588
Borough's Proportion	0.04388480%	0.0436214341%

**Actuarial Assumptions**

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

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Public Employees Retirement System (PERS), (continued)**

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

**Mortality Rates**

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement 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 Conduent modified 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

**Long-Term Rate of Return**

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

**BOROUGH OF NEW PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Public Employees Retirement System (PERS), (continued)**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

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

	<u>June 30, 2018</u>		
	1% Decrease <u>4.66%</u>	At Current Discount Rate <u>5.66%</u>	1% Increase <u>6.66%</u>
Borough's proportionate share of the pension liability	\$11,303,531	\$8,640,698	\$6,774,918

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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

At December 31, 2018, the Borough had a liability of \$10,712,143 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability 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 governmental entities, actuarially determined. At June 30, 2018, the Borough's proportion was 0.0791636180 percent, which was an increase/(decrease) of (0.0009810381) percent from its proportion measured as of June 30, 2017.

**BOROUGH OF NEW PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Police and Firemen's Retirement System, (continued)**

For the year ended December 31, 2018, the Borough recognized pension expense of \$709,295.00. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$108,982.00	\$44,329.00
Changes of assumptions	919,493.00	2,745,337.00
Net difference between projected and actual earnings on pension plan investments		58,605.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	710,362.00	218,687.00
Borough contributions subsequent to the measurement date	0.00	0.00
<b>Total</b>	<b><u>\$1,738,837.00</u></b>	<b><u>\$3,066,958.00</u></b>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$92,126.00
2020	(310,551.00)
2021	(868,807.00)
2022	(557,715.00)
2023	(174,849.00)

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Police and Firemen's Retirement System, (continued)**

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014 amounts respectively.

**Additional Information**

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$1,988,215,695	\$2,941,952,753
Collective deferred inflows of resources	4,286,994,294	3,262,432,093
Collective net pension liability	13,531,648,591	17,167,260,198
Borough's Proportion	0.0791636180%	0.0801446561%

**Actuarial Assumptions**

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

Inflation	2.25 Percent
Salary Increases:	
Through 2026	2.10-8.98 Percent (based on age)
Thereafter	3.10-9.98 Percent (based on age)
Investment Rate of Return	7.00 Percent

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Police and Firemen's Retirement System, (continued)**

**Mortality Rates**

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

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

**Long-Term Rate of Return**

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

**BOROUGH OF NEW PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Police and Firemen's Retirement System, (continued)**

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

**Discount Rate**

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

**BOROUGH OF NEW PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Police and Firemen's Retirement System, (continued)**

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

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

	June 30, 2018		
	1% Decrease <u>5.51%</u>	At Current Discount Rate <u>6.51%</u>	1% Increase <u>7.51%</u>
Borough's proportionate share of the pension liability	\$16,284,301	\$10,712,143	\$8,771,360

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

At December 31, 2018 and 2017, the State proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,455,067 and \$1,385,856, respectively. For the years ended December 31, 2018 and 2017, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$172,350 and \$169,522, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$86,175 and \$69,299, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

**BOROUGH OF NEW PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**NOTE 7. PENSION PLANS, (continued)**

**Police and Firemen's Retirement System, (continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2018 and 2017 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current Fund	<u>\$3,750,000.00</u>	<u>\$3,675,000.00</u>

**NOTE 9: FIXED ASSETS**

The following is a summary of changes in the general fixed asset account group for the year 2018.

	<u>Balance</u>	<u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Dec. 31, 2018</u>
Buildings and Improvements	<u>\$12,918,098.59</u>	\$	\$	\$	<u>\$12,918,098.59</u>	<u>\$12,918,098.59</u>
Machinery and Equipment	<u>8,057,956.81</u>	158,038.50	12,994.00	8,203,001.31		
Land Improvements	<u>2,793,981.23</u>				<u>2,793,981.23</u>	<u>2,793,981.23</u>
Underground Equipment and Utilities	<u>1,313,726.26</u>	23,709.48	72,050.00	1,265,385.74		
	<u><u>\$25,083,762.89</u></u>	<u><u>\$181,747.98</u></u>	<u><u>\$85,044.00</u></u>	<u><u>\$25,180,466.87</u></u>		

**NOTE 10: TERMINAL LEAVE**

Eligible employees who retire with a pension under PERS or PFRS shall be entitled to receive Terminal Leave. The number of Terminal Leave days will be based on the number of unused sick leave at the time of retirement. Retiring PERS employees will remain on the payroll of the Borough based on one day of base salary pay for every four days of accumulated unused

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 10: TERMINAL LEAVE, (continued)**

sick leave up to 100 days; and 1 day base salary pay for every 3 days of accumulated sick leave beyond 100 days subject to a maximum payment. Retiring PFRS employees will remain on the payroll of the Borough based on 1 day of salary pay for every 4 days of accumulated unused sick leave if the total days are below 100 or 1 day base salary pay for every 3 days of accumulated unused sick leave if the total days are above 100, subject to a maximum payment. The maximum payment for employees who retire under PERS is \$12,000.00 and under PFRS is \$17,000.00.

It is estimated that the sum of \$180,942.55, computed internally at 2018 salary rates, would be payable to 21 officials and employees of the Borough of New Providence as of December 31, 2018 for accumulated sick days. This amount was not verified by audit.

Provisions for the above are not reflected on the Financial Statements of the Borough. It is expected that the cost of such unpaid compensation would be included in the Borough's operating budget in the year in which it is used.

**NOTE 11: DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at December 31, 2018 consist of the following:

\$8,809.40	Due to the Current Fund from the Animal Control Trust Fund for the statutory excess in Animal Control Funds.
71.73	Due to the Current Fund from the General Capital Fund for interest earnings.
<u>650,000.00</u>	Due to the General Capital Fund from the State and Federal Grant Fund for capital receipts deposited in the Grant Fund.
<u><u>\$658,881.13</u></u>	

It is anticipated that all interfunds will be liquidated during the fiscal year.

**NOTE 12: RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2018 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**BOROUGH OF NEW PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**NOTE 12: RISK MANAGEMENT, (continued)**

The Borough of New Providence is currently a member of the Garden State Municipal Joint Insurance Fund (the "Fund"). The Fund provides their members with Liability, Property and Workers' Compensation and Employer Liability Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self administered group of municipalities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

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

<b>Interest Earnings/</b>				
<b>Year Ended</b>	<b>Interest Earnings/</b>		<b>Amount</b>	<b>Ending</b>
<b>Dec. 31,</b>	<b>Borough</b>	<b>Employee</b>	<b>Reimbursed</b>	<b>Balance</b>
2018	\$423.68	\$10,989.65	\$12,150.16	\$24,176.08
2017	223.87	9,515.79	6,137.56	24,912.91
2016	0.00	9,640.76	10,700.50	21,310.81

**NOTE 13: TAXES COLLECTED IN ADVANCE**

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

	<b>Balance</b>	<b>Balance</b>
	<b>Dec 31, 2018</b>	<b>Dec 31, 2017</b>
Prepaid Taxes	<u>\$392,901.36</u>	<u>\$7,011,473.12</u>
Cash Liability for Taxes Collected in Advance	<u>\$392,901.36</u>	<u>\$7,011,473.12</u>

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 14: OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

In addition to the pension described in Note 7, the Borough provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, 1981 at its cost.

**General Information about the OPEB Plan**

The Borough's defined benefits OPEB plan provides for health insurance premiums for employees which have retired according to their individual employment contracts. The Plan is a single-employer defined benefit OPEB plan administered by the Borough of New Providence. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**Employees Covered by Benefit Terms:** At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>64</u>
	<u><u>69</u></u>

**Total OPEB Liability**

At December 31, 2018, the Borough had a liability of \$4,316,474 for its OPEB liability. The OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

**OPEB Expense**

For the year ended December 31, 2018, the Borough recognized OPEB expense of \$458,146.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 14: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)**

**Actual Assumptions and Other Inputs**

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

**Basis of Valuation**

This valuation has been conducted as of December 31, 2018 based upon census, plan design and cost information provided by The Fund. Census includes 5 retirees currently receiving retiree benefits, and 64 active participants of whom 2 are eligible to retire as of the valuation date. The average age of the active population is 48 and the average age of the retiree population is 76.

Employees that retire from active service with at least 15 years of service with the Borough and after age plus service equals or exceeds certain thresholds are entitled to health insurance upon retirement. Those that attain 100 “points” (i.e. age plus service equals or exceeds 100) receive lifetime benefits. If hired after December 2004, the benefits are limited to \$15,000 per year. If hired on or before that date, no limitation is imposed. Upon death of the retiree, spouses are covered until attainment of age 65. Upon attainment of 80 points, lifetime retiree benefits are limited to \$10,000 (\$5,000 if benefits are waived) and upon attainment of 60 points lifetime retiree benefits are limited to \$5,000 (\$2,500 if benefits are waived).

Actuarial assumptions were selected with the intention of satisfying the requirements of New Jersey Local Finance Notice 2007-15 in addition to Statement of Government Accounting Standard Number 75.

Demographic assumptions were selected based on those used in by the State Division of Pensions and Benefits in calculating pension benefits taken from the July 1, 2017 report from Conduent. While some assumptions were simplified to reflect the smaller population, and to simplify the valuation process, the valuation results reasonably conform to the requirements of LFN 2007-15.

Health care (economic) assumptions were selected based on those used by the State Health Benefits Program in calculating SHBP number OPEB requirements taken from the July 1, 2017 GASB 75 report from Aon Consultants.

**BOROUGH OF NEW PROVIDENCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**  
**(CONTINUED)**

**NOTE 14: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)**

**Key Actuarial Assumptions**

<i>Mortality</i>	<i>RP 2000 Combined Health Male Mortality Rates Set Forward Three Years</i>
<i>Turnover</i>	<i>NJ State Pensions Ultimate Withdrawal Rates - prior to benefits eligibility</i>
<i>Assumed Retirement Age</i>	<i>At first eligibility after the completion of 25 years of service</i>
<i>Full Attribution Period</i>	<i>Service to Assumed Retirement Age</i>
<i>Annual Discount Rate</i>	<i>4.10% Based on the Bond Buyer 20 Index December 31, 2018</i>
<i>CPI Increase</i>	<i>2.5%</i>
<i>Rate of Salary Increase</i>	<i>2.5%</i>
<i>Medical Travel</i>	<i>Medical: 5.8% in 2018, reducing by 0.1% per annum, leveling at 5% per annum in 2026 Drug: 10.0% in 2018, reducing by 0.5% per annum to 2022 and 1.0% per annum thereafter, leveling at 5% per annum in 2026 Dental: 3.5% per annum</i>
<i>Medical Cost Aging Factor</i>	<i>NJ SHBP Medical Morbidity Rates</i>

- Attribution period – The attribution period begins with the date of hire and ends with full benefits eligibility date.
- Per capita cost methods – The valuation reflects per capita net premium costs based on actual 2018 medical, prescription drug and dental premiums and the plan option selected. Plan selections are assumed to remain unchanged in retirement. The age specific cost was derived based on per person costs at the average age of the active population (48) and scaled to each age based on the medical cost aging factors. At age 65, Medicare becomes the primary payor of medical benefits and consequentially, per capita plan costs are offset by Medicare payments. Thus, post 65 costs were decreased using the assumption that Medicare picks up 66.7% of medical costs.
- Retiree contributions – NJ Chapter 78 requires that certain future retirees contribute toward the cost of their benefits. Specifically, those who had retired prior to passage of Chapter 78 and those employees that had more than 25 years of service on the date of passage are grandfathered. All others are subject to the contribution rates in effect when they retire, but not less than 1.5% of their annual retirement allowance from the Public

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 14: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)**

Employees Retirement System. For purposes of this valuation and for conservatism, we have assumed that future retiree contributions percentage rates will not increase. Thus, we assumed that a future retiree will contribute his/her current employees contribution as reported by the Borough increased annually by the rate of medical trend.

- Actuarial valuation method – Entry Age Normal Funding Method based on a level percentage of salary. 2018 salaries were reported as \$5.567 million.

**Changes in Net OPEB Liability FYE 2018**

<b>Discount Rate (Proj.)</b>	<b>4.10% FYE 12/31/2018</b>		
<b>Investment Return Rate (Proj.)</b>	<b>N/A; Index will apply</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balances at 1/1/2018	\$3,913,407	\$	\$3,913,407
Change	<u>403,067</u>	<u>        </u>	<u>403,067</u>
Balances at 12/31/2018	<u><u>\$4,316,474</u></u>	<u><u>\$        </u></u>	<u><u>\$4,316,474</u></u>

**A) GASB #75 Regular Expense**

Service Cost	\$287,056
Interest Cost	171,090
Experience (Gain)/Loss Amort	-0-
Investment Loss Amort	-0-
 GASB #75 Annual OPEB Cost <u>Regular Expense</u>	 <u>458,146</u>

**Sensitivity of Total OPEB Liability to Changes in the Discount Rate**

The following presents the Borough's total OPEB liability as well as what the Borough's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease <u>3.10%</u>	At Current Discount Rate <u>4.10%</u>	1% Increase <u>5.10%</u>
Borough's Total OPEB Liability	\$4,641,419	\$4,316,474	\$4,035,518

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 14: OTHER POST-EMPLOYMENT BENEFITS (OPEB), (continued)**

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

The following presents the Borough's total OPEB liability as well as what the Borough's total OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease to 4.0%	Healthcare Cost Trend Rate to 5.0%	1% Increase to 6.0%
Borough's Total OPEB Liability	\$4,226,581	\$4,316,474	\$4,448,029

**Special Funding Situation PFRS With State Health Local Government Retired Employees Plan**

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

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At December 31, 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the PFRS special funding situation is \$9,184,311 and the State's proportionate share of the OPEB expense for the PFRS special funding situation is \$278,020.

**NOTE 15: SPECIAL IMPROVEMENT DISTRICT**

The Special Improvement District is a separate entity which was established in 2007. The Special Improvement District has a budget which is based on the assessed value of a number of designated property owners in the Borough. The rate for 2018 is \$.229.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 16: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)**

On March 6, 2003, the Division of Local Government Services approved the Borough's LOSAP plan, provided by Lincoln Financial Group. The purpose of this plan is to enhance the Borough's ability to retain and recruit volunteer firefighters and volunteer members of emergency service squads.

The Lincoln Financial Group will provide for the benefit of participants, a multi-fund variable annuity contract as its funding vehicle. The plan shall provide for a fixed annual contribution of \$500.00 to each eligible volunteer who accumulates minimum service points based on criteria established by Borough Ordinance No. 2000-05. The amount of the LOSAP award cannot exceed \$500.00 annually. The Borough's contribution shall be included in the current years budget.

All amounts awarded under a length of service award plan shall remain the asset of the sponsoring agency; the obligation of the sponsoring agency to participating volunteers shall be contractual only; and no preferred or special interest in the awards made shall accrue to such participants. Such money shall be subject to the claims of the sponsoring agency's general creditors until distributed to any or all participants.

We have reviewed the plan for the year ended December 31, 2018 in accordance with the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Accounting and Review Services.

**NOTE 17: COMMITMENTS AND CONTINGENT LIABILITIES**

**Federal and State Awards**

The Borough participates in several federal and state grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Borough has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 31, 2018 may be impaired. In the opinion of management, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying statutory basis financial statements for such contingencies.

**Tax Appeals**

The Borough has established a Reserve for Tax Appeals Pending in the amount of \$720,615.79.

**BOROUGH OF NEW PROVIDENCE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017  
(CONTINUED)**

**NOTE 17: COMMITMENTS AND CONTINGENT LIABILITIES, (continued)**

**Litigation**

The Borough of New Providence is a defendant in certain lawsuits, none of which is unusual for a municipality of its size. Additional liabilities, if not covered by insurance, would be funded from future taxation.

**NOTE 18: SUBSEQUENT EVENTS**

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The Borough has evaluated subsequent events through July 18, 2019, the date which the financial statements were available to be issued and no other items were noted for disclosure.

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**APPENDIX C**

**SELECTED FINANCIAL INFORMATION  
FOR YEARS ENDED DECEMBER 31, 2018-2014**

The selected data presented on pages C-58 to C-63 under the section "Selected Financial Information" as of and for each of the years in the five year periods ended December 31, 2018 are derived from the financial statements of the Borough of New Providence. The excerpts from the financial statements as of December 31, 2018 and the Independent Auditor's Report thereon are included in the previous section.

**Borough of New Providence, N.J.**

**Comparative Balance Sheet**

**Current Fund**

**December 31,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>					
Current Fund:					
Cash	10,003,872.89	16,460,809.59	7,787,904.54	6,549,812.25	6,639,598.89
Change Fund	150.00	150.00	150.00	150.00	150.00
	<u>10,004,022.89</u>	<u>16,460,959.59</u>	<u>7,788,054.54</u>	<u>6,549,962.25</u>	<u>6,639,748.89</u>
Receivables and Other Assets with Full Reserves:					
Delinquent Taxes Receivable	219,219.18	239,049.89	234,414.74	258,646.78	256,949.11
Tax Title Liens	226,625.40	213,464.12	200,517.37	187,752.61	175,164.12
Property Acquired for Taxes -					
Assessed Valuation	11,955.00	11,955.00	11,955.00	11,955.00	11,955.00
Revenue Accounts Receivable	36,338.31	59,308.29	55,961.01	85,891.61	127,668.37
Due from Free Public Library					
Other Accounts Receivable					
Interfund Receivables	8,881.13	1,504.11	1,814.89	5,825.72	5,465.14
	<u>503,019.02</u>	<u>525,281.41</u>	<u>504,663.01</u>	<u>6,591.63</u>	<u>1,802.16</u>
	<u>10,507,041.91</u>	<u>16,986,241.00</u>	<u>8,292,717.55</u>	<u>7,106,625.60</u>	<u>7,237,041.62</u>
Federal and State Grant Fund:					
Cash	397,784.04	547,266.89	283,092.19	45,089.33	94,854.57
Grants Receivable	1,477,329.51	809,494.74	1,162,771.50	1,537,809.87	1,106,323.70
	<u>1,875,113.55</u>	<u>1,356,761.63</u>	<u>1,445,863.69</u>	<u>1,582,899.20</u>	<u>1,201,178.27</u>
Total Assets	<u>12,382,155.46</u>	<u>18,343,002.63</u>	<u>9,738,581.24</u>	<u>8,689,524.80</u>	<u>8,438,219.89</u>

**Borough of New Providence, N.J.**

**Comparative Balance Sheet**

**Current Fund**

**December 31,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Liabilities, Reserves and Fund Balance</b>					
Current Fund:					
Appropriation Reserves	1,302,637.07	1,691,440.60	1,607,837.95	1,380,256.82	1,420,621.12
Encumbrances Payable	509,060.91	387,174.61	365,439.67	242,961.75	208,508.37
Prepaid Taxes	392,901.36	7,011,473.12	343,442.50	220,633.07	197,266.21
Due to State of New Jersey:					
Senior Citizen and Veteran Deductions	6,280.34	6,838.56	2,826.92	3,289.93	2,664.73
Interfunds Payable		5,753.60	627.58	108.97	961.54
Due to Special Improvement District	6,634.96	3,678.16	3,678.16	3,678.16	3,678.16
Accounts Payable	8,519.25	7,137.50	11,545.00	11,330.00	
Due to County Added Taxes	273,712.55	319,409.62	132,633.07	38,643.82	46,521.66
Tax Overpayments			15,393.92		
Prepaid Revenue	330,000.00	330,000.00	330,000.00	330,000.00	330,000.00
Reserve for:					
Sale of Borough Property				136,847.19	
Sale of ABC License			62,500.00		
Revaluation	75,000.00	50,000.00			
Tax Map Preparation	50,000.00	1,028,598.14	285,780.75	127,863.21	436,955.18
Tax Appeals	720,615.79				
	<u>3,675,362.23</u>	<u>10,841,503.91</u>	<u>3,161,705.52</u>	<u>2,358,765.73</u>	<u>2,784,024.16</u>
Reserve for Receivables	503,019.02	525,281.41	504,663.01	556,663.35	597,292.73
Fund Balance	6,328,660.66	5,619,455.68	4,626,349.02	4,191,196.52	3,855,724.73
	<u>10,507,041.91</u>	<u>16,986,241.00</u>	<u>8,292,717.55</u>	<u>7,106,625.60</u>	<u>7,237,041.62</u>
Federal and State Grant Fund:					
Interfunds Payable	650,000.00	650,000.00	651,800.00	656,585.83	451,800.07
Appropriated Reserve for Grants	1,225,113.55	692,617.07	791,638.92	894,589.40	724,769.20
Unappropriated Reserve for Grants		14,144.56	2,424.77	31,723.97	24,609.00
	<u>1,875,113.55</u>	<u>1,356,761.63</u>	<u>1,445,863.69</u>	<u>1,582,899.20</u>	<u>1,201,178.27</u>
Total Liabilities, Reserves and Fund Balance	<u>12,382,155.46</u>	<u>18,343,002.63</u>	<u>9,738,581.24</u>	<u>8,689,524.80</u>	<u>8,438,219.89</u>

**Borough of New Providence, N.J.**

**Comparative Statement of Operations and Changes in Fund Balance**

**Current Fund**

**Year Ended December 31,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues and Other Income:</b>					
Fund Balance Utilized	3,675,000.00	3,525,000.00	3,205,000.00	2,930,000.00	2,482,500.00
Miscellaneous Revenue Anticipated	5,011,513.12	3,913,852.73	3,935,774.47	4,114,542.35	3,528,246.45
Receipts from Delinquent Taxes	234,775.41	231,858.21	258,646.78	256,949.11	256,499.66
Receipts from Current Taxes	67,413,493.62	65,502,661.00	62,178,957.52	59,830,822.78	58,772,813.11
Non-Budget Revenue	328,331.67	491,004.42	349,783.70	272,626.77	279,138.35
Other Credits to Income:					
Unexpended Balance of Appropriation Reserves	1,116,112.81	1,036,262.39	774,631.19	826,384.55	1,037,033.27
Statutory Excess Animal License Fund	8,809.40	1,504.11			
Prior Year Voided Checks	4,541.50				
Due from Free Public Library Returned				18,288.83	
Reserve for Grants Cancelled	3.75	26.39	121,130.11	88,792.84	1,104.97
Interfunds Returned	1,504.11	1,814.89	6,591.63	1,802.16	16,975.84
<b>Total Revenues and Other Income</b>	<b><u>77,794,085.39</u></b>	<b><u>74,703,984.14</u></b>	<b><u>70,830,515.40</u></b>	<b><u>68,340,209.39</u></b>	<b><u>66,374,311.65</u></b>
<b>Expenditures:</b>					
<b>Budget and Emergency Appropriations:</b>					
Operations :					
Salaries and Wages	6,812,125.00	6,553,950.00	6,262,569.60	5,959,800.00	5,941,081.02
Other Expenses	9,280,070.16	8,336,760.13	7,994,775.13	7,968,659.00	7,064,751.24
Deferred Charges and Statutory Expenditures -					
Municipal	1,821,695.00	1,729,790.00	1,490,626.00	1,981,220.00	1,644,900.00
Capital Improvement Fund	560,000.00	445,000.00	435,000.00	370,000.00	400,000.00
Municipal Debt Service	1,955,190.78	1,958,490.00	2,054,913.33	1,428,299.72	1,679,199.94
Special Improvement District Taxes	81,792.66	78,830.86	69,323.86	74,817.86	50,547.36
Municipal Open Space Taxes	96,616.74	82,959.66	59,686.58	45,346.97	32,308.38
Local District School Tax	37,876,745.00	36,452,412.00	35,057,647.00	34,145,610.00	33,179,087.00
County Taxes including Added Taxes	14,911,945.39	14,542,369.33	13,642,931.90	12,971,389.58	13,094,382.13
Due From Free Public Library					18,288.83
Refund of Prior Year's Revenue	4,814.80	3,790.41		38,995.76	132,750.82
Canceled Grants Receivable	3.75	20.98	121,074.61	84,007.08	729.90
Reserve for Other Accounts Receivable					
Interfund Advances	8,881.13	1,504.11	1,814.89	6,591.63	1,802.16
<b>Total Expenditures</b>	<b><u>73,409,880.41</u></b>	<b><u>70,185,877.48</u></b>	<b><u>67,190,362.90</u></b>	<b><u>65,074,737.60</u></b>	<b><u>63,239,828.78</u></b>
<b>Excess (Deficit) Revenue Over Expenditures</b>	<b><u>4,384,204.98</u></b>	<b><u>4,518,106.66</u></b>	<b><u>3,640,152.50</u></b>	<b><u>3,265,471.79</u></b>	<b><u>3,134,482.87</u></b>
<b>Adjustment to Income Before Fund Balance - Expenditures</b>					
Included above Which are by Statute Deferred					
Charges to Budget of Succeeding Year					
Statutory Excess to Fund Balance	4,384,204.98	4,518,106.66	3,640,152.50	3,265,471.79	3,134,482.87
Fund Balance, January 1,	5,619,455.68	4,626,349.02	4,191,196.52	3,855,724.73	3,203,741.86
	10,003,660.66	9,144,455.68	7,831,349.02	7,121,196.52	6,338,224.73
<b>Decreased by:</b>					
Fund Balance Utilized as Budget Revenue	3,675,000.00	3,525,000.00	3,205,000.00	2,930,000.00	2,482,500.00
Fund Balance, December 31,	6,328,660.66	5,619,455.68	4,626,349.02	4,191,196.52	3,855,724.73

**Borough of New Providence , N.J.**

**Balance Sheet**

**Trust Funds**

**December 31,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>					
Assessment Fund:					
Due from Current Fund					790.40
	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>790.40</u>
Animal License Fund:					
Cash	30,721.60	22,774.71	13,147.18	3,741.19	10,994.97
	<u>30,721.60</u>	<u>22,774.71</u>	<u>13,147.18</u>	<u>3,741.19</u>	<u>10,994.97</u>
Other Trust Funds:					
Cash	2,357,251.31	2,332,098.83	1,677,135.54	2,199,505.75	2,074,181.49
Cash - Payroll	55,076.82	50,681.07	52,865.44	49,310.36	47,900.34
Due from Current Fund (Open Space)		1,789.66	627.58	108.97	171.14
Other Accounts Receivable			10,373.77	6,094.08	4,199.16
	<u>2,412,328.13</u>	<u>2,384,569.56</u>	<u>1,741,002.33</u>	<u>2,255,019.16</u>	<u>2,126,452.13</u>
Total Assets	<u>2,443,049.73</u>	<u>2,407,344.27</u>	<u>1,754,149.51</u>	<u>2,258,760.35</u>	<u>2,138,237.50</u>
<b><u>Liabilities, Reserves &amp; Fund Balance</u></b>					
Assessment Fund:					
Fund Balance					790.40
	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>790.40</u>
Animal License Fund:					
Reserve for Dog Fund Expenditures	21,912.20	21,257.40	13,145.98	3,727.39	10,988.97
Interfund - Current Fund	8,809.40	1,504.11			
Due to State of New Jersey		13.20	1.20	13.80	6.00
	<u>30,721.60</u>	<u>22,774.71</u>	<u>13,147.18</u>	<u>3,741.19</u>	<u>10,994.97</u>
Other Trust Fund:					
Interfund - Current Fund (Other Trust)					
Interfund - Current Fund (Recreation Trust)					
Interfund - General Capital (Open Space)					
Various Other Trust Funds	1,368,126.53	1,149,611.12	630,436.20	511,298.07	674,418.69
Payroll Deductions	55,076.82	50,681.07	52,865.44	49,310.36	47,900.34
Reserve for:					
Construction and Other Deposits	336,448.52	634,963.17	598,675.62	1,294,986.10	1,347,543.05
Unemployment Insurance Trust Fund	24,176.08	24,912.91	21,310.81	22,370.55	23,526.46
Municipal Open Space	628,500.18	524,401.29	437,714.26	377,054.08	33,064.09
	<u>2,412,328.13</u>	<u>2,384,569.56</u>	<u>1,741,002.33</u>	<u>2,255,019.16</u>	<u>2,126,452.63</u>
Total Liabilities, Reserves & Fund Balance	<u>2,443,049.73</u>	<u>2,407,344.27</u>	<u>1,754,149.51</u>	<u>2,258,760.35</u>	<u>2,138,238.00</u>

**Borough of New Providence, N.J.**

**Balance Sheet**

**General Capital Fund**

**December 31,**

<u>Assets</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash	4,410,601.98	3,478,136.96	3,488,643.56	6,203,256.37	2,094,588.90
Interfunds Receivable	650,000.00	653,963.94	650,000.00	650,000.00	450,000.00
Grants/Other Receivable	103,087.15	325,407.50	383,407.50	383,407.50	383,407.50
Deferred Charges to Future Taxation:					
Funded	15,085,000.00	16,510,000.00	17,935,000.00	19,360,000.00	10,520,000.00
Unfunded	10,011,859.74	7,821,859.74	5,079,859.74	482,564.74	7,562,544.74
Total Assets	<u>30,260,548.87</u>	<u>28,789,368.14</u>	<u>27,536,910.80</u>	<u>27,079,228.61</u>	<u>21,010,541.14</u>
 <u>Liabilities, Reserves and Fund Balance</u>					
Interfunds Payable	71.73	14.89	5.80	2.09	
General Serial Bonds	15,085,000.00	16,510,000.00	17,935,000.00	19,360,000.00	10,520,000.00
Bond Anticipation Notes	5,400,000.00	3,400,000.00			3,250,000.00
Improvement Authorizations:					
Funded	1,672,442.17	2,199,317.68	3,577,971.90	5,807,670.78	1,319,979.75
Unfunded	6,159,701.84	5,003,154.37	4,450,061.07	471,212.50	5,344,783.55
Capital Improvement Fund	275,199.13	145,199.13	42,299.13	32,004.13	13,584.13
Reserve for:					
Debt Service	1,166,249.82	1,064,537.78	1,064,537.78	1,064,537.78	183,394.00
Grants/Other Receivables	225,000.00	225,000.00	225,000.00	225,000.00	225,000.00
Fund Balance	<u>276,884.18</u>	<u>242,159.18</u>	<u>242,026.03</u>	<u>118,797.62</u>	<u>153,797.62</u>
Total Liabilities, Reserves & Fund Balance	<u>30,260,548.87</u>	<u>28,789,368.14</u>	<u>27,536,910.80</u>	<u>27,079,228.61</u>	<u>21,010,541.14</u>

**Borough of New Providence, N.J.**

**Statement of Changes in Fund Balance**

**General Capital Fund**

**Year Ended December 31,**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Balance - January 1,	242,159.18	242,026.03	118,797.62	153,797.62	184,135.12
Increased by:					
Improvement Authorizations Canceled		133.15	148,228.41		
Premium on Sale of Bond Anticipation Notes	34,725.00				19,662.50
	34,725.00	133.15	148,228.41		19,662.50
Decreased by:					
Appropriated to Current Year Budget Revenue			25,000.00	35,000.00	50,000.00
			25,000.00	35,000.00	50,000.00
Balance - December 31,	276,884.18	242,159.18	242,026.03	118,797.62	153,797.62

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**APPENDIX D**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

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\_\_\_\_\_, 2019

Borough Council of the  
Borough of New Providence, in the  
County of Union, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of New Providence, in the County of Union, New Jersey (the "Borough"), in connection with the issuance by the Borough of \$7,300,000 General Improvement Bonds, Series 2019 (the "Bonds"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Borough adopted on July 15, 2019 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

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

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

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

Very truly yours,

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