

**OFFICIAL STATEMENT DATED JULY 18, 2017**

**NEW ISSUE**  
**BOOK-ENTRY ONLY**

**Rating (Bonds): S&P "AA/stable"**  
**Rating (Notes): Not Rated**  
**(See "RATING" herein)**

*In the opinion of GluckWalrath LLP, Bond Counsel assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to the Bonds and Notes and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the respective dates of original delivery of the Bonds and Notes, interest received by holders of the Bonds and Notes will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes of the alternative minimum tax imposed by Section 57 of the Code. For certain corporate holders, interest on the Bonds and Notes will be taken into account in the calculation of such holders' alternative minimum tax liability as part of adjusted current earnings. Under the laws of the State of New Jersey, as enacted and construed on the respective dates of original delivery of the Bonds and Notes, interest on the Bonds and Notes and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Bonds and Notes.*

**\$5,665,000**  
**BOROUGH OF LAVALLETTE**  
**IN THE COUNTY OF OCEAN, NEW JERSEY**  
**GENERAL OBLIGATION BONDS, SERIES 2017**  
**(Callable) (Bank Qualified)**

**\$3,552,198**  
**BOROUGH OF LAVALLETTE**  
**IN THE COUNTY OF OCEAN, NEW JERSEY**  
**BOND ANTICIPATION NOTES**

**Consisting of:**  
**\$1,599,248 General Improvement Bond Anticipation Notes**  
**\$501,000 Water Utility Bond Anticipation Notes**  
**\$123,800 Sewer Utility Bond Anticipation Notes**  
**\$1,328,150 Electric Utility Bond Anticipation Notes**  
**Coupon: 2.25% Yield: 1.10%**  
**(Non-Callable) (Bank Qualified)**

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

**Dated: Date of Delivery**  
**Due: August 1, 2018**

The \$5,665,000 aggregate principal amount of General Obligation Bonds, Series 2017 (the "Bonds") are general obligations of the Borough of Lavallette, in the County of Ocean, State of New Jersey (the "Borough") for which the full faith and credit of the Borough are pledged. The Borough is authorized and required by law to levy ad valorem taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The \$3,552,198 Bond Anticipation Notes of the Borough consisting of \$1,599,248 General Improvement Bond Anticipation Notes (the "General Improvement Notes"); \$501,000 Water Utility Bond Anticipation Notes (the "Water Utility Notes"); \$123,800 Sewer Utility Bond Anticipation Notes (the "Sewer Utility Notes"); and \$1,328,150 Electric Utility Bond Anticipation Notes (the "Electric Utility Notes", and together with the General Improvement Notes, Water Utility Notes, and Sewer Utility Notes, the "Notes"), dated the date of delivery, are also general obligations of the Borough, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from ad valorem taxes levied upon all the taxable property within the Borough for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The Bonds and Notes, if required, will be issued in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds and Notes, if required. Individual purchases of the Bonds and Notes will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof, except that any amount of Bonds and Notes maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof (or any necessary odd denomination).

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on February 1 and August 1 of each year, commencing February 1, 2018, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Borough or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Borough to the registered owner thereof as of the Record Dates (as defined herein).

The Notes will bear interest at the rate per annum and reoffering yield, as shown above, commencing from their date of delivery. Principal of and interest on the Notes will be payable at maturity. Principal of and interest on the Notes will be payable by the Borough or a duly designated paying agent at the date of maturity. While DTC is acting as securities depository for the Bonds and the Notes, the principal of and interest on the Bonds and the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Bonds or the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Borough Council on the dates set forth herein and by a resolution duly adopted by the Borough Council on June 19, 2017. The Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, various bond ordinances duly adopted by the Borough Council on the dates set forth herein.

The Bonds, along with other available funds of the Borough, are being issued to: (i) refund, on a current basis, and permanently finance a portion of the outstanding bond anticipation notes of the Borough; and (ii) pay the costs associated with the issuance of the Bonds.

The Notes, along with other available funds of the Borough, are being issued to: (i) refund, on a current basis, a portion of outstanding bond anticipation notes of the Borough; and (ii) pay the costs associated with the issuance of the Notes.

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

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

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

The Bonds and Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by GluckWalrath, LLP, Red Bank, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds and Notes. Certain legal matters will be passed upon for the Borough by the Borough Attorney, Eric M. Bernstein, Esq., Warren, New Jersey. It is anticipated that the Bonds and Notes will be available for delivery through DTC on or about August 1, 2017.

**Underwriter for the Bonds**  
**Roosevelt & Cross, Inc. and Associates**

**Underwriter for the Notes**  
**Oppenheimer & Co.**

**BOROUGH OF LAVALLETTE  
IN THE COUNTY OF OCEAN, NEW JERSEY**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS\*\***

**\$5,665,000 GENERAL OBLIGATION BONDS, SERIES 2017  
(Callable) (Bank Qualified)**

<b><u>Maturity (August 1)</u></b>	<b><u>Principal Amounts</u></b>	<b><u>Interest Rates</u></b>	<b><u>Yields</u></b>	<b><u>CUSIPs**</u></b>
2018	\$200,000	2.00%	0.95%	519390FA1
2019	210,000	3.00	1.15	519390FB9
2020	215,000	4.00	1.30	519390FC7
2021	235,000	4.00	1.45	519390FD5
2022	235,000	4.00	1.55	519390FE3
2023	250,000	4.00	1.70	519390FF0
2024	250,000	4.00	1.85	519390FG8
2025	255,000	4.00	2.00	519390FH6
2026	325,000	2.125	2.15	519390FJ2
2027	330,000	2.25	2.30	519390FK9
2028	320,000	3.00	2.45	519390FL7
2029	315,000	3.00	2.60	519390FM5
2030	315,000	3.00	2.70	519390FN3
2031	315,000	3.00	2.75	519390FP8
2032	315,000	3.00	2.90	519390FQ6
2033	315,000	3.00	3.00	519390FR4
2034	315,000	3.00	3.05	519390FS2
2035	315,000	3.00	3.10	519390FT0
2036	315,000	3.00	3.17	519390FU7
2037	320,000	3.00	3.22	519390FV5

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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 S&P Global Market Intelligence. The CUSIP Numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Borough does not make any 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 LAVALLETTE,  
IN THE COUNTY OF OCEAN, NEW JERSEY  
1306 Grand Central Avenue  
Lavallette, NJ 08735-0067  
(732) 793-7477**

**MAYOR**  
Walter G. LaCicero

**BOROUGH COUNCIL**  
Anita F. Zalom, President  
James G. Borowski  
Joanne Filippone  
David Finter  
Robert Lamb  
Michael Stogdill

**BOROUGH ADMINISTRATOR**  
John O. Bennett

**CHIEF FINANCIAL OFFICER**  
Christine Sierfeld

**BOROUGH CLERK**  
Donnelly Amico

**BOROUGH ATTORNEY**  
Eric M. Bernstein, Esq.  
Warren, New Jersey

**AUDITOR**  
Oliwa & Company  
Freehold, New Jersey

**BOND COUNSEL**  
GluckWalrath, LLP  
Red Bank, New Jersey

**MUNICIPAL ADVISOR**  
Phoenix Advisors, LLC  
Bordentown, 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 and Notes other than those contained in this document, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the 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 of 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 expressions of opinion herein are subject to change without notice, and neither the delivery of this document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier.

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

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

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## OFFICIAL STATEMENT

### RELATING TO

**\$5,665,000**  
**BOROUGH OF LAVALLETTE**  
**IN THE COUNTY OF OCEAN, NEW JERSEY**  
**GENERAL OBLIGATION BONDS, SERIES 2017**  
**(Callable) (Bank Qualified)**

**\$3,552,198**  
**BOROUGH OF LAVALLETTE**  
**IN THE COUNTY OF OCEAN, NEW JERSEY**  
**BOND ANTICIPATION NOTES**  
**Consisting of:**  
**\$1,599,248 General Improvement Bond Anticipation Notes**  
**\$501,000 Water Utility Bond Anticipation Notes**  
**\$123,800 Sewer Utility Bond Anticipation Notes**  
**\$1,328,150 Electric Utility Bond Anticipation Notes**  
**(Non-Callable) (Bank Qualified)**

### INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and the appendices attached hereto, has been prepared by the Borough of Lavallette (the “Borough”), in the County of Ocean (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$5,665,000 aggregate principal amount of General Obligation Bonds, Series 2017 (the “Bonds”) and \$3,552,198 Bond Anticipation Notes of the Borough consisting of \$1,599,248 General Improvement Bond Anticipation Notes (the “General Improvement Notes”); \$501,000 Water Utility Bond Anticipation Notes (the “Water Utility Notes”); \$123,800 Sewer Utility Bond Anticipation Notes (the “Sewer Utility Notes”); and \$1,328,150 Electric Utility Bond Anticipation Notes (the “Electric Utility Notes”, and together with the General Improvement Notes, Water Utility Notes, and Sewer Utility Notes, the “Notes”) of the Borough.

### THE BONDS

#### General Description

The Bonds will be dated the date of delivery and will mature on August 1 in each of the years and in the principal amounts as shown on the inside cover page hereof. The interest on the Bonds will be payable semi-annually beginning February 1, 2018 and on each August 1 and February 1 thereafter. The record dates for the Bonds is each preceding January 15 and July 15, respectively (the “Record Dates”). The Bonds will be issued in book-entry form only. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Bonds are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and interest thereon. The Borough is obligated to levy *ad valorem* taxes upon all of the taxable property within the Borough for the payment of principal of and interest on the Bonds without limitation as to rate or amount.

#### Redemption

The Bonds maturing prior to August 1, 2026 are not subject to optional redemption. The Bonds maturing on or after August 1, 2026 shall be subject to redemption at the option of the Borough, in whole or in part, on any date on or after August 1, 2025 at a price of 100% of the principal amount being redeemed (the “Redemption Price”), plus unpaid 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 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. So long as The Depository Trust Company (“DTC”) (or any successor thereto) acts as securities depository for the Bonds (“Securities Depository”), such Notice of Redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the 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.

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 and after such redemption date.

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

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”), and are authorized by various bond ordinances duly adopted by the Borough Council of the Borough on the dates set forth in the charts on the following pages and published and approved as required by law, and by a resolution duly adopted by the Borough Council on June 19, 2017.

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

## **Purpose of the Bonds**

The proceeds of the Bonds, along with other available funds of the Borough in the amount of \$4,192,590, are being used to: (i) refund, on a current basis, a \$9,907,590 aggregate portion of bond anticipation notes of the Borough originally issued in the aggregate principal amount of \$14,795,000, dated August 3, 2016 and maturing August 2, 2017 (the “August Prior Notes”); and (ii) pay the costs associated with the issuance of the Bonds.

The purposes for which the Bonds are to be issued have been authorized by a duly adopted, approved and published bond ordinance of the Borough, which bond ordinance is described on the following table by ordinance number, description and date of final adoption, and amount of the August Prior Notes being refunded with the Bonds. The bond ordinance is:



### **Bond Ordinance**

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount of August Prior Notes Being Refunded With the Bonds</b>
2013-01/ 2015-08	Various Capital Improvements and Capital Acquisitions, finally adopted October 5, 2015	<u>\$5,715,000</u>
<b>TOTAL REFUNDED:</b>		<u><b>\$5,715,000</b></u>

### **Payment of Bonds**

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

### **Denominations and Place of Payment**

The Bonds are issuable only as fully registered bonds without coupons, and when issued will be in the form of one certificate per maturity and will be registered in the name of Cede & Co., as registered owner and nominee for DTC, New York, New York. DTC will act as Securities Depository for the Bonds. Principal of and interest on the Bonds will be payable by the Borough or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchase of the Bonds will be made in book entry form, in the principal amount of \$5,000 or any integral multiple thereof, except that any amount of Bonds maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof (or any necessary odd denomination). Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates in authorized denominations. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See "Book-Entry-Only System" herein.

## **THE NOTES**

### **General Description**

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

The Notes will be issued as fully registered notes in book-entry only form, and when issued, and if required, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the Borough or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, except that those Notes in

excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof (or any necessary odd denomination), through book entries made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

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

### **Purpose of the General Improvement Notes**

The General Improvement Notes, along with other available funds of the Borough in the amount of \$284,512, are being issued to: (i) refund, on a current basis, a \$880,260 aggregate portion of the August Prior Notes; (ii) refund, on a current basis, bond anticipation notes of the Borough originally issued in the aggregate principal amount of \$1,003,500, dated December 9, 2016 and maturing August 2, 2017 (the “December Prior Notes”, and together with the August Prior Notes, the “Prior Notes”); and (iii) pay the costs associated with the issuance of the General Improvement Notes. The General Improvement Notes and the improvements or purposes for which the General Improvement Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough, which bond ordinances are described on the following table by ordinance number, description and date of final adoption, and the amount of Prior Notes being refunded with the General Improvement Notes:

### **General Improvement Note Ordinances**

<b><u>Ordinance Number</u></b>	<b><u>Purpose</u></b>	<b><u>Principal Amount of August Prior Notes to be Redeemed with the General Improvement Notes</u></b>	<b><u>Principal Amount of December Prior Notes to be Redeemed with the General Improvement Notes</u></b>
2003-04/2005- 04/2005-21/2006- 17/2007-02/2007- 09/2008-01/2008-20	Boardwalk and Dock Improvements, finally adopted September 22, 2008	\$49,739	\$0
2006-16/2006-22	Improvements to Magee Avenue and Bond Avenue Storm Water Improvements, finally adopted September 25, 2006	11,833	0
2009-05/2009-11	Road Improvements, finally adopted September 14, 2009	13,448	0

2009-12	Grand Central Avenue Sidewalk Beautification Project, finally adopted September 28, 2009	65,994	0
2010-02	Road Improvements, finally adopted February 22, 2010	19,217	0
2010-13	Improvements to Boardwalk, finally adopted June 21, 2010	40,824	0
2011-03	Road Improvements, finally adopted April 11, 2011	20,422	0
2012-07	Road Improvements, finally adopted May 29, 2012	53,000	0
2014-06/2015-01	Purchase and Installation of Public Works Generator and Replacement of Public Works Fueling Station, finally adopted January 26, 2015	263,500	0
2013-10	Road Improvements, finally adopted December 2, 2013	150,000	0
2014-07	Road Improvements, finally adopted December 8, 2014	29,110	0
2013-01/2015-08	Various Capital Improvements and Capital Equipment Acquisitions, finally adopted October 5, 2015	0	\$438,347
2015-07	Road Improvements, finally adopted September 21, 2015	0	200,314
2016-13	Various Capital Improvements and Equipment Acquisitions, finally adopted November 14, 2016	0	123,500
2016-14	Road Improvements, finally adopted November 7, 2016	<u>0</u>	<u>120,000</u>
<b>SUBTOTAL:</b>		<b><u>\$717,087</u></b>	<b><u>\$882,161</u></b>
<b>TOTAL GENERAL IMPROVEMENT NOTES:</b>			<b><u>\$1,599,248</u></b>

### **Purpose of the Water Utility Notes**

The Water Utility Notes, along with other available funds of the Borough in the amount of \$481,500, are being issued to: (i) refund, on a current basis, a \$982,500 aggregate portion of the August Prior Notes; and (ii) pay the costs associated with the issuance of the Water Utility Notes. The Water Utility Notes and the improvements or purposes for which the Water Utility Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough, which bond ordinances are described on the following table by ordinance number, description and date of final adoption, and the amount of August Prior Notes being refunded with the Water Utility Notes:

### Water Utility Note Ordinances

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Principal Amount of August Prior Notes to be Redeemed with the Water Utility Notes</u>
2013-04	Replacement and Installation of Water Meters, finally adopted April 22, 2013	\$418,500
2014-06/2015-01	Purchase and Installation of Public Works Generator and Replacement of Public Works Fueling Station, finally adopted January 26, 2015	<u>82,500</u>
<b>TOTAL WATER UTILITY NOTES:</b>		<b><u>\$501,000</u></b>

### Purpose of the Sewer Utility Notes

The Sewer Utility Notes, along with other available funds of the Borough in the amount of \$12,700, are being issued to: (i) refund, on a current basis, a \$136,500 aggregate portion of the August Prior Notes; and (ii) pay the cost associated with the issuance of the Sewer Utility Notes. The Sewer Utility Notes and the improvements or purposes for which the Sewer Utility Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough, which bond ordinances are described on the following table by ordinance number, description and date of final adoption, and the amount of August Prior Notes being refunded with the Sewer Utility Notes:

### Sewer Utility Note Ordinances

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Principal Amount of August Prior Notes to be Redeemed with the Sewer Utility Notes</u>
2010-01	Improvements to the Municipal Sewer Utility, finally adopted February 22, 2010	\$30,500
2014-06/2015-01	Purchase and Installation of Public Works Generator and Replacement of Public Works Fueling Station, finally adopted January 26, 2015	<u>93,300</u>
<b>TOTAL SEWER UTILITY NOTES:</b>		<b><u>\$123,800</u></b>

### Purpose of the Electric Utility Notes

The Electric Utility Notes, along with other available funds of the Borough in the amount of \$1,560,000, are being issued to: (i) refund, on a current basis, a \$2,888,150 aggregate portion of the August Prior Notes; and (ii) pay the costs associated with the issuance of the Electric Utility Notes. The Electric Utility Notes and the improvements or purposes for which the Electric Utility Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough, which bond ordinances are described on the following table by ordinance number, description and date of final adoption, and the amount of August Prior Notes being refunded with the Electric Utility Notes:

### Electric Utility Note Ordinances

<u>Ordinance Number</u>	<u>Purpose</u>	<u>Principal Amount of August Prior Notes to be Redeemed</u>
2009-13	Acquisition of Bucket Truck for Electric Utility, finally adopted September 28, 2009	\$27,276
2011-04	Electric System Improvements, finally adopted April 11, 2011	99,127
2012-13	Acquisition of Altec DM47 Hydraulic Derrick for Electric Utility, finally adopted October 1, 2012	160,000
2012-16	Electric Distribution Center Improvements, finally adopted December 17, 2012	957,547
2014-06/2015-01	Purchase and Installation of Public Works Generator and Replacement of Public Works Fueling Station, finally adopted January 26, 2015	<u>84,200</u>
<b>TOTAL ELECTRIC UTILITY NOTES:</b>		<b><u>\$1,328,150</u></b>
<b>GRAND TOTAL NOTES:</b>		<b><u>\$3,552,198</u></b>

### SECURITY FOR THE BONDS AND NOTES

The Bonds and Notes are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal, redemption premium, if any, and the interest on the Bonds and Notes. The Borough is required by law to levy *ad valorem* taxes on all taxable real property in the Borough for the payment of the principal, redemption premium, if any, of and the interest on the Bonds and Notes, without limitation as to rate or amount.

#### The Borough

The Borough is located along the northeastern border of the County. See Appendix "A" for demographic and statistical information concerning the Borough.

### BOOK-ENTRY-ONLY SYSTEM

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Bonds and Notes (if applicable), payment of principal and interest, and other payments on the Bonds and Notes (if applicable) to DTC Participants or Beneficial Owners (as each such term is hereinafter defined), confirmation and transfer of beneficial ownership interests in the Bonds and Notes and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations as to the completeness or accuracy of such information.

DTC will act as securities depository for the Bonds and Notes, if required. The Bonds and Notes (if applicable) 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 in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC. One fully registered certificate will be issued in the aggregate principal amount of the Notes deposited with DTC.

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

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

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

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

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

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

Redemption proceeds and distributions on the Bonds and Notes, if any, 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 its designated Paying Agent on 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 Borough, or the Borough's designated Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or its designated Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

**NEITHER THE BOROUGH NOR ITS DESIGNATED PAYING AGENT WILL HAVE THE RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.**

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

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

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

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

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

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

#### **Debt Limits**

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

#### **Exceptions to Debt Limits - Extensions of Credit**

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 makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

### **Short Term Financing**

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

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

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

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 and drainage map preparation for flood control purposes which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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

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

### **Appropriation "CAP"**

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 2.4% or less.

Additionally, new legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

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

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

## **Tax 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 the 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.

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

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

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

## **School Debt Subject to Voter Approval**

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the Borough. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the Borough, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

## **TAX MATTERS**

In the opinion of GluckWalrath LLP, Red Bank, New Jersey ("Bond Counsel"), assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Bonds and Notes and subject to certain provisions of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Bonds and Notes, interest received by a holder of the Bonds and Notes will be excludable from gross income for federal income tax purposes, and will not be treated as a tax preference item under Section 57 of the Code for individuals or corporations. For corporate holders, interest on the Bonds and Notes will be taken into account in the calculation of such holders' alternative minimum tax liability as part of adjusted current earnings.

The Code contains a number of provisions that apply to the Bonds and Notes, including restrictions relating to the use or investment of the proceeds of the Bonds and Notes (or facilities financed by such proceeds) and the payment of certain arbitrage earnings in excess of the "yield" on the Bonds and Notes to the Treasury of the United States. Non-compliance with such provisions may result in interest on the Bonds and Notes not being excludable from gross income for federal income tax purposes retroactive to the date of issuance of the Bonds and Notes. The Issuer has covenanted to comply with these requirements.

Section 55 of the Code provides that an alternative minimum tax is imposed on corporations. For purposes of the corporate alternative minimum tax, the Code includes an increase adjustment for computation of the alternative minimum tax consisting generally of 75% of the amount by which "adjusted current earnings" exceeds alternative minimum taxable income (computed without regard to this adjustment and the alternative tax net operating loss deduction). Thus, to the extent that interest on the

Bonds and Notes is a component of a corporate holder's "adjusted current earnings", such interest may be subject to an alternative minimum tax.

Section 265(b) of the Code generally denies to institutions any deduction for that portion of interest expense incurred to purchase or carry tax-exempt obligations. An exception is provided certain small issuers who designate the obligations as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code and, provided certain conditions are met, for obligations the proceeds of which refund obligations which were designated as qualified tax-exempt obligations. Such obligations will be subject to a reduced disallowance rule. The Bonds and Notes **will be** designated as qualified tax exempt obligations under Section 265(b) of the Code.

Ownership of tax-exempt obligations may also result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

### **Original Issue Premium**

The Bonds maturing on August 1 of the years 2018 through 2025 and 2028 through 2032, inclusive (collectively, the "Premium Bonds") have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under, Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

### **Original Issue Discount**

The Bonds maturing on August 1 of the years 2026 through 2027 and 2034 through 2037, inclusive (collectively, the "Discount Bonds") have been sold to the public at an original issue discount. The original issue discount is the excess of the stated redemption price at maturity of such a Discount Bond over the initial offering price to the public (excluding underwriters' and other intermediaries) at which price a substantial amount of that maturity of the Discount Bonds was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Discount Bond is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather than as taxable gain.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to a holder of a Discount Bond, who acquires the Discount Bond in this initial offering, during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding a the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount

so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the holder's basis in such Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Discount Bond in excess of the holder's adjusted basis (as increased by the amount of original issue discount that has accrued and is treated as tax-exempt interest in such holder's hands), will be treated as gain from the sale or exchange of such Discount Bond and not as interest.

The federal income tax consequences from the purchase, ownership and redemption, sale or other disposition of Bonds and Notes which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Holders of Bonds and Notes should consult their own tax advisors with respect to the consequences of owning Bonds and Notes, including the effect of such ownership under applicable state and local laws.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds and Notes. Various proposals have been submitted to Congress, which if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. If enacted into law. Such proposals may cause interest on the Bonds and Notes to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners of the Bonds and Notes from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds and Notes. No prediction is made whether these provisions will be enacted or concerning other future legislation which if passed might have an effect on the tax treatment of interest on the Bonds and Notes. Bond Counsel renders no opinion regarding any pending or proposed federal tax legislation. Bond Counsel will render its opinion as of the issue date, and will assume no obligation to update its opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinions of Bond Counsel are only opinions and not a warranty or guaranty of the matters discussed. Bond Counsel has no obligation to provide updated information concerning pending or future legislation. Each purchaser of the Bonds and Notes should consult his or her own tax advisor regarding any pending or proposed federal tax legislation.

In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated or concluded by the IRS after the issue date of the Bonds and Notes involving either the Bonds and Notes or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Bonds and Notes. Each purchaser of the Bonds and Notes should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

In addition, prospective purchasers of the Bonds and Notes should be aware that Section 6049 of the Code provides that interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Pursuant to Notice 2006-93, backup withholding will be required if the bondholder fails to provide a tax identification number. This reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

## **State Taxation**

Bond Counsel is of the opinion, based upon existing statutes and judicial decisions, that interest on the Bonds and Notes and net gains from the sale of the Bonds and Notes are not included as gross income under the New Jersey Gross Income Tax Act. Potential purchasers of the Bonds and Notes should consult with their tax advisors in order to understand the tax consequences of ownership of the Bonds and Notes under the laws of other states.

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the federal or state level, may adversely affect the exclusion from gross income of interest on the Bonds and Notes for federal income tax purposes, or the exclusion of interest on and any gain realized on the sale of the Bonds and Notes under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market price or marketability of the bonds.

THE FOREGOING IS NOT INTENDED AS AN EXHAUSTIVE RECITAL OF THE POTENTIAL TAX CONSEQUENCES OF HOLDING THE BONDS AND NOTES. PROSPECTIVE PURCHASERS OF THE BONDS AND NOTES SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS AND NOTES.

## **LEGALITY FOR INVESTMENT**

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

## **CONTINUING DISCLOSURE**

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

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal year ending December 31, 2012; and (ii) operating data for the fiscal years ending December 31, 2012, and 2013. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial

information; and (ii) operating data, all as described above. Such notices of events and late filings have since been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The Borough appointed Phoenix Advisors, LLC in September of 2014 to serve as continuing disclosure agent.

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

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

### **LITIGATION**

Upon delivery of the Bonds and Notes, the Borough shall furnish a certificate of Eric M. Bernstein Esq., Warren, New Jersey (the "Borough Attorney"), dated the date of delivery of the Bonds and Notes, to the effect that there is no litigation of any nature pending or, to the firm's knowledge, threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Bonds and Notes, or in any way contesting or affecting the validity of the Bonds and Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds and Notes. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by, or against, the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough or adversely affect the power of the Borough to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds or notes, which has not been disclosed in this Official Statement.

### **MUNICIPAL BANKRUPTCY**

The undertakings of the Borough should be considered with reference to Chapter 9 of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors' rights and municipalities in general. Chapter 9 permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter 9 directs such a petitioner to file with the Bankruptcy Court a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-



half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 through 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 9 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. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

### **CERTAIN REFERENCES**

The foregoing statements and descriptions of provisions of the New Jersey Constitution, the Local Bond Law and other laws of the State of New Jersey, the Federal Bankruptcy Code, the ordinances and the resolution of the Borough and the Bonds and Notes and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entireties by express reference to the complete provisions thereof. Copies of the ordinances and the resolution will be furnished by the Borough on request.

All estimates and assumptions herein are believed to be reasonable, but no warranty, guaranty or other representation is made that such estimates or assumptions will be realized or are correct. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

### **CERTIFICATION OF OFFICIAL STATEMENT**

The Borough hereby states that the descriptions and statements herein relating to the Borough are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Bonds and Notes, by certificates signed by the Borough Chief Financial Officer, that to the Borough Chief Financial Officer's knowledge such descriptions and statements, as of the date hereof, and as of the date of delivery of the Bonds and Notes, 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.

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

Bond Counsel 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.

### **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned a rating of "AA/stable" to the Bonds. Any desired explanation of the significance

of such rating should be obtained from the Rating Agency. There is no assurance that the rating will pertain for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the Rating Agency, circumstances so warrant. Any downward revision or withdrawal of the rating could have an adverse effect on the market price of the Bonds. The Notes have not been rated.

The inclusion of the Rating Agency's "stable outlook" (the "Outlook") has been provided herein for informational purposes only and is not a part of the "Rating" described in the preceding paragraph. The Outlook is only the Rating Agency's forward-looking view of the Borough. The Borough has no obligation to treat any change in the Outlook as a "Event", as defined and described under the Rule or under the provisions of the Borough's Continuing Disclosure Certificate, or to notify holders of the Bonds as to any changes to the Outlook after the date hereof.

### **UNDERWRITING**

The Bonds have been purchased from the Borough at a public sale by Roosevelt & Cross, Inc. & Associates (the "Bond Underwriter") at a price of \$5,772,246.62.

The Bond Underwriter has purchased the Bonds in accordance with the Notice of Sale prepared and issued by the Borough in connection with the sale of the Bonds. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement.

The Notes have been purchased from the Borough at a public sale by Oppenheimer & Co., Inc. (the "Note Underwriter" and together with the Bond Underwriter, the "Underwriters") at a price of \$3,583,706.00.

The Note Underwriter has purchased the Notes in accordance with the Notice of Sale prepared and issued by the Borough in connection with the sale of the Notes. The Notes are being offered for sale at the yield set forth on the cover of this Official Statement.

### **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Borough with respect to the issuance of the Bonds and Notes (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 the Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bond are subject to the approval of Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds and Notes substantially in the forms set forth as Appendix "E" and Appendix "F", respectively. Certain legal matters will be passed on for the Borough by the Borough Attorney.

## **FINANCIAL STATEMENTS**

Appendix “B” contains certain audited financial data of the Borough for the Borough’s fiscal year ending December 31, 2016. The financial statements of the Borough for the year ended December 31, 2016 were audited by Oliwa & Company, independent auditors (the “Auditor”), as stated in their Independent Auditors’ Report appearing in Appendix B. The Auditor has not participated in the preparation of the financial or statistical information contained in this Official Statement.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Borough’s Chief Financial Officer, 1306 Grand Central Avenue, Lavallette, New Jersey 08735, telephone (732) 793-7477, or to its Municipal Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey, telephone (609) 291-0130.

## **MISCELLANEOUS**

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

This Official Statement has been duly executed and delivered by the Borough.

**BOROUGH OF LAVALLETTE,  
IN THE COUNTY OF OCEAN, NEW JERSEY**

By: /s/ Christine Sierfeld

Christine Sierfeld,  
Chief Financial Officer

Dated: July 18, 2017

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**APPENDIX A**  
**GENERAL INFORMATION REGARDING THE BOROUGH**

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

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

### **General Information**

The Borough, which was founded in 1878 and incorporated in 1887, is an island resort community approximately two (2) square miles in size. It is located in the central coastal region of the State. The Atlantic Ocean bounds it on the east and Barnegat Bay on the west. Both the County and the New York-Philadelphia metropolitan corridor influence its pattern of development. The main regional highway feeders and carriers are State Routes 35, 70 and 37, US Route 9, Interstate 195, the Garden State Parkway and, to a lesser degree, County Routes 526, 528, 571 and 549.

### **Form of Government**

The Borough's legislative functions operate through a Mayor and Council form of government. There is a six-member Council and a Mayor, all elected at large. The terms of the Mayor and Council members are four years and three years respectively (with alternating terms). The Borough Council meets on the first and third Monday of each month for caucus and regular meetings. Both caucus and regular meetings are open to the public in compliance with the State Sunshine Law. Citizens are given an opportunity to speak on proposed ordinances and resolutions at both the caucus and regular meetings. There is also a time set aside on the agenda so that any citizen may address the Borough Council on matters of concern.

### **Education**

The Board of Education of the Borough of Lavallette (the "School District") operates as a Kindergarten (K) through grade eight (8) elementary school and sends its pupils to Point Pleasant Beach High School for grades nine (9) through twelve (12). The current building is a modern elementary school, which was planned with academic needs and enrollment trends. The current facility should be adequate for the foreseeable future.

### **Public Safety**

The Borough is served by a well-trained and staffed Police Department. The Department is comprised of police officers both full-time and seasonal. These officers are equipped with up-to-date crime-fighting equipment.

### **Volunteer First Aid Services**

The Borough supports and maintains a volunteer first aid and ambulance service. The Borough's First Aid Squad provides service to all Borough residents on a 24-hour basis. Funding

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

for this operation is by solicitations from the public, as well as an annual appropriation from the Borough.

### **Volunteer Fire Department Services**

The Borough's Volunteer Fire Department maintains one firefighting company and one firehouse within the Borough. All firefighting equipment and apparatuses are state-of-the-art. In addition, a continuous training program keeps all personnel abreast of the latest firefighting techniques. The Fire Department provides this service on a 24-hour basis.

### **Sewer and Water Services**

The Borough provides water service to the entire Borough, except for the three (3) northernmost streets and the Westmont Shores section, which are served by New Jersey American Water Company. The Borough currently has four (4) operating wells and a 500,000-gallon elevated storage tank. This system is more than adequate to handle the 500,000-gallon per day average off-season consumption, as well as the million plus gallons per day summer season demand. The Borough also operates a public sanitary sewerage system to the primary section of the Borough. Two sections of the Borough, West Point Island and Westmont Shores, which were annexed by the Borough in 1969 and 1976, respectively, continue to be served by the Toms River Township Sewer Authority.

### **Retirement Systems**

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

### **Pension Information<sup>2</sup>**

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2016, which is based upon the annual billings received from the State, amounted to \$239,722 for PERS and \$281,718 for PFRS.

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<sup>2</sup> Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits



## **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Borough</u></b>				
2016	744	708	36	4.8%
2015	740	698	42	5.7%
2014	740	696	44	5.9%
2013	762	696	66	8.7%
2012	784	701	83	10.6%
<b><u>County</u></b>				
2016	268,849	254,769	14,080	5.2%
2015	267,960	251,364	16,596	6.2%
2014	266,318	246,724	19,594	7.4%
2013	265,984	241,376	24,608	9.3%
2012	268,647	240,118	28,529	10.6%
<b><u>State</u></b>				
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%
2013	4,528,500	4,157,600	370,800	8.2%
2012	4,585,300	4,158,600	426,800	9.3%

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

## **Income (as of 2015)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$61,989	\$61,994	\$72,093
Median Family Income	80,938	76,934	88,335
Per Capita Income	42,916	31,200	36,582

Source: US Bureau of the Census, 2015 American Community Survey 5-Year Estimates

## **Population**

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

<b><u>Year</u></b>	<b><u>Borough</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2016 Estimate	1,832	-2.29%	592,497	2.76%	8,958,013	1.89%
2010	1,875	-29.64	576,567	12.85	8,791,894	4.49
2000	2,665	15.92	510,916	17.94	8,414,350	8.85
1990	2,299	10.96	433,203	25.19	7,730,188	4.96
1980	2,072	37.31	346,038	65.99	7,365,001	2.75

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

## **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2016</u></b>	<b><u>% of Total</u></b>
	<b><u>Assessed Valuation</u></b>	<b><u>Assessed Valuation</u></b>
Giant Realty LLC	\$9,996,900	0.54%
Little Giant LLC	4,842,600	0.26%
Lavallette Yacht Club	3,484,900	0.19%
Dinallo, Donald N	3,115,100	0.17%
Susinno, Barbara Trust	3,106,500	0.17%
Mela Court LLC	3,032,500	0.16%
Fritsch, Arthur E Jr. & Gail Ann	3,026,600	0.16%
Louise-C Inc	2,971,300	0.16%
Donato, Michele R	2,829,600	0.15%
Cattani, Angelina	<u>2,557,800</u>	<u>0.14%</u>
<b>Total</b>	<b><u>\$38,963,800</u></b>	<b><u>2.09%</u></b>

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

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

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year % of Collection</u></b>
2016	\$17,880,194	\$17,582,297	98.33%
2015	17,333,207	17,072,594	98.50%
2014	17,294,126	16,929,138	97.89%
2013	16,963,148	16,513,458	97.35%
2012	16,969,466	16,427,559	96.81%

Source: Annual Audit Reports of the Borough

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

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2016	\$0	\$268,185	\$268,185	1.50%
2015	0	240,716	240,716	1.39%
2014	0	348,887	348,887	2.02%
2013	0	432,146	432,146	2.55%
2012	1,533	565,340	566,873	3.34%

Source: Annual Audit Reports of the Borough

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

<b><u>Year</u></b>	<b><u>Amount</u></b>
2016	\$0
2015	0
2014	0
2013	0
2012	0

Source: Annual Audit Reports of the Borough

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

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

	<b>Local</b>			
<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>School</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
2017	\$0.306	\$0.195	\$0.480	\$0.981
2016	0.296	0.192	0.461	0.949
2015	0.286	0.191	0.452	0.929
2014	0.272	0.202	0.459	0.933
2013	0.267	0.201	0.453	0.921

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

### **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2017	\$1,874,921,634	\$2,162,539,370	86.70%	\$0	\$2,162,539,370
2016	1,867,964,410	2,154,514,890	86.70	0	2,154,514,890
2015	1,852,849,810	2,041,932,786	90.74	0	2,041,932,786
2014	1,842,621,910	1,997,205,625	92.26	1,271,166	1,998,476,791
2013	1,839,324,410	2,069,912,683	88.86	1,686,057	2,071,598,740

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

### **Classification of Ratables**

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

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2017	\$33,675,600	\$1,798,905,774	\$0	\$37,497,160	\$0	\$4,843,100	\$1,874,921,634
2016	35,699,700	1,789,981,650	0	37,439,960	0	4,843,100	1,867,964,410
2015	19,257,200	1,790,789,750	0	37,959,760	0	4,843,100	1,852,849,810
2014	21,925,500	1,777,897,250	0	37,956,060	0	4,843,100	1,842,621,910
2013	18,391,000	1,779,166,450	0	37,562,360	0	4,204,600	1,839,324,410

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

## **Financial Operations**

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

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

<b><u>Anticipated Revenues</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Fund Balance Utilized	\$775,000	\$775,000	\$645,000	\$1,443,500	\$1,125,400
Miscellaneous Revenues	3,050,121	2,760,638	2,873,526	1,750,145	2,439,414
Receipts from Delinquent Taxes	404,910	409,885	333,687	240,617	264,000
Amount to be Raised by Taxation	<u>4,915,498</u>	<u>5,013,800</u>	<u>5,299,142</u>	<u>5,529,000</u>	<u>5,731,698</u>
Total Revenue:	<u>\$9,145,529</u>	<u>\$8,959,323</u>	<u>\$9,151,355</u>	<u>\$8,963,262</u>	<u>\$9,560,512</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$6,691,506	\$6,784,391	\$6,253,297	\$6,845,965	\$6,846,550
Operations (Excluded from CAPS)	153,672	199,893	848,823	118,262	90,299
Deferred Charges	1,149,962	800,000	916,679	916,679	916,680
Capital Improvements	5,000	30,000	25,000	25,000	25,000
Municipal Debt Service	583,260	583,010	585,900	535,700	1,197,027
Reserve for Uncollected Taxes	<u>562,129</u>	<u>562,029</u>	<u>521,656</u>	<u>521,656</u>	<u>484,956</u>
Total Appropriations:	<u>\$9,145,529</u>	<u>\$8,959,323</u>	<u>\$9,151,355</u>	<u>\$8,963,262</u>	<u>\$9,560,512</u>

Source: Annual Adopted Budgets of the Borough

## **Fund Balance**

### **Current Fund**

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

<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2016	\$1,851,300	\$1,125,400
2015	2,218,160	1,443,500
2014	1,352,155	645,000
2013	1,011,251	775,000
2012	1,009,198	775,000

Source: Annual Audit Reports of the Borough

### Water Utility Operating Fund

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

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2016	\$743,453	\$140,056
2015	731,392	41,550
2014	662,830	38,450
2013	554,905	52,410
2012	311,250	0

Source: Annual Audit Reports of the Borough

### Sewer Utility Operating Fund

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

<u>Fund Balance - Sewer Utility Operating Fund</u>		
<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2016	\$812,096	\$100,000
2015	697,522	0
2014	464,874	0
2013	381,454	41,141
2012	162,938	0

Source: Annual Audit Reports of the Borough

### Electric Utility Operating Fund

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

<u>Fund Balance - Electric Utility Operating Fund</u>		
<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2016	\$965,348	\$624,173
2015	942,921	112,700
2014	527,721	484,950
2013	468,065	322,010
2012	410,168	320,510

Source: Annual Audit Reports of the Borough

**Borough Indebtedness as of December 31, 2016**

**General Purpose Debt**

Serial Bonds	\$1,265,000
Bond Anticipation Notes	11,794,617
Bonds and Notes Authorized but Not Issued	73,648
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$13,133,265

**Local School District Debt**

Serial Bonds	\$540,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$540,000

**Self-Liquidating Debt**

Serial Bonds	\$5,890,000
Bond Anticipation Notes	4,007,150
Bonds and Notes Authorized but Not Issued	1,578,615
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$11,475,765

**TOTAL GROSS DEBT**

**\$25,149,030**

Less: Statutory Deductions	
General Purpose Debt	\$2,722,198
Local School District Debt	540,000
Self-Liquidating Debt	<u>11,475,765</u>
Total:	\$14,737,963

**TOTAL NET DEBT**

**\$10,411,067**

Source: Annual Debt Statement of the Borough

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**Overlapping Debt (as of December 31, 2016)<sup>3</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Local School District	\$540,000	100.00%	\$540,000
County	457,267,841	2.24%	<u>10,246,171</u>
Net Indirect Debt			\$10,786,171
Net Direct Debt			<u>10,411,067</u>
Total Net Direct and Indirect Debt			<b><u>\$21,197,238</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2014, 2015, 2016)	\$2,064,551,100
Permitted Debt Limitation (3 1/2%)	72,259,289
Less: Net Debt	<u>10,411,067</u>
Remaining Borrowing Power	<u>\$61,848,222</u>
Percentage of Net Debt to Average Equalized Valuation	0.504%
Gross Debt Per Capita based on 2010 population of 1,875	\$13,413
Net Debt Per Capita based on 2010 population of 1,875	\$5,553

Source: Annual Debt Statement of the Borough

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



**APPENDIX B**  
**FINANCIAL STATEMENTS OF THE BOROUGH**

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# *Oliwa & Company*

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members  
of the Borough Council  
Borough of Lavallette  
County of Ocean  
Lavallette, New Jersey

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and the account group of the Borough of Lavallette, County of Ocean, State of New Jersey (the "Borough") as of December 31, 2016 and 2015, the related statements of operations and change in fund balance - regulatory basis for the years then ended, the related statements of fund balance - regulatory basis for the years then ended, the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements listed as financial statement exhibits in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

As described in Note 1, the Borough prepares its financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2016 and 2015, or changes in its financial position for the years then ended.

### **Basis for Qualified Opinion on the Trust Fund**

The financial statements of the Length of Service Award Program (“LOSAP”) Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements as part of our audit of the Borough’s financial statements. The LOSAP Fund financial activities are included in the Borough’s Trust Fund, and represent 29.53% and 28.27% of the assets and liabilities and reserves of the Borough’s Trust Fund as of December 31, 2016 and 2015, respectively.

### **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 the Trust Fund paragraph, the financial statements referred to above present fairly, in all material respects, the balance sheets - regulatory basis of the Trust Fund of the Borough as of December 31, 2016 and 2015 in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheets - regulatory basis of the Current Fund, General Capital Fund, Water Utility Fund, Sewer Utility Fund, Electric Utility Fund and the General Fixed Assets Account Group of the Borough as of December 31, 2016 and 2015, the statements of operations and change in fund balance - regulatory basis for the years then ended, the statements of fund balance - regulatory basis for the years then ended, the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis of the individual funds for the year ended December 31, 2016 in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

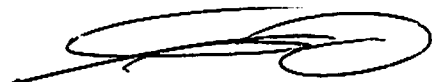
## **Other Matters**

Our audits were conducted for the purpose of forming opinions on the financial statements, which collectively comprise the Borough's financial statements. The supplementary schedules and comments section as listed in the table of contents are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and are not a part of the basic financial statements.

The supplementary schedules and comments section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, except for the LOSAP Fund supplementary schedules, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole, based on the accounting principles and practices of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2017, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough's internal control over financial reporting and compliance.



Robert S. Oliwa  
Certified Public Accountant  
Registered Municipal Accountant #414

*Oliwa & Company*

Freehold, New Jersey  
June 26, 2017

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents:			
Cash	1-A	\$4,784,211.90	\$5,350,187.58
Change Funds		300.00	100.00
Due from State of New Jersey (PL 1971, Ch.20)	2-A	7,702.58	6,116.96
		<u>4,792,214.48</u>	<u>5,356,404.54</u>
Receivables and Other Assets with Full Reserves:			
Cash Advance - Magistrate	10-A	100.00	100.00
Due from General Capital Fund		110,980.15	
Delinquent Property Taxes Receivable	3-A	268,185.41	240,715.54
Revenue Accounts Receivable	5-A	3,205.87	467.18
	A	<u>382,471.43</u>	<u>241,282.72</u>
		<u>5,174,685.91</u>	<u>5,597,687.26</u>
Deferred Charge:			
Special Emergency Authorization (40A:4-54)		<u>916,679.77</u>	<u>1,833,358.77</u>
		<u>6,091,365.68</u>	<u>7,431,046.03</u>
Federal and State Grant Fund:			
Due from Current Fund	15-A	72,595.28	667.35
Grants Receivable	16-A	19,235.31	206,087.57
		<u>91,830.59</u>	<u>206,754.92</u>
		<u>\$6,183,196.27</u>	<u>\$7,637,800.95</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Appropriation Reserves	A-3,7-A	\$221,529.47	\$286,155.69
Encumbrances Payable	9-A	219,687.34	188,184.74
Accounts Payable	6-A	144,481.78	144,981.78
County Taxes Payable	11-A	74,446.50	58,519.69
Prepaid Taxes	12-A	224,115.44	213,067.26
Tax Overpayments	13-A	14,200.03	13,297.96
Local District School Tax Payable	14-A	1,045,060.72	1,025,665.22
Due to Federal and State Grant Fund	8-A	72,595.28	667.35
Special Emergency Notes Payable		776,642.00	1,693,321.00
Prepaid Beach Badges		15,230.00	
Reserve for Hurricane Sandy		14,807.09	66,458.93
Reserve for Third Party Liens		14,973.05	4,128.81
Reserve for FEMA		424.71	165,424.71
Reserve for Goose Patrol		5,430.00	3,760.00
Reserve for Private Donations	4-A	4,700.00	4,700.00
Reserve for Insurance Claims		1,009,270.37	1,103,270.62
		<u>3,857,593.78</u>	<u>4,971,603.76</u>
Reserve for Receivables	A	382,471.43	241,282.72
Fund Balance	A-1	1,851,300.47	2,218,159.55
		<u>6,091,365.68</u>	<u>7,431,046.03</u>
Federal and State Grant Fund:			
Encumbrances Payable	17-A	21,931.54	52,524.41
Appropriated Reserves	18-A	62,056.42	148,335.94
Unappropriated Reserves	19-A	3,542.58	1,594.52
Due to Grantor		4,300.05	4,300.05
		<u>91,830.59</u>	<u>206,754.92</u>
		<u>\$6,183,196.27</u>	<u>\$7,637,800.95</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Revenue and Other Income Realized</u></b>			
Fund Balance Utilized	A-2	\$1,443,500.00	\$645,000.00
Miscellaneous Revenue Anticipated	A-2	1,768,917.11	3,102,435.82
Receipts from Delinquent Taxes	A-2	241,215.54	349,386.69
Receipts from Current Taxes	A-2	17,582,296.70	17,072,594.28
Non-Budget Revenues	A-2	243,934.00	230,126.10
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	7-A	296,352.14	377,461.49
Adjustments to Grants Receivable	16-A	14,498.25	
Cancellation of Appropriated Grants Reserves	18-A	33,085.98	
Cancellation of Accounts Payable	6-A	31,537.07	
Total Revenue		<u>21,655,336.79</u>	<u>21,777,004.38</u>
<b><u>Expenditures</u></b>			
Budget Appropriations Within CAPS:			
Operations:			
Salaries and Wages	A-3	3,330,110.00	2,724,612.00
Other Expenses	A-3	2,540,037.00	2,411,346.00
Deferred Charges and Statutory Expenditures	A-3	695,218.00	686,989.00
Budget Appropriations Excluded From CAPS:			
Operations:			
Other Expenses	A-3	120,474.32	965,128.95
Capital Improvements	A-3	25,000.00	25,000.00
Municipal Debt Service	A-3	511,646.09	569,474.19
Deferred Charges	A-3	916,679.00	916,679.00
County Taxes	11-A	8,670,608.74	8,419,023.55
Local District School Taxes	14-A	3,586,038.00	3,547,247.00
Interfund Advances		110,980.15	
Prior Year Senior Citizens and Veterans Disallowed	2-A	500.00	500.00
Cancellation of Grants Receivable	16-A	52,174.55	
Refunds and Reimbursements	1-A	19,230.02	
Total Expenditures		<u>20,578,695.87</u>	<u>20,265,999.69</u>

See Accompanying Notes



**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2016 and 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Excess in Revenue		\$1,076,640.92	\$1,511,004.69
Fund Balance January 1	A	2,218,159.55	1,352,154.86
		3,294,800.47	2,863,159.55
Decreased by:			
Utilized as Anticipated Revenue	A-1,A-2	1,443,500.00	645,000.00
Fund Balance December 31	A	<u>\$1,851,300.47</u>	<u>\$2,218,159.55</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	Ref.	Anticipated		Realized	Excess or (Deficit)
		Budget	Special N.J.S. 40A:4-87		
Fund Balance Anticipated	A-1	\$1,443,500.00		\$1,443,500.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	5-A	\$12,000.00		\$12,900.00	\$900.00
Other	5-A	10,000.00		9,172.00	(828.00)
Fees and Permits	5-A	27,500.00		37,065.00	9,565.00
Municipal Court Fines and Costs	5-A	58,000.00		62,764.83	4,764.83
Interest and Costs on Taxes	5-A	70,000.00		62,598.36	(7,401.64)
Parking Meters	5-A	24,000.00		26,630.00	2,630.00
Interest on Investments and Deposits	5-A	4,000.00		4,331.55	331.55
Beach Fees	5-A	875,000.00		874,990.00	(10.00)
Cable TV Franchise Fees	5-A	27,018.00		27,018.00	
Energy Receipts Tax	5-A	168,609.00		168,609.00	
Clean Communities Program	16-A	14,862.15		14,862.15	
Municipal Alliance on Alcoholism and Drug Abuse	16-A	21,461.00		21,461.00	
Private Donations	5-A		\$9,212.40	9,212.40	
Body Armor Replacement Fund	16-A	1,594.52		1,594.52	
Ocean County Tourism	16-A	1,500.00		1,500.00	
Local Arts Program	16-A	800.00		800.00	

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Ref.</u>	<u>Anticipated</u>		<u>Realized</u>	<u>Excess or (Deficit)</u>
		<u>Budget</u>	<u>Special N.J.S. 40A:4-87</u>		
Miscellaneous Revenues (continued):					
COPS in Shops	16-A	\$1,800.00		\$1,800.00	
General Capital Fund Surplus	5-A	100,000.00		100,000.00	
Cell Tower Agreement	5-A	40,000.00		39,608.30	(\$391.70)
Reserve for Insurance Proceeds	5-A	127,000.00		127,000.00	
Reserve for FEMA	5-A	165,000.00		165,000.00	
	A-1	<u>1,750,144.67</u>	<u>\$9,212.40</u>	<u>1,768,917.11</u>	<u>\$9,560.04</u>
Receipts From Delinquent Taxes	A-1,A-2	<u>240,617.25</u>		<u>241,215.54</u>	<u>598.29</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	A-2,3-A	<u>5,529,000.00</u>		<u>5,847,305.96</u>	<u>318,305.96</u>
Budget Totals		8,963,261.92	9,212.40	9,300,938.61	<u>\$328,464.29</u>
Non-Budget Revenues	A-1,A-2			243,934.00	
		<u>\$8,963,261.92</u>	<u>\$9,212.40</u>	<u>\$9,544,872.61</u>	
	<u>Ref.</u>	A-3	A-3		

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<b><u>Ref.</u></b>	
<b><u>Analysis of Realized Revenues</u></b>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,3-A	\$17,582,296.70
Allocated to School and County Taxes		<u>12,256,646.74</u>
Balance for Support of Municipal Budget Appropriations		5,325,649.96
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>521,656.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$5,847,305.96</u></u>
 <b><u>Receipts from Delinquent Taxes</u></b>		
Delinquent Tax Collections	A-2,3-A	<u><u>\$241,215.54</u></u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

**Analysis of Non-Budget Revenues**

T-Mobile and Metro PCS	\$74,005.45
Zoning Application Fees	34,785.00
Verizon Mobile Contract	33,667.29
Lavallette Post Office Rent	24,333.30
Other Miscellaneous Revenue	14,042.09
Street Openings	11,025.00
Off-Duty Police Administrative Fee	10,662.04
Appliance/Cleanup Fees	8,921.00
Court Lease Payments	6,960.00
For Profit Vendor Activities Fees	6,082.04
Beach Credit Card Fees	4,904.88
Gazebo/Pavilion Use Fee	4,200.00
Sale of Assets	3,438.00
Tennis	2,131.75
Prosecutors Special Programs	1,375.00
Senior Citizens and Veterans Administrative Fee	893.29
Mayoral Marriage Fees	556.00
Special Event Application Fees	425.00
Residential Parking Permit Fee	400.00
Police Reports	240.97
Newspaper Vending Machines	220.00
Homestead Rebate Administrative Fee	180.00
Returned Check Charges	150.00
Copies	140.90
Facilities Use Permit Fees	100.00
Business Registration Fees	50.00
Waterfront Owners Lists	30.00
Court Restitution	15.00
	<u>\$243,934.00</u>

**Ref.**      A-1,A-2,1-A

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

A-3  
Sheet 1 of 10

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>Operations Within "CAPS"</u>					
GENERAL GOVERNMENT					
General Administration:					
Salaries and Wages	\$69,700.00	\$69,700.00	\$59,436.80	\$5,263.20	\$5,000.00
Other Expenses	12,800.00	12,800.00	7,988.21	1,811.79	3,000.00
Human Resources (Personnel):					
Other Expenses	500.00	500.00			500.00
Mayor and Council:					
Salaries and Wages	23,900.00	23,900.00	22,900.87	499.13	500.00
Other Expenses	6,000.00	6,000.00	4,599.31	900.69	500.00
Municipal Clerk:					
Salaries and Wages	68,000.00	68,000.00	65,638.92	2,361.08	
Printing and Legal Advertising	7,500.00	7,500.00	6,795.00	705.00	
Office Equipment	2,400.00	2,400.00	2,374.26	25.74	
Miscellaneous Other Expenses	8,000.00	8,000.00	7,516.33	483.67	
Elections	750.00	750.00	232.20	267.80	250.00
Financial Administration (Treasury):					
Salaries and Wages	49,100.00	49,100.00	45,992.45	1,107.55	2,000.00
Other Expenses	19,125.00	19,125.00	16,342.43	2,282.57	500.00
Audit Services:					
Other Expenses	12,600.00	12,600.00	10,000.00	2,600.00	
Computerized Data Processing:					
Other Expenses	7,500.00	7,500.00	6,064.72	1,435.28	

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

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Sheet 2 of 10

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
<u>Operations Within "CAPS"</u>					
Revenue Administration (Tax Collection):					
Salaries and Wages	\$42,000.00	\$42,000.00	\$40,306.59	\$693.41	\$1,000.00
Other Expenses	5,985.00	5,985.00	4,169.05	815.95	1,000.00
Tax Assessment Administration:					
Salaries and Wages	22,500.00	22,500.00	20,062.19	237.81	2,200.00
Other Expenses	1,900.00	1,900.00	1,894.95	5.05	
Legal Services (Legal Department):					
Other Expenses	85,000.00	85,000.00	65,845.00	15,255.00	\$3,900.00
Engineering Services:					
Other Expenses	69,000.00	69,000.00	69,000.00		
Tax Map Update	1,500.00	1,500.00	375.00	625.00	500.00
LAND USE ADMINISTRATION					
Planning Board:					
Salaries and Wages	6,600.00	6,600.00	5,546.54	1,053.46	
Other Expenses	10,050.00	10,050.00	9,378.67	671.33	
Zoning Board of Adjustment:					
Salaries and Wages	36,425.00	36,425.00	30,998.76	1,426.24	4,000.00
Other Expenses	900.00	900.00	488.78	411.22	

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

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**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>Operations Within "CAPS"</u>					
CODE ENFORCEMENT AND ADMINISTRATION					
Uniform Construction Code Official:					
Salaries and Wages	\$100.00	\$100.00		\$100.00	
Other Expenses	100.00	100.00		100.00	
Code Enforcement Officer:					
Salaries and Wages	36,425.00	36,425.00	\$31,000.23	1,424.77	\$4,000.00
Other Expenses	900.00	900.00	\$532.78	367.22	
INSURANCE					
General Liability	141,100.00	141,100.00	122,873.69	8,226.31	10,000.00
Worker's Compensation	192,000.00	192,000.00	192,000.00		
Employee Group Health	1,109,056.00	1,107,056.00	1,062,544.51	14,511.49	30,000.00
Health Benefits Waiver	1.00	2,001.00	712.17	1,288.83	
PUBLIC SAFETY					
Police Department:					
Salaries and Wages	1,810,400.00	1,801,400.00	1,672,781.83	24,618.17	104,000.00
Other Expenses	123,800.00	123,800.00	122,954.67	845.33	
Office of Emergency Management:					
Salaries and Wages	2,300.00	2,300.00	2,165.00	135.00	
Other Expenses	6,600.00	6,600.00	6,600.00		
Aid to Volunteer Fire Companies	42,150.00	42,150.00	41,865.74	284.26	
First Aid Contribution	28,000.00	28,000.00	28,000.00		

See Accompanying Notes



**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

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Sheet 4 of 10

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
<u>Operations Within "CAPS"</u>					
Fire Department:					
Fire Hydrant Service	\$27,500.00	\$27,500.00	\$27,490.50	\$9.50	
Municipal Prosecutor's Office:					
Other Expenses	14,700.00	14,700.00	11,950.00	750.00	\$2,000.00
Municipal Court:					
Salaries and Wages	103,300.00	103,300.00	98,143.28	1,156.72	4,000.00
Other Expenses	8,020.00	8,020.00	2,760.54	2,259.46	3,000.00
Public Defender:					
Other Expenses	2,500.00	2,500.00		500.00	2,000.00
<b>PUBLIC WORKS</b>					
Streets and Road Maintenance:					
Other Expenses	9,100.00	9,100.00	6,110.24	2,989.76	
Schedule C	4,000.00	4,000.00	4,000.00		
Other Public Works Functions:					
Salaries and Wages	889,800.00	874,800.00	825,062.03	19,737.97	30,000.00
Other Expenses	26,400.00	26,400.00	23,873.49	2,526.51	
Solid Waste Collection:					
Garbage	4,000.00	4,000.00	3,777.26	222.74	
Recycling and Source Separation	6,000.00	6,000.00	5,155.90	844.10	
Building and Grounds:					
Other Expenses	33,500.00	43,500.00	43,153.02	346.98	
Vehicle Maintenance:					
Other Expenses	65,000.00	70,000.00	66,958.37	3,041.63	

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

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**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>Operations Within "CAPS"</u>					
HEALTH AND HUMAN SERVICES					
Public Health Services (Board of Health):					
Salaries and Wages	\$1,500.00	\$1,500.00	\$1,454.00	\$46.00	
Other Expenses	500.00	500.00		500.00	
Animal Control Services:					
Salaries and Wages	5,150.00	5,150.00	5,090.04	59.96	
Other Expenses	1,500.00	1,500.00	298.00	452.00	\$750.00
RECREATION AND EDUCATION					
Recreation Services and Programs:					
Salaries and Wages	10,400.00	10,400.00	9,318.71	81.29	1,000.00
Other Expenses	17,100.00	17,100.00	16,798.11	301.89	
Community Service Programs:					
Other Expenses	2,400.00	2,400.00	1,400.00	500.00	500.00
Maintenance of Parks:					
Other Expenses	4,500.00	4,500.00	2,488.93	2,011.07	
Beach and Boardwalk Operations:					
Salaries and Wages (Summer)	339,210.00	335,210.00	321,654.30	2,555.70	11,000.00
Other Expenses	42,000.00	46,000.00	41,682.16	4,317.84	

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

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Sheet 6 of 10

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<u>Operations Within "CAPS"</u>					
Accumulated Leave Compensation	\$10,000.00	\$10,000.00	\$10,000.00		
Celebration of Public Events:					
Other Expenses	24,100.00	24,100.00	\$24,008.26	\$91.74	
Public Employees Occupational Safety and Health Act	4,500.00	4,500.00	3,709.31	790.69	
UNCLASSIFIED					
Electricity	75,000.00	75,000.00	68,484.06	6,515.94	
Street Lighting	49,000.00	49,000.00	46,000.00	3,000.00	
Telephone (excluding equipment acquisition)	25,900.00	25,900.00	19,541.82	1,358.18	\$5,000.00
Water	8,500.00	8,500.00	5,346.75	3,153.25	
Gas (natural or propane)	15,000.00	15,000.00	9,739.84	3,260.16	2,000.00
Fuel Oil	80,000.00	80,000.00	64,880.30	15,119.70	
Landfill/Solid Waste Disposal Costs	140,000.00	140,000.00	139,373.45	626.55	
Total Operations Within "CAPS"	6,112,747.00	6,103,747.00	5,697,680.32	171,966.68	234,100.00
Contingent	500.00	500.00		500.00	
Total Operations Including Contingent Within "CAPS"	6,113,247.00	6,104,247.00	5,697,680.32	172,466.68	234,100.00
Detail:					
Salaries and Wages	3,526,810.00	3,498,810.00	3,267,552.54	62,557.46	168,700.00
Other Expenses	2,586,437.00	2,605,437.00	2,430,127.78	109,909.22	65,400.00

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

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Sheet 7 of 10

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
<u>Operations Within "CAPS"</u>					
DEFERRED CHARGES AND STATUTORY EXPENDITURES					
Contribution to:					
Public Employees' Retirement System	\$154,500.00	\$157,500.00	\$156,217.91	\$1,282.09	
Social Security System (O.A.S.I.)	289,000.00	286,000.00	243,125.46	2,874.54	\$40,000.00
Police and Firemen's Retirement System of NJ	281,718.00	290,718.00	290,039.65	678.35	
Unemployment Compensation	7,000.00	7,000.00		500.00	6,500.00
Defined Contribution Retirement Program	500.00	500.00		500.00	
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>732,718.00</u>	<u>741,718.00</u>	<u>689,383.02</u>	<u>5,834.98</u>	<u>46,500.00</u>
Total General Appropriations For Municipal Purposes Within "CAPS"	<u>6,845,965.00</u>	<u>6,845,965.00</u>	<u>6,387,063.34</u>	<u>178,301.66</u>	<u>280,600.00</u>
<u>Operations Excluded from "CAPS"</u>					
Employee Group Health	3,379.00	3,379.00	3,379.00		
State Recycling Tax (C. 311, P.L. 2007)	9,000.00	9,000.00	9,000.00		
LOSAP	42,000.00	42,000.00		42,000.00	
Stormwater Management:					
Other Expenses	<u>5,000.00</u>	<u>5,000.00</u>	<u>2,590.00</u>	<u>410.00</u>	<u>2,000.00</u>
	<u>59,379.00</u>	<u>59,379.00</u>	<u>14,969.00</u>	<u>42,410.00</u>	<u>2,000.00</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

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Sheet 8 of 10

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
<u>Operations Excluded from "CAPS"</u>					
SHARED SERVICE AGREEMENTS					
Community Bus Transportation (Seaside Heights):					
Other Expenses	\$5,000.00	\$5,000.00			\$5,000.00
CAD System Hardware (Toms River):					
Other Expenses	5,000.00	5,000.00	\$5,000.00		
Total Shared Service Agreements	<u>10,000.00</u>	<u>10,000.00</u>	<u>5,000.00</u>		<u>5,000.00</u>
PUBLIC AND PRIVATE PROGRAMS OFFSET					
BY REVENUES					
Private Donations for Equipment (40A:4-87, \$9,212.40)		9,212.40	8,394.59	\$817.81	
Municipal Alliance on Alcoholism and Drug Abuse:					
State Share	21,461.00	21,461.00	21,461.00		
Local Share	5,365.25	5,365.25	5,365.25		
Body Armor Replacement Fund	1,594.52	1,594.52	1,594.52		
Clean Communities Grant	14,862.15	14,862.15	14,862.15		
Ocean County Tourism Grant	1,500.00	1,500.00	1,500.00		
Ocean County Tourism Grant - Local Match	1,500.00	1,500.00	1,500.00		
Local Arts Program	800.00	800.00	800.00		
COPS in Shops	1,800.00	1,800.00	1,800.00		
Total Public and Private Program Offset by Revenues	<u>48,882.92</u>	<u>58,095.32</u>	<u>57,277.51</u>	<u>817.81</u>	

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

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Sheet 9 of 10

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
<u>Operations Excluded from "CAPS"</u>					
Total Operations Excluded from "CAPS"	<u>\$118,261.92</u>	<u>\$127,474.32</u>	<u>\$77,246.51</u>	<u>\$43,227.81</u>	<u>\$7,000.00</u>
Detail:					
Other Expenses	<u>118,261.92</u>	<u>127,474.32</u>	<u>77,246.51</u>	<u>43,227.81</u>	<u>7,000.00</u>
<u>Capital Improvements Excluded from "CAPS"</u>					
Capital Improvement Fund	<u>25,000.00</u>	<u>25,000.00</u>	<u>25,000.00</u>		
<u>Municipal Debt Service Excluded from "CAPS"</u>					
Payment of Bond Principal	155,000.00	155,000.00	155,000.00		
Payment of Bond Anticipation Notes and Capital Notes	272,000.00	272,000.00	261,019.85		10,980.15
Interest on Bonds	39,200.00	39,200.00	26,550.00		12,650.00
Interest on Notes	69,500.00	69,500.00	69,076.24		423.76
Total Municipal Debt Service Excluded from "CAPS"	<u>535,700.00</u>	<u>535,700.00</u>	<u>511,646.09</u>		<u>24,053.91</u>
<u>Deferred Charges - Excluded from "CAPS"</u>					
Deferred Charges:					
Emergency Authorizations:					
Special Emergency Authorizations -					
5 Years (N.J.S. 40A:4-54)	<u>916,679.00</u>	<u>916,679.00</u>	<u>916,679.00</u>		

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

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Sheet 10 of 10

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

		<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
		<u>Budget</u>	<u>Budget after</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
			<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
Total General Appropriations for Municipal						
Purposes Excluded from "CAPS"		\$1,595,640.92	\$1,604,853.32	\$1,530,571.60	\$43,227.81	\$31,053.91
Subtotal General Appropriations		8,441,605.92	8,450,818.32	7,917,634.94	221,529.47	311,653.91
Reserve for Uncollected Taxes		521,656.00	521,656.00	521,656.00		
Total General Appropriations		<u>\$8,963,261.92</u>	<u>\$8,972,474.32</u>	<u>\$8,439,290.94</u>	<u>\$221,529.47</u>	<u>\$311,653.91</u>
	<u>Ref.</u>	A-2		A-1	A,A-1	
Budget	A-3		\$8,963,261.92			
Appropriation by 40A:4-87	A-2		9,212.40			
			<u>\$8,972,474.32</u>			
Reserve for Uncollected Taxes	A-2			\$521,656.00		
Cash Disbursed	1-A			6,732,385.68		
Due to Federal and State Grant Fund	8-A			48,882.92		
Deferred Charges				916,679.00		
Encumbrances Payable	9-A			219,687.34		
				<u>\$8,439,290.94</u>		

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**TRUST FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>			
Animal Control Trust Fund:			
Cash and Cash Equivalents	1-B	<u>\$696.36</u>	<u>\$672.98</u>
Other Trust Fund:			
Cash and Cash Equivalents	1-B	<u>791,986.63</u>	<u>789,553.53</u>
Length of Service Award Program Fund (LOSAP) - Unaudited:			
Investments	5-B	332,128.09	294,687.60
Municipal Contributions Receivable			16,800.00
		<u>332,128.09</u>	<u>311,487.60</u>
		<u>\$1,124,811.08</u>	<u>\$1,101,714.11</u>
<b><u>Liabilities and Reserves</u></b>			
Animal Control Fund:			
Reserve for Animal Control Fund Expenditures	4-B	<u>\$696.36</u>	<u>\$672.98</u>
Other Trust Fund:			
Payroll Deductions Payable		42,247.85	43,613.49
Miscellaneous Reserves	3-B	<u>749,738.78</u>	<u>745,940.04</u>
		<u>791,986.63</u>	<u>789,553.53</u>
Length of Service Award Program Fund (LOSAP) - Unaudited:			
Reserve for Length of Service Award Program Fund	6-B	<u>332,128.09</u>	<u>311,487.60</u>
		<u>\$1,124,811.08</u>	<u>\$1,101,714.11</u>

See Accompanying Notes



**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	1-C	\$4,363,870.81	\$5,166,288.43
Deferred Charges to Future Taxation:			
Funded	3-C	1,265,000.00	1,420,000.00
Unfunded	4-C	9,092,251.66	9,231,110.70
Grants Receivable	5-C	500,772.29	571,582.75
		<u>\$15,221,894.76</u>	<u>\$16,388,981.88</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
General Serial Bonds	6-C	\$1,265,000.00	\$1,420,000.00
Bond Anticipation Notes	7-C	11,794,617.00	11,896,765.00
Contracts Payable	8-C	141,129.00	1,036,841.12
Improvement Authorizations:			
Funded	9-C	217,678.29	171,067.80
Unfunded	9-C	709,623.61	821,060.66
Capital Improvement Fund	10-C	74,212.41	55,712.41
Reserve for Grants Receivable	11-C	84,749.62	169,435.81
Due to Current Fund		110,980.15	
Reserve for Insurance Claims		282,640.00	282,640.00
Reserve for Building Improvements		375,186.67	375,186.67
Reserve to Pay Notes		19,039.73	19,039.73
Fund Balance	C-1	147,038.28	141,232.68
		<u>\$15,221,894.76</u>	<u>\$16,388,981.88</u>

On December 31, 2016 and December 31, 2015, there were bonds and notes authorized but not issued of \$73,648.00 and \$0.00, respectively. (Schedule 12-C)

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**COMPARATIVE STATEMENT OF FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2016 and 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
Balance, January 1	C	\$141,232.68	\$99,186.97
Increased by:			
Premium on Refunding Bonds Issued		-	5,286.17
Premium on Notes Issued	1-C	<u>105,805.60</u>	<u>36,759.54</u>
		<u>105,805.60</u>	<u>42,045.71</u>
		247,038.28	141,232.68
Decreased by:			
Payment to Current Fund as Anticipated Revenue	1-C	<u>100,000.00</u>	<u>-</u>
Balance, December 31	C	<u><u>\$147,038.28</u></u>	<u><u>\$141,232.68</u></u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>			
Operating Fund:			
Cash and Cash Equivalents:			
Cash	1-D	\$839,905.25	\$820,485.36
Change Fund		62.50	62.50
		<u>839,967.75</u>	<u>820,547.86</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	3-D	<u>29,544.94</u>	<u>32,407.09</u>
Total Operating Fund		<u>869,512.69</u>	<u>852,954.95</u>
Capital Fund:			
Cash and Cash Equivalents	1-D	1,526,094.46	681,809.38
Fixed Capital	4-D	7,843,558.39	7,843,558.39
Fixed Capital Authorized and Uncompleted	14-D	<u>2,452,250.00</u>	<u>1,100,000.00</u>
Total Capital Fund		<u>11,821,902.85</u>	<u>9,625,367.77</u>
		<u>\$12,691,415.54</u>	<u>\$10,478,322.72</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4,5-D	\$39,606.15	\$29,717.79
Encumbrances Payable	6-D	39,140.47	40,280.23
Accounts Payable			6,100.00
Water Overpayments	7-D	3,467.24	3,415.04
Accrued Interest Payable	8-D	14,300.72	9,642.89
		<u>96,514.58</u>	<u>89,155.95</u>
Reserve for Receivables	D	29,544.94	32,407.09
Fund Balance	D-1	743,453.17	731,391.91
Total Operating Fund		<u>869,512.69</u>	<u>852,954.95</u>
Capital Fund:			
Serial Bonds	9-D	1,960,000.00	2,085,000.00
Bond Anticipation Notes	10-D	982,500.00	1,027,500.00
Capital Improvement Fund	11-D	72,970.00	67,970.00
Improvement Authorizations:			
Unfunded	13-D	1,476,873.90	143,229.14
Reserve to Pay Bond Anticipation Notes		1,296.48	1,296.48
Contracts Payable	13-D	5,901.32	4,820.12
Reserve for Insurance Claims		407,092.00	407,092.00
Reserve for Water Meters		20,427.60	20,427.60
Reserve for FEMA Proceeds		847,240.52	
Reserve for Amortization	12-D	5,883,559.26	5,758,559.26
Reserve for Deferred Amortization	16-D	117,500.00	72,500.00
Fund Balance	D-2	46,541.77	36,973.17
Total Capital Fund		<u>11,821,902.85</u>	<u>9,625,367.77</u>
		<u>\$12,691,415.54</u>	<u>\$10,478,322.72</u>

There were bonds and notes authorized but not issued on December 31, 2016 and 2015 in the amount of \$1,352,250.00 and \$0.00, respectively. (Schedule 15-D)

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER UTILITY OPERATING FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Revenue and Other Income Realized:			
Fund Balance Utilized	D-3	\$41,550.00	\$38,450.00
Water Rents	D-3	807,760.17	816,392.13
Fire Hydrant Service	D-3	22,050.00	22,050.00
Miscellaneous Revenue	D-3	18,969.49	27,528.11
Other Credits To Income:			
Unexpended Balance of Appropriation			
Reserves	5-D	39,137.43	34,261.86
Accounts Payable Cancelled		2,744.17	
Total Revenues		<u>932,211.26</u>	<u>938,682.10</u>
Expenditures:			
Operating	D-4	571,950.00	552,600.00
Capital Improvements	D-4	15,000.00	10,000.00
Debt Service	D-4	243,400.00	223,569.88
Statutory Expenditures	D-4	48,250.00	45,500.00
Total Expenditures		<u>878,600.00</u>	<u>831,669.88</u>
Excess in Revenue		53,611.26	107,012.22
Fund Balance January 1	D	<u>731,391.91</u>	<u>662,829.69</u>
		785,003.17	769,841.91
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-3	<u>41,550.00</u>	<u>38,450.00</u>
Fund Balance December 31	D	<u><u>\$743,453.17</u></u>	<u><u>\$731,391.91</u></u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER UTILITY CAPITAL FUND**  
**COMPARATIVE STATEMENT OF FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Balance, January 1	D	\$36,973.17	\$34,434.41
Increased by:			
Premium on Notes Issued	1-D	<u>9,568.60</u>	<u>2,538.76</u>
Balance, December 31	D	<u><u>\$46,541.77</u></u>	<u><u>\$36,973.17</u></u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER UTILITY OPERATING FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<b><u>Ref.</u></b>	<b><u>Anticipated Budget</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Deficit)</u></b>
Operating Surplus Anticipated	D-1	\$41,550.00	\$41,550.00	
Water Rents	D-1,3-D	815,000.00	807,760.17	(\$7,239.83)
Fire Hydrant Service	D-1,1-D	22,050.00	22,050.00	
Miscellaneous Revenue	D-1,1-D		18,969.49	18,969.49
	D-4	<u>\$878,600.00</u>	<u>\$890,329.66</u>	<u>\$11,729.66</u>

**Analysis of Miscellaneous Revenue**

Interest Earned on Delinquent Accounts		\$9,339.00
Water Disconnection Fees		5,750.00
Reconnection Fees		200.00
Other Miscellaneous Revenue		950.00
Water Main Fees		1,800.00
Interest Earned on Deposits		930.49
	D-3	<u>\$18,969.49</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER UTILITY OPERATING FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<b>Appropriated</b>		<b>Expended</b>		<b>Unexpended Balance Cancelled</b>
	<b>Budget</b>	<b>Budget after Modification</b>	<b>Paid or Charged</b>	<b>Reserved</b>	
Operating:					
Salaries and Wages	\$277,200.00	\$277,200.00	\$275,728.00	\$1,472.00	
Other Expenses	294,750.00	294,750.00	270,939.15	23,810.85	
Total Operating	<u>571,950.00</u>	<u>571,950.00</u>	<u>546,667.15</u>	<u>25,282.85</u>	
Capital Improvements:					
Capital Improvement Fund	5,000.00	5,000.00	5,000.00		
Capital Outlay	10,000.00	10,000.00		10,000.00	
	<u>15,000.00</u>	<u>15,000.00</u>	<u>5,000.00</u>	<u>10,000.00</u>	
Debt Service:					
Payment of Bond Principal	125,000.00	125,000.00	125,000.00		
Payment of Bond Anticipation and Capital Notes	45,000.00	45,000.00	45,000.00		
Interest on Bonds	68,500.00	68,500.00	68,500.00		
Interest on Notes	4,900.00	4,900.00	4,900.00		
Total Debt Service	<u>243,400.00</u>	<u>243,400.00</u>	<u>243,400.00</u>		
Statutory Expenditures:					
Contribution To:					
Public Employees' Retirement System	22,750.00	22,750.00	22,750.00		
Social Security System (O.A.S.I.)	23,000.00	23,000.00	21,176.70	1,823.30	
Unemployment Compensation	2,500.00	2,500.00		2,500.00	
Total Statutory Expenditures	<u>48,250.00</u>	<u>48,250.00</u>	<u>43,926.70</u>	<u>4,323.30</u>	
	<u>\$878,600.00</u>	<u>\$878,600.00</u>	<u>\$838,993.85</u>	<u>\$39,606.15</u>	
<b>Ref.</b>	D-3		D-1	D,D-1	
Cash Disbursements	1-D		\$730,353.38		
Encumbrances Payable	6-D		35,240.47		
Accrued Interest Payable	8-D		73,400.00		
			<u>\$838,993.85</u>		

See Accompanying Notes



**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**SEWER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Assets</u></b>			
Operating Fund:			
Cash and Cash Equivalents:			
Cash	1-E	\$881,699.90	\$759,424.77
Change Fund		62.50	62.50
		<u>881,762.40</u>	<u>759,487.27</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	3-E	39,020.54	45,506.42
Total Operating Fund		<u>920,782.94</u>	<u>804,993.69</u>
Capital Fund:			
Cash and Cash Equivalents	1-E	102,172.73	105,848.97
Fixed Capital	4-E	9,359,796.79	9,359,796.79
Fixed Capital Authorized and Uncompleted	5-E	100,000.00	100,000.00
Total Capital Fund		<u>9,561,969.52</u>	<u>9,565,645.76</u>
		<u><u>\$10,482,752.46</u></u>	<u><u>\$10,370,639.45</u></u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**SEWER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	E-4,6-E	\$36,353.88	\$19,975.95
Encumbrances Payable	7-E	11,983.30	15,766.35
Accounts Payable			5,500.00
Accrued Interest Payable	8-E	14,809.51	15,512.04
Sewer Overpayments	9-E	6,520.13	5,210.73
		<u>69,666.82</u>	<u>61,965.07</u>
Reserve for Receivables	E	39,020.54	45,506.42
Fund Balance	E-1	812,095.58	697,522.20
Total Operating Fund		<u>920,782.94</u>	<u>804,993.69</u>
Capital Fund:			
Serial Bonds and Loans	10-E	3,930,000.00	4,110,000.00
Bond Anticipation Notes	11-E	136,500.00	147,500.00
Capital Improvement Fund	12-E	28,500.00	28,500.00
Reserve to Pay Debt Service		21,919.00	21,919.00
Reserve for Amortization	13-E	5,388,296.79	5,197,296.79
Deferred Reserve for Amortization	17-E	5,000.00	5,000.00
Improvement Authorizations			
Unfunded	18-E	35,357.03	37,402.00
Contracts Payable	18-E	155.05	3,120.12
Fund Balance	E-2	16,241.65	14,907.85
Total Capital Fund		<u>9,561,969.52</u>	<u>9,565,645.76</u>
		<u>\$10,482,752.46</u>	<u>\$10,370,639.45</u>

There were no bonds and notes authorized but not issued on December 31, 2016 and 2015.

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**SEWER UTILITY OPERATING FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Revenue and Other Income Realized:			
Sewer Rents	E-3	\$1,387,686.80	\$1,411,636.21
Miscellaneous Revenue	E-3	14,288.68	16,791.67
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	6-E	16,938.04	63,278.62
Cancelled Accounts Payable Balance		1,887.78	
Total Revenue		<u>1,420,801.30</u>	<u>1,491,706.50</u>
Expenditures:			
Operating	E-4	923,950.00	894,900.00
Capital Improvements	E-4	10,000.00	
Debt Service	E-4	328,577.92	321,758.76
Statutory Expenditures	E-4	43,700.00	42,400.00
Total Expenditures		<u>1,306,227.92</u>	<u>1,259,058.76</u>
Excess in Revenue		114,573.38	232,647.74
Fund Balance January 1	E	<u>697,522.20</u>	<u>464,874.46</u>
Fund Balance December 31	E	<u><u>\$812,095.58</u></u>	<u><u>\$697,522.20</u></u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**SEWER UTILITY CAPITAL FUND**  
**COMPARATIVE STATEMENT OF FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Balance, January 1	E	\$14,907.85	\$12,154.61
Increased by:			
Premium on Notes Issued	1-E	1,333.80	-
Premium on Bond Sale		-	2,753.24
		<u>1,333.80</u>	<u>2,753.24</u>
Balance, December 31	E	<u>\$16,241.65</u>	<u>\$14,907.85</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**SEWER UTILITY OPERATING FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<b><u>Ref.</u></b>	<b><u>Anticipated Budget</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Deficit)</u></b>
Sewer Rents	E-1,3-E	\$1,312,750.00	\$1,387,686.80	\$74,936.80
Miscellaneous Revenue	E-1,1-E		14,288.68	14,288.68
	E-4	<u>\$1,312,750.00</u>	<u>\$1,401,975.48</u>	<u>\$89,225.48</u>
 <b><u>Analysis of Miscellaneous Revenue</u></b>				
Interest Earned on Delinquent Accounts			\$13,664.98	
Interest Earned on Deposits			422.84	
Miscellaneous			<u>200.86</u>	
	E-3		<u>\$14,288.68</u>	

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**SEWER UTILITY OPERATING FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<b>Appropriated</b>		<b>Expended</b>		<b>Unexpended</b>
	<b>Budget</b>	<b>Budget After Modification</b>	<b>Paid or Charged</b>	<b>Reserved</b>	<b>Balance Cancelled</b>
Operating:					
Salaries and Wages	\$246,500.00	\$246,500.00	\$243,757.47	\$2,742.53	
Other Expenses	182,450.00	182,450.00	160,654.41	21,795.59	
Ocean County Utilities Authority	495,000.00	495,000.00	494,955.00	45.00	
Total Operating	923,950.00	923,950.00	899,366.88	24,583.12	
Capital Improvements:					
Capital Outlay Fund	10,000.00	10,000.00		10,000.00	
Debt Service:					
Payment of Bond Principal	115,000.00	115,000.00	115,000.00		
Payment of Bond Anticipation Notes	11,000.00	11,000.00	11,000.00		
Interest on Bonds	139,900.00	139,900.00	135,937.36		\$3,962.64
Interest on Notes	700.00	700.00	700.00		
N.J.W.T.T. - Principal and Interest	68,500.00	68,500.00	65,940.56		2,559.44
Total Debt Service	335,100.00	335,100.00	328,577.92		6,522.08
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	23,200.00	23,200.00	23,200.00		
Social Security System (O.A.S.I.)	20,000.00	20,000.00	18,729.24	1,270.76	
Unemployment Compensation Insurance	500.00	500.00		500.00	
Total Statutory Expenditures	43,700.00	43,700.00	41,929.24	1,770.76	
	<u>\$1,312,750.00</u>	<u>\$1,312,750.00</u>	<u>\$1,269,874.04</u>	<u>\$36,353.88</u>	<u>\$6,522.08</u>
<b>Ref.</b>	<b>E-3</b>		<b>E-1</b>	<b>E,E-1</b>	
Cash Disbursements	1-E		\$1,124,212.82		
Encumbrances Payable	7-E		8,083.30		
Accrued Interest Payable	8-E		137,577.92		
			<u>\$1,269,874.04</u>		

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>			
Operating Fund:			
Cash and Cash Equivalents:			
Cash	1-F	\$1,168,154.42	\$1,148,474.52
Change Fund		75.00	75.00
Security Deposit		1,988.17	1,988.17
		<u>1,170,217.59</u>	<u>1,150,537.69</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	4-F	192,102.52	236,239.27
		<u>1,362,320.11</u>	<u>1,386,776.96</u>
Total Operating Fund			
		<u>1,362,320.11</u>	<u>1,386,776.96</u>
Capital Fund:			
Cash and Cash Equivalents	1-F	3,413,760.61	3,427,328.07
Fixed Capital	5-F	1,946,227.19	1,946,227.19
Fixed Capital Authorized and Uncompleted	6-F	5,425,000.00	5,425,000.00
Total Capital Fund		<u>10,784,987.80</u>	<u>10,798,555.26</u>
		<u>\$12,147,307.91</u>	<u>\$12,185,332.22</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**  
  
**ELECTRIC UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<u>Ref.</u>	<u>2016</u>	<u>2015</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	F-4,7-F	\$61,101.79	\$95,403.49
Encumbrances Payable	8-F	116,443.71	78,299.59
Accounts Payable			10,400.00
Accrued Interest Payable	15-F	6,900.31	5,700.14
Electric Overpayments	9-F	20,423.59	17,813.77
		<u>204,869.40</u>	<u>207,616.99</u>
Reserve for Receivables	F	192,102.52	236,239.27
Fund Balance	F-1	965,348.19	942,920.70
Total Operating Fund		<u>1,362,320.11</u>	<u>1,386,776.96</u>
Capital Fund:			
Improvement Authorizations:			
Unfunded	10-F	2,528,445.91	2,583,481.82
Bond Anticipation Notes	14-F	2,888,150.00	2,963,750.00
Capital Improvement Fund	11-F	52,500.00	42,500.00
Contracts Payable	10-F	6,317.67	3,120.12
Reserve for Amortization	12-F	1,759,530.06	1,738,974.06
Reserve to Pay Bond Anticipation Notes		878.96	878.96
Deferred Reserve for Amortization	13-F	244,682.00	2,463,273.07
Reserve for FEMA Proceeds	13-F	2,273,635.07	
Reserve for Insurance Claims		1,002,576.84	1,002,576.84
Fund Balance	F-2	28,271.29	0.39
Total Capital Fund		<u>10,784,987.80</u>	<u>10,798,555.26</u>
		<u>\$12,147,307.91</u>	<u>12,185,332.22</u>

There were bonds and notes authorized but not issued on December 31, 2016 and 2015 in the amount of \$2,500,000.00 and \$226,364.93, respectively. (Schedule 16-F)

See Accompanying Notes



**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY OPERATING FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Revenue and Other Income Realized:			
Fund Balance Utilized	F-3	\$112,700.00	\$484,950.00
Electric Rents	F-3	2,767,841.14	2,733,290.04
Interest on Investments and Deposits	F-3	2,208.99	1,816.23
Interest on Delinquent Electric Utility Rents	F-3	28,613.05	28,424.56
Miscellaneous Revenue	F-3	22,072.19	228,047.90
Other Credits to Income:			
Cancelled Accounts Payable		6,358.81	
Unexpended Balance of Appropriation Reserves	7-F	44,033.31	183,103.61
Total Revenues		<u>2,983,827.49</u>	<u>3,659,632.34</u>
Expenditures:			
Operating	F-4	2,664,800.00	2,608,400.00
Capital Improvements	F-4	20,000.00	10,000.00
Debt Service	F-4	90,100.00	67,782.68
Deferred Charges and Statutory Expenses	F-4	73,800.00	73,300.00
Total Expenditures		<u>2,848,700.00</u>	<u>2,759,482.68</u>
Excess in Revenue		135,127.49	900,149.66
Fund Balance, January 1	F	<u>942,920.70</u>	<u>527,721.04</u>
		1,078,048.19	1,427,870.70
Decreased By:			
Utilized as Anticipated Revenue	F-1,F-3	<u>112,700.00</u>	<u>484,950.00</u>
Fund Balance, December 31	F	<u><u>\$965,348.19</u></u>	<u><u>\$942,920.70</u></u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY CAPITAL FUND**  
**COMPARATIVE STATEMENT OF FUND BALANCE**  
**Years Ended December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Balance, January 1	F	\$0.39	\$0.39
Increased by:			
Premium on Notes Issued	1-F	<u>28,270.90</u>	<u>-</u>
Balance, December 31	F	<u><u>\$28,271.29</u></u>	<u><u>\$0.39</u></u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY OPERATING FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<b><u>Ref.</u></b>	<b><u>Anticipated Budget</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Deficit)</u></b>
Operating Surplus Anticipated	F-1	\$112,700.00	\$112,700.00	
Electric Rents	F-1,4-F	2,710,000.00	2,767,841.14	\$57,841.14
Interest on Investments and Deposits	F-1,1-F	1,000.00	2,208.99	1,208.99
Interest on Delinquent Electric Utility Rents	F-1,1-F	25,000.00	28,613.05	3,613.05
Miscellaneous Revenue	F-1,1-F		22,072.19	22,072.19
	F-4	<u>\$2,848,700.00</u>	<u>\$2,933,435.37</u>	<u>\$84,735.37</u>

**Analysis of Miscellaneous Revenue**

Meter Installation Fees		\$14,895.00
Disconnect and Reconnect Fees		4,600.00
De-Energizing Fees		2,027.19
Temporary Pole Service Fees		500.00
Miscellaneous		50.00
	F-3	<u>\$22,072.19</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY OPERATING FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
Operating:					
Salaries and Wages	\$426,800.00	\$423,800.00	\$411,274.51	\$12,525.49	
Other Expenses	410,000.00	413,000.00	409,771.66	3,228.34	
Power Purchased	1,828,000.00	1,828,000.00	1,796,513.59	31,486.41	
Total Operating	<u>2,664,800.00</u>	<u>2,664,800.00</u>	<u>2,617,559.76</u>	<u>47,240.24</u>	
Capital Improvements:					
Down Payment on Improvements	10,000.00	10,000.00		10,000.00	
Capital Improvement Fund	10,000.00	10,000.00	10,000.00		
Total Capital Improvements	<u>20,000.00</u>	<u>20,000.00</u>	<u>10,000.00</u>	<u>10,000.00</u>	
Debt Service:					
Payment of Bond Anticipation and Capital Notes	75,600.00	75,600.00	75,600.00		
Interest on Notes	14,500.00	14,500.00	14,500.00		
Total Debt Service	<u>90,100.00</u>	<u>90,100.00</u>	<u>90,100.00</u>		
Statutory Expenditures:					
Contribution To:					
Public Employees' Retirement System	38,300.00	38,300.00	38,300.00		
Social Security System (O.A.S.I.)	35,000.00	35,000.00	31,638.45	3,361.55	
Unemployment Compensation Insurance	500.00	500.00		500.00	
Total Deferred Charges and Statutory Expenditures	<u>73,800.00</u>	<u>73,800.00</u>	<u>69,938.45</u>	<u>3,861.55</u>	
	<u>\$2,848,700.00</u>	<u>\$2,848,700.00</u>	<u>\$2,787,598.21</u>	<u>\$61,101.79</u>	
	<b><u>Ref.</u></b>	<b><u>F-3</u></b>	<b><u>F-1</u></b>	<b><u>F,F-1</u></b>	
Cash Disbursements	1-F		\$2,660,933.80		
Accrued Interest Payable	15-F		14,500.00		
Encumbrances Payable	8-F		112,164.41		
			<u>\$2,787,598.21</u>		

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2016 and 2015**

	<b><u>Ref.</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b><u>Assets</u></b>			
General Fixed Assets:			
Buildings and Land		\$16,683,205.73	\$11,140,710.00
Equipment		6,166,489.79	5,155,868.62
		<u>\$22,849,695.52</u>	<u>\$16,296,578.62</u>
<b><u>Liabilities and Reserves</u></b>			
Investment in General Fixed Assets	1-G	<u>\$22,849,695.52</u>	<u>\$16,296,578.62</u>

See Accompanying Notes

**BOROUGH OF LAVALLETTE**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

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

**A. Reporting Entity**

The financial statements of the Borough of Lavallette, County of Ocean, New Jersey (the "Borough"), include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Board of Education, first aid squad or volunteer fire department, which are subject to separate audits.

The Governmental Accounting Standards Board ("GASB") established criteria to be used to determine if component units should be included in the financial statements of the oversight entity. These criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements. The Borough had no component units during 2016.

**B. Descriptions of Funds**

The GASB is the recognized standard setting body for establishing governmental accounting and financial reporting principles generally accepted in the United States of America. The GASB codification establishes certain fund types to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The accounting policies of the Borough conform to the accounting principles and practices prescribed by the Division. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

**Current Fund** – used to record revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

**Animal Control Fund** – used to record animal license revenues and expenditures.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Descriptions of Funds (Continued)**

**Other Trust Fund** – used to record assets held by the Borough in a trustee capacity or as an agent for individuals and other governmental agencies.

**Length of Service Award Program Fund** – used to record Borough contributions, changes in market value and administrative charges for program-eligible volunteers.

**General Capital Fund** – used to record resources, including federal and state grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

**Sewer Utility Operating and Capital Funds** – used to record the operations and acquisition of capital facilities of the Borough's sewer utility. Bonds and notes payable of the Utility Fund are recorded in the Utility Capital Fund.

**Water Utility Operating and Capital Funds** – used to record the operations and acquisition of capital facilities of the Borough's water utility. Bonds and notes payable of the Utility Fund are recorded in the Utility Capital Fund.

**Electric Utility Operating and Capital Funds** – used to record the operations and acquisition of capital facilities of the Borough's electric utility. Bonds and notes payable of the Utility Fund are recorded in the Utility Capital Fund.

**General Fixed Assets Account Group** – used to record fixed assets utilized in general government operations.

**C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. A modified accrual basis of accounting is followed with minor exceptions. The more significant differences are as follows:

**Property Taxes and Other Revenues** – Property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

**NOTE 1.     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C.     Basis of Accounting (Continued)**

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

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

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

**Appropriation Reserves** – Until lapsed at the close of the succeeding year, appropriation reserves are available 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.

**Deferred Charges** – The regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.



**NOTE 1.     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C.     Basis of Accounting (Continued)**

**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 Current Fund and the remaining obligations be recorded as a long-term obligation.

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

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

**Interfunds** – Advances in the Current Fund are reported as interfund receivables with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

**Inventories of Supplies** – The costs of inventories of supplies for all funds are recorded as expenditures at the time of purchase. The costs of inventories are not included on the various balance sheets.

**General Fixed Assets** – In accordance with N.J.A.C. 5:30-5.6, issued by the Local Finance Board, Department of Community Affairs, State of New Jersey, which differs in certain respects from GAAP, the Borough is required to develop a fixed assets accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are required to be 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.

For fixed assets acquired through December 31, 1985, valuation is required at historical cost or estimated historical cost if actual historical cost is not available. For assets acquired beginning on January 1, 1986, the required basis for valuation is historical cost. Depreciation is not required. GAAP requires fixed assets to be valued at cost and be depreciated.

**NOTE 1.     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C.     Basis of Accounting (Continued)**

**Utility Fixed Assets** – Property and equipment purchased by the Utility Funds are recorded in the capital accounts at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital funds represent charges to operations for the costs of acquisitions of property, equipment and improvements.

Property and equipment of the Utility Funds are not depreciated. Principal payments for Utility debt are recorded as expenditures in the Utility Statement of Operations.

**D.     Financial Statements**

The GASB Codification also defines the financial statements of a governmental unit to be presented in general purpose financial statements in accordance with GAAP. The Borough presents its financial statements, as listed in the table of contents, as required by the Division, which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

**E.     Budgets and Budgetary Accounting**

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with applicable statutes.

**F.     Reclassification**

Certain prior year amounts have been reclassified to conform to the current year financial statements presentation.

## NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include cash on hand, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

### Deposits

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

The Governmental Unit Deposit Protection Act ("GUDPA") is a supplemental insurance program set forth by the New Jersey Legislature to protect deposits of municipalities and local government agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. GUDPA requires public depositories to pledge collateral for deposit of public funds that exceed insurance limits. GUDPA requires that the market value of the collateral must equal five percent of the average daily balance of public funds; or if the public funds deposited exceed seventy-five percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred percent of the amount exceeding seventy-five percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. Although the Borough does not have a formal deposit policy for custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2016 and 2015, the Borough's bank balances were exposed to custodial credit risk as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Uninsured and Uncollateralized	\$165,945.56	\$106,107.01
GUPDA Insured and Collateralized with Securities Held by Pledging Financial Institutions	<u>17,531,417.93</u>	<u>18,519,236.78</u>
	<u>\$17,697,363.49</u>	<u>\$18,625,343.79</u>

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments**

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Borough may use available funds for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Borough:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Local government investment pools, subject to certain requirements.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P. L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a GUDPA bank;
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

b. Any investment instruments in which the security is not physically held by the Borough shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Borough and prevent unauthorized use of such investments.

c. Investments are further regulated and restricted in accordance with N. J. S. 40A:5-15.1.

**Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Borough does not have a formal investment policy for custodial credit risk for investments. Length of Service Award Program Fund investments were exposed to custodial credit risk and are invested at the discretion of each individual participant and not the Borough. The fair value and book value of the Borough's Length of Service Award Program Fund investments at December 31, 2016 and 2015 were \$332,128.09 and \$294,687.60 respectively.

**Credit Risk**

State law limits investments as described in prior sections of this note to the financial statements. As of December 31, 2016 and 2015, no such investments were held by the Borough.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal investment policy for interest rate risk.

**NOTE 3. TAXES COLLECTED IN ADVANCE**

Taxes collected in advance and set forth as cash liabilities in the financial statements are as follows:

	<u>2016</u>	<u>2015</u>
Prepaid Taxes	\$224,115.44	\$213,067.26

#### **NOTE 4. DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes (the “notes”) are issued to temporarily finance 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. All notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. No notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which the notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

##### **A. Long-Term Debt**

The Borough’s long-term debt is summarized as follows:

<u>General Capital Bonds</u>				
<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>
General Capital Refunding Bonds	3/31/15	\$1,420,000.00	1.50% - 2.50%	<u>\$1,265,000.00</u>
<u>Water Utility Bonds</u>				
<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>
Water Capital Refunding Bonds	7/18/12	\$1,560,000.00	3.25% - 4.00%	\$1,360,000.00
Water Capital Refunding Bonds	3/31/15	680,000.00	1.50% - 2.50%	<u>600,000.00</u>
				<u>\$1,960,000.00</u>

**NOTE 4. DEBT (CONTINUED)****A. Long-Term Debt (Continued)**

<u>Sewer Utility Bonds and Loans</u>		<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>
<u>Purpose</u>					
Sewer Capital Refunding Bonds		7/18/12	\$3,395,000.00	3.25% - 4.00%	\$3,325,000.00
Sewer Capital Refunding Bonds		3/31/15	685,000.00	1.50% - 2.50%	605,000.00
					<u>\$3,930,000.00</u>

Long-term debt service requirements are as follows:

<u>General Capital</u>			
<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$155,000.00	\$24,225.00	\$179,225.00
2018	150,000.00	21,937.50	171,937.50
2019	145,000.00	19,362.50	164,362.50
2020	150,000.00	16,412.50	166,412.50
2021	140,000.00	13,512.50	153,512.50
2022-2025	525,000.00	24,531.25	549,531.25
	<u>\$1,265,000.00</u>	<u>\$119,981.25</u>	<u>\$1,384,981.25</u>

**NOTE 4. DEBT (CONTINUED)****A. Long-Term Debt (Continued)**

<u>Water Utility</u>			
<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$120,000.00	\$61,168.76	\$181,168.76
2018	130,000.00	58,206.26	188,206.26
2019	125,000.00	54,856.26	179,856.26
2020	125,000.00	51,406.26	176,406.26
2021	125,000.00	47,806.26	172,806.26
2022-2026	535,000.00	185,340.65	720,340.65
2027-2031	370,000.00	111,662.50	481,662.50
2032-2036	430,000.00	45,825.00	475,825.00
	<u>\$1,960,000.00</u>	<u>\$616,271.95</u>	<u>\$2,576,271.95</u>

<u>Sewer Utility</u>			
<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$195,000.00	\$133,493.76	\$328,493.76
2018	200,000.00	127,568.76	327,568.76
2019	205,000.00	121,256.26	326,256.26
2020	200,000.00	114,656.26	314,656.26
2021	205,000.00	108,019.26	313,019.26
2022-2026	1,045,000.00	430,121.38	1,475,121.38
2027-2031	985,000.00	253,700.00	1,238,700.00
2032-2035	895,000.00	78,375.00	973,375.00
	<u>\$3,930,000.00</u>	<u>\$1,367,190.68</u>	<u>\$5,297,190.68</u>



**NOTE 4. DEBT (CONTINUED)****A. Long-Term Debt (Continued)**

Long-term debt transactions for the years ended December 31, 2016 and 2015 are summarized as follows:

	Balance Dec. 31, 2015	Additions	Deductions	Balance Dec. 31, 2016
General Capital Fund	\$1,420,000.00		\$155,000.00	\$1,265,000.00
Water Utility Capital Fund	2,085,000.00		125,000.00	1,960,000.00
Sewer Utility Capital Fund	4,110,000.00		180,000.00	3,930,000.00
	<u>\$7,615,000.00</u>	<u>-</u>	<u>\$460,000.00</u>	<u>\$7,155,000.00</u>

	Balance Dec. 31, 2014	Additions	Deductions	Balance Dec. 31, 2015
General Capital Fund	\$1,525,000.00	\$1,420,000.00	\$1,525,000.00	\$1,420,000.00
Water Utility Capital Fund	2,195,000.00	680,000.00	790,000.00	2,085,000.00
Sewer Utility Capital Fund	4,260,000.00	685,000.00	835,000.00	4,110,000.00
	<u>\$7,980,000.00</u>	<u>\$2,785,000.00</u>	<u>\$3,150,000.00</u>	<u>\$7,615,000.00</u>

**B. Short-Term Debt**

At December 31, 2016 and 2015 the Borough's outstanding bond anticipation notes were as follows:

	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2016
General Capital Fund	8/3/16	8/2/17	2.00%	\$10,791,117.00
General Capital Fund	12/9/16	8/2/17	1.36%	1,003,500.00
Water Utility Capital Fund	8/3/16	8/2/17	2.00%	982,500.00
Sewer Utility Capital Fund	8/3/16	8/2/17	2.00%	136,500.00
Electric Utility Capital Fund	8/3/16	8/2/17	2.00%	2,888,150.00

	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2015
General Capital Fund	7/28/15	7/27/16	0.45%	\$11,461,765.00
General Capital Fund	12/10/15	12/9/16	0.76%	435,000.00
Water Utility Capital Fund	7/28/15	7/27/16	0.45%	1,027,500.00
Sewer Utility Capital Fund	7/28/15	7/27/16	0.45%	147,500.00
Electric Utility Capital Fund	7/28/15	7/27/16	0.45%	2,963,750.00

**NOTE 4. DEBT (CONTINUED)****C. Special Emergency Notes**

At December 31, 2016 and 2015 the Borough's outstanding special emergency notes were as follows:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2016</u>
Current Fund:				
Hurricane Sandy	11/17/16	11/16/17	1.1798%	\$776,642.00
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2015</u>
Current Fund:				
Hurricane Sandy	11/18/15	11/17/16	0.79%	\$1,693,321.00

Short-term debt transactions for the years ended December 31, 2016 and 2015 are summarized as follows:

	<u>Balance Dec. 31, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec. 31, 2016</u>
Current Fund	\$1,693,221.00	\$776,642.00	\$1,693,221.00	\$776,642.00
General Capital Fund	11,896,765.00	11,794,617.00	11,896,765.00	11,794,617.00
Water Utility Capital Fund	1,027,500.00	982,500.00	1,027,500.00	982,500.00
Sewer Utility Capital Fund	147,500.00	136,500.00	147,500.00	136,500.00
Electric Utility Capital Fund	2,963,750.00	2,888,150.00	2,963,750.00	2,888,150.00
	<u>\$17,728,736.00</u>	<u>\$16,578,409.00</u>	<u>\$17,728,736.00</u>	<u>\$16,578,409.00</u>
	<u>Balance Dec. 31, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance Dec. 31, 2015</u>
Current Fund	\$2,050,000.00	\$1,693,221.00	\$2,050,000.00	\$1,693,221.00
General Capital Fund	11,192,655.00	11,896,765.00	11,192,655.00	11,896,765.00
Water Utility Capital Fund	515,000.00	1,027,500.00	515,000.00	1,027,500.00
Sewer Utility Capital Fund	111,000.00	147,500.00	111,000.00	147,500.00
Electric Utility Capital Fund	2,970,000.00	2,963,750.00	2,970,000.00	2,963,750.00
	<u>\$16,838,655.00</u>	<u>\$17,728,736.00</u>	<u>\$16,838,655.00</u>	<u>\$17,728,736.00</u>

**NOTE 5. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED**

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

**NOTE 6. ACCRUED UNPAID SICK AND VACATION BENEFITS - UNAUDITED**

As discussed in Note 1 and in accordance with accounting principles prescribed by the Division, the cash basis of accounting is followed for recording the Borough's liability related to unused sick and vacation pay. The Borough permits its employees to accumulate unused sick and vacation pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current costs of such unpaid compensation at December 31, 2016 and 2015 were \$369,835.45 and \$391,059.69 respectively. In accordance with accounting principles and practices prescribed by the Division, this amount is not reported as an expenditure or liability in the accompanying financial statements.

**NOTE 7. FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2016 and 2015, which were appropriated and included as anticipated revenue in budgets for the years ending December 31, 2017 and 2016 were as follows:

For the year ended December 31, 2017,

Current Fund	\$1,125,400.00
General Capital Fund	147,038.28
Water Utility Operating Fund	140,056.23
Water Utility Capital Fund	46,541.77
Sewer Utility Operating Fund	100,000.00
Electric Utility Operating Fund	624,172.91
Electric Utility Capital Fund	28,271.29

For the year ended December 31, 2016,

Current Fund	\$1,443,500.00
General Capital Fund	100,000.00
Water Utility Operating Fund	41,550.00
Electric Utility Operating Fund	112,700.00

**NOTE 8. ASSESSMENT AND COLLECTION OF PROPERTY TAXES**

New Jersey statutes require that taxable valuation of real property be prepared by the local unit tax assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District and County, the tax rate is struck by the County Tax Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough tax collector on or before May 13. New Jersey statutes require that each local unit provide for sufficient anticipated cash receipts equal to the "lawful yearly expenditure" which includes the total amount of property taxes to be raised by the local unit.

Taxes are levied on an annual basis and are due quarterly on February 1, May 1, August 1, and November 1. Any taxes not paid as of December 31 are subject to tax sale and lien in the subsequent year, with the exception of bankruptcies. The date of tax sale is at the discretion of the tax collector.

The Borough is responsible for remitting one hundred percent of school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the Borough and not the school districts or county.

**NOTE 9. UNEMPLOYMENT COMPENSATION INSURANCE**

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et. seq.). The Borough has elected to fund a self-insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. The reserves for unemployment compensation insurance at December 31, 2016, 2015 and 2014 were \$65,167.33, \$62,368.70, and \$55,403.80, respectively.

**NOTE 10. FIXED ASSETS**

Fixed assets activity for the years ended December 31, 2016 and 2015 was as follows:

	Balance Dec. 31, 2015	Additions	Dispositions	Balance Dec. 31, 2016
Buildings and Land	\$11,140,710.00	\$5,542,495.73		\$16,683,205.73
Equipment	5,155,868.62	1,202,922.07	\$192,300.90	6,166,489.79
	<u>\$16,296,578.62</u>	<u>\$6,745,417.80</u>	<u>\$192,300.90</u>	<u>\$22,849,695.52</u>

	Balance Dec. 31, 2014	Additions	Dispositions	Balance Dec. 31, 2015
Buildings and Land	\$11,140,710.00			\$11,140,710.00
Equipment	5,032,840.43	\$329,549.95	\$206,521.76	5,155,868.62
	<u>\$16,173,550.43</u>	<u>\$329,549.95</u>	<u>\$206,521.76</u>	<u>\$16,296,578.62</u>

**NOTE 11. SCHOOL TAXES**

Regulations provide for deferral of not more than fifty percent 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 taxes on a school year basis and has elected to defer these taxes at December 31, 2016 and 2015 as follows:

	Local District School Tax	
	2016	2015
Balance of Tax	\$1,823,018.10	\$1,803,622.60
Deferred	777,957.38	777,957.38
Tax Payable	<u>\$1,045,060.72</u>	<u>\$1,025,665.22</u>

## **NOTE 12. PENSION PLANS**

### **Description of Systems**

The Borough contributes to the Public Employees' Retirement System ("PERS"), and the Police and Firemen's Retirement System ("PFRS"), cost-sharing multiple employer defined benefit pension plans administered by the Division of Pensions and Benefits in the Department of the Treasury, State of New Jersey. The plans provide retirement, death, disability benefits and medical benefits to certain qualifying members and beneficiaries. PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. PFRS was established on July 1, 1944, under the provisions of N.J.S.A. 43:16A. PERS and PFRS issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits.

### **Funding Policy**

PERS employee contributions were 7.06% of base wages through June 30, 2016. Effective July 1, 2016 PERS employee contributions were 7.20% of base wages. PERS prosecutor employee contributions were 10.00% of base wages. PFRS employee contributions were 10.00% of base wages. The Division of Pensions actuarially determines employer's contributions annually.

### **Defined Contribution Retirement Program**

The Defined Contribution Retirement Program ("DCRP") is a cost-sharing multiple employer defined contribution pension fund which was established in 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. DCRP provides eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

Employee contributions to DCRP are five and one-half percent (5.50%) of base wages. Member contributions are matched by a three percent (3.00%) employer contribution.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at December 31, 2016.

### **Public Employees Retirement System (PERS)**

At June 30, 2016, the State reported a net pension liability of \$8,761,431.00 for the Borough's proportionate share of the total net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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 employers, actuarially determined.

**NOTE 12. PENSION PLANS (CONTINUED)**

**Public Employees Retirement System (PERS) (Continued)**

At June 30, 2016, the Borough's proportion was 0.0295823081 percent, which was an increase of 0.0016989614 percent from its proportion measured as of June 30, 2015.

The pension expense recognized in the Borough's financial statement based on the April 1, 2016 billing was \$252,323.00.

**Actuarial Assumptions**

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. These actuarial valuations used the following assumptions:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases (based on age)		
Through 2026	1.65% - 4.15%	2.15% - 4.40%
Thereafter	2.65% - 5.15%	2.15% - 4.40%
Investment Rate of Return	7.65%	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees

The actuarial assumptions used 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.

**NOTE 12. PENSION PLANS (CONTINUED)****Public Employees Retirement System (PERS) (Continued)****Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 and June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Target</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

**NOTE 12. PENSION PLANS (CONTINUED)****Public Employees Retirement System (PERS) (Continued)****Discount Rate**

The discount rate used to measure the total pension liability was 3.98% and 4.90% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, 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 average of the last five years of contributions made in relation to the last five years of recommended 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**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, 2016 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 (2.98%) or 1 percentage point higher (4.98%) than the current rate:

	June 30, 2016		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>2.98%</u>	<u>3.98%</u>	<u>4.98%</u>
Borough's proportionate share of the pension liability	\$10,736,111.00	\$8,761,431.00	\$7,131,162.00

**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).



## NOTE 12. PENSION PLANS (CONTINUED)

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

At June 30, 2016, the State reported a net pension liability of \$5,968,192.00 for the Borough's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. 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 employers, actuarially determined. At June 30, 2016, the Borough's proportion was 0.0312428943 percent, which was a decrease of 0.0034151247 percent from its proportion measured as of June 30, 2015.

The pension expense recognized in the Borough's financial statement based on the April 1, 2016 billing was \$290,039.65.

### Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following assumptions:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases (based on age)		
Through 2026	2.10% - 8.98%	2.60% - 9.48%
Thereafter	3.10% - 9.98%	3.60% - 10.48%
Investment Rate of Return	7.65%	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**NOTE 12. PENSION PLANS (CONTINUED)****Police and Firemen's Retirement System (PFRS) (Continued)****Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 and June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

## NOTE 12. PENSION PLANS (CONTINUED)

### Police and Firemen's Retirement System (PFRS) (Continued)

#### Discount Rate

The discount rate used to measure the total pension liability was 5.55% and 5.79% as of June 30, 2016 and 2015, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% and 3.80% as of June 30, 2016 and 2015, respectively, 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 average of the last five years of contributions made in relation to the last five years of recommended 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 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

#### 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, 2016 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 (4.55) or 1 percentage point higher (6.55%) than the current rate:

	June 30, 2016		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>4.55%</u>	<u>5.55%</u>	<u>6.55%</u>
Borough's proportionate share of the pension liability	\$7,695,546.00	\$5,968,192.00	\$4,559,639.00

#### 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

**NOTE 13.     LENGTH OF SERVICE AWARD PLAN PROGRAM**

The Borough has established a Length of Service Award Program to ensure retention of the Borough's volunteer fire department and first aid squad. The Plan has been established under the laws of the State of New Jersey with the intent that it meets the requirements of a length of service award plan under Section 457(e)(11)(B) of the Internal Revenue Code.

Annual Contribution - The annual contribution to be made by the Borough for each active volunteer member that meets certain eligibility criteria ranges from \$600.00 to \$1,000.00.

Appropriations - Appropriations for the purpose of funding the Borough's Length of Service Award Program are included as a separate line item in the Borough's budget.

**NOTE 14.     DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

At December 31, 2016 and 2015 the following deferred charges are reflected on the balance sheet of the current fund:

	Balance Dec. 31, 2016	Balance Dec. 31, 2015
Current Fund:		
Special Emergency Authorization (40A:4-54)	<u>\$916,679.77</u>	<u>\$1,833,358.77</u>

The budget appropriations to fund the deferred charges at December 31, 2016 and 2015 were not less than required by statute.

**NOTE 15.     DEFERRED COMPENSATION**

The Borough has adopted a Deferred Compensation Plan (the "Plan") in accordance with Section 457 of the Internal Revenue Code and P.L. 1977, C.381; P.L. 1978, C.39; P.L. 1980, C.78; and P.L. 1997, C.116 of the statutes of the State of New Jersey.

The Plan enables the Borough's employees to voluntarily authorize a portion of their salary to be withheld and invested in certain investments permitted under applicable regulations.

#### **NOTE 16.     POSTEMPLOYMENT RETIREMENT HEALTH BENEFITS**

In addition to the pension benefits described in Note 12, the Borough provides postemployment retirement health benefits for employees who retire after 25 years of service. Benefits consist of full medical coverage and costs are reported as they are paid.

##### **Plan Description**

The Borough contributes to the State Health Benefits Program ("SHBP"), a cost sharing, multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey, Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et. seq., to provide health benefits to employees of the State of New Jersey, retirees, and their dependents. Rules governing the operation and administration of the SHBP are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey, Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. The financial report of the SHBP may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

##### **Funding Policy**

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

Contributions to pay health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. The Borough's postemployment retirement health benefits contributions to the SHBP for the years ended December 31, 2016, 2015, and 2014 were \$412,562.41, \$330,814.23, and \$351,401.59, respectively, which equaled the required contributions for each year.

#### **NOTE 17.     RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to torts, theft and damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Borough is a member of the Ocean County Municipal Joint Insurance Fund (the "Fund"). The Fund is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation, and is sustained through member premiums. In addition, the Fund participates in the Municipal Excess Liability Joint Insurance Fund that has a contract for excess liability insurance for property.

**NOTE 18. INTERFUND BALANCES**

The balances of interfund receivables and payables at December 31, 2016 and 2015 are presented below:

	December 31, 2016	December 31, 2015
<u>Receivables</u>		
Current Fund	\$110,980.15	
Federal and State Grant Fund	72,595.28	\$667.35
	<u>\$183,575.43</u>	<u>\$667.35</u>
<u>Payables</u>		
General Capital Fund	\$110,980.15	
Current Fund	72,595.28	\$667.35
	<u>\$183,575.43</u>	<u>\$667.35</u>

All balances resulted from the time lag between the dates that payments between funds were made.

**NOTE 19. COMMUNITY DISASTER LOAN**

On March 11, 2013, the Borough approved a resolution authorizing the execution of a promissory note for a Community Disaster Loan (the "Loan") in the amount of \$2,712,475.00 with the United States Department of Homeland Security, Federal Emergency Management Agency. Loan proceeds of \$200,660.00, \$937,815.00 and \$1,574,000.00 were utilized as items of revenue in the Borough's 2015, 2014 and 2013 budgets, respectively.

As of December 31, 2016, the Loan principal balance and related accrued interest were \$2,712,475.00 and \$53,958.70 respectively. The full principal amount of the Loan and all accumulated accrued interest is due on April 16, 2018, and the interest rate on the loan is 0.75% per annum. The term of the loan is five years, but may be extended. When applicable, the Assistant Administrator of the Disaster Assistance Directorate may cancel repayment of all or part of the loan if the revenues of the Borough in the three fiscal years following the financial year of the disaster are insufficient to meet the operating budget because of disaster related revenue losses and un-reimbursed disaster related operating expenses.

**NOTE 20. CONTINGENT LIABILITIES****Grant Financial Assistance**

The Borough receives certain financial assistance in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. The Borough's administration anticipates that no material liabilities will result from such audits.

**NOTE 20.    CONTINGENT LIABILITIES (continued)**

**Legal Proceedings**

The Borough is party to certain legal proceedings, the resolution and impact of which, individually or in the aggregate, in the opinion of the Borough's administration, are not likely to have a material adverse impact on the Borough's financial position or adversely affect the Borough's ability to levy, collect, and enforce the collection of taxes or other revenue for the repayment of its bonds or other obligations.

**Tax Appeals**

There are various tax appeal cases pending against the Borough before the New Jersey Tax Court, requesting a reduction of assessed valuation. Under accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Borough does not recognize liability, if any, until a case has been adjudicated.

**Annexation of Land**

On January 28, 2010, the Superior Court of New Jersey made effective an ordinance of the Borough for the annexation of land (Bay Beach Way) from the Township of Toms River, New Jersey (the "Township"). Effective January 28, 2010, the Borough was responsible for the collection of municipal, school board and county taxes on the annexed land. The Borough's payment to the Township, representing bonded and other indebtedness attributable to the annexed land acquired from the Township, has yet to be determined.

**NOTE 21.    SUBSEQUENT EVENTS**

On June 19, 2017, the Borough adopted a resolution authorizing the issuance of general obligation bonds (the "Bonds") in the principal amount not to exceed \$5,715,000.00. The Bonds are being issued to currently refund a portion of the Borough's bond anticipation note that matures on August 2, 2017, and the costs incurred in connection with the authorization, sale and issuance of the Bonds.

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

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Borough of Lavallette, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$5,665,000 General Obligation Bonds, Series 2017 (the "Bonds"). The Bonds are being issued pursuant to various Bond Ordinances (collectively, the "Ordinances") duly adopted by the Council of the Issuer (the "Council"), as set forth in a Resolution duly adopted by the Council on June 19, 2017 (the "Resolution"). The Bonds are dated their date of delivery and shall mature on August 1<sup>st</sup> in the years 2018 through 2037, inclusive. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12, as amended.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

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

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

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access System operated by MSRB.

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

"MSRB" shall mean the Municipal Securities Rule Making Board.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" or "Repositories" shall mean each State Repository, if any, and the Municipal Securities Rulemaking Board (the "MSRB") via the MSRB's Electronic Municipal Market Access system ("EMMA").

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

“State” shall mean the State of New Jersey.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports. (a) The Issuer shall, or cause the Dissemination Agent to, not later than September 30th of each year, commencing September 30, 2018 for the Annual Report for the fiscal year ending December 31, 2017, provide to the MSRB via the EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner not in excess of ten (10) business days after such required date, send a notice, in substantially the form attached hereto as Exhibit A, to the MSRB via EMMA on such form and in such format as shall be required by the MSRB for such filings.

(c) The Dissemination Agent shall:

1. If the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Reports. (a) The Issuer's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as from time to time in effect, and as prescribed by the Division of Local Government Services in the Department of Community Affairs of the State pursuant to Chapter 5 of Title 40A of the New Jersey Statutes. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Certain financial and operating data of the Issuer, consisting of: (i) Issuer indebtedness; (ii) the Issuer's most current adopted budget; (iii) property valuation information; and (iv) tax rate, levy and collection data.

#### SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall deliver in a timely manner not in excess of ten (10) business days after the occurrence of the event, through EMMA, at [www.emma.msrb.org](http://www.emma.msrb.org), notice of the occurrence 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 a proposed or final determination of taxability, Notice 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 holders of the Bonds, if material;
8. bond calls, if material;
9. defeasances;
10. release, substitution, or sale of property securing payment of the Bonds, if material;
11. rating changes;
12. tender offers for the Bonds;
13. bankruptcy, insolvency, receivership or similar events of the Issuer;
14. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

15. appointment of a successor or additional trustee, or the change of a trustee, if material.

The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the final official statement (as defined in the Rule), (ii) the only open issue is which securities will be redeemed in the case of a partial redemption; (iii) notice of redemption is given to the Bondholders as required under the terms of the securities and (iv) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced prior to optional redemptions or security purchases.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event (for which a determination of materiality is applicable) would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the MSRB via EMMA.

**SECTION 6. Termination of Reporting Obligation.** The obligations of the Issuer under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

**SECTION 7. Dissemination Agent.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The Initial Dissemination Agent shall be the Issuer.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

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

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

SECTION 10. Prior Compliance with the Rule. The Issuer is currently in compliance with all previous undertakings, if any, to provide secondary market disclosure pursuant to the Rule.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**BOROUGH OF LAVALLETTE, IN THE  
COUNTY OF OCEAN, NEW JERSEY**

By \_\_\_\_\_  
**CHRISTINE SIERFELD,**  
**Chief Financial Officer**

**Dated: August 1, 2017**



**EXHIBIT A**

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

Name of Issuer: Borough of Lavallette, County of Ocean, New Jersey  
Name of Bond Issue: \$5,665,000 General Obligation Bonds, Series 2017  
Dated Date: August 1, 2017  
(CUSIP Number: \_\_\_\_\_)

NOTICE IS HEREBY GIVEN that the above designated Borough has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Agreement for the General Obligation Bonds dated August 1, 2017 and executed by the Borough. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

**BOROUGH OF LAVALLETTE, IN THE  
COUNTY OF OCEAN, NEW JERSEY**

By \_\_\_\_\_  
Name:  
Title:

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

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

I, CHRISTINE SIERFELD, Chief Financial Officer of the Borough of Lavallette, in the County of Ocean, State of New Jersey (the “Borough”), DO HEREBY CERTIFY on behalf of the Borough to Oppenheimer & Co. Inc., Philadelphia, PA (the “Underwriter”) of the Bond Anticipation Notes, Series 2017, in the principal amount of \$3,552,198, dated August 1, 2017, and maturing August 1, 2018 (the “Notes”), in connection with the issuance of the Notes, that pursuant to requirement of Rule 15c2-12 promulgated by the Securities and Exchange Act of 1934, as amended and supplemented (the “Rule”), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Municipal Securities Rule Making Board (the “MSRB”), of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notice 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 holders of the Bonds, if material; (8) bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing payment of the Bonds, if material; (11) rating changes; (12) tender offers for the Bonds; (13) bankruptcy, insolvency, receivership or similar events of the Borough; (14) the consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all 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; and (15) the appointment of a successor or additional trustee, or the change of a trustee, if material.

Whenever the Borough obtains actual knowledge of the occurrence of any of the aforementioned events and when the occurrence of such events will constitute material information to the holders of the Notes, the Borough shall, in a timely manner not in excess of ten (10) business days after each such occurrence, electronically file a notice with the MSRB.

The Borough’s obligation under this Certificate shall terminate upon the defeasance or payment in full of the Notes.

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

This Certificate shall is solely for the benefit for the Borough, the Underwriter and the holders of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the Borough as of this 1st day of August, 2017.

**BOROUGH OF LAVALLETTE, IN THE  
COUNTY OF OCEAN, NEW JERSEY**

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**CHRISTINE SIERFELD,  
Chief Financial Officer**

**APPENDIX E**  
**FORM OF BOND COUNSEL'S OPINION FOR THE BONDS**

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—LAW OFFICES—

## GLUCKWALRATH LLP

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*An opinion in substantially the following form  
will be delivered at Closing assuming no  
material changes in facts or law.*

August 1, 2017

Mayor and Members of the Borough Council  
Borough of Lavallette  
Ocean County, New Jersey

**RE: Borough of Lavallette, County of Ocean, New Jersey  
\$5,665,000 General Obligation Bonds, Series 2017**

Dear Mayor and Council:

We have examined the record of proceedings relating to the issuance of \$5,665,000 General Obligation Bonds, Series 2017 (the “Bonds”), of the Borough of Lavallette, in the County of Ocean, a municipal corporation of the State of New Jersey (the “Borough”). The Bonds are dated August 1, 2017 and mature on August 1st in each year in the principal amounts set forth in the tables below. Interest on the Bonds, at the respective rates of interest set forth below, is payable semiannually on February 1st and August 1st of each year, commencing on February 1, 2018, until maturity or prior redemption.

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$200,000	2.000%	2028	\$320,000	3.000%
2019	210,000	3.000	2029	315,000	3.000
2020	215,000	4.000	2030	315,000	3.000
2021	235,000	4.000	2031	315,000	3.000
2022	235,000	4.000	2032	315,000	3.000
2023	250,000	4.000	2033	315,000	3.000
2024	250,000	4.000	2034	315,000	3.000
2025	255,000	4.000	2035	315,000	3.000
2026	325,000	2.125	2036	315,000	3.000
2027	330,000	2.250	2037	320,000	3.000

August 1, 2017

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The Bonds are subject to redemption prior to maturity as set forth in the Official Statement.

The Bonds are issued in fully registered form without coupons and are transferable as provided therein and are of various denominations and are numbered consecutively upwards. We have examined each bond as executed, and, in our opinion, their form and execution are regular and proper.

The Bonds are authorized pursuant to the Local Bond Law of the State of New Jersey (*N.J.S.A. 40A:2-1 et seq.*) and are issued pursuant to a Bond Resolution adopted by the Borough on June 19, 2017 (the “Bond Resolution”), and by virtue of various Bond Ordinances finally adopted by the Borough as identified in the Bond Resolution (collectively, the “Bond Ordinances”). The proceeds of the Bonds, along with other available funds of the Borough, are being used to: (i) permanently finance a \$9,907,590 aggregate portion of bond anticipation notes of the Borough previously issued in the aggregate principal amount of \$14,795,000, dated August 3, 2016 and maturing on August 2, 2017; and (ii) pay costs of issuance and delivery of the Bonds.

In forming our opinion, we have examined certified copies of the Bond Ordinances, Bond Resolution and related proceedings. We also have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate, including the Non-Arbitrage and Use of Proceeds Certificate of the Borough dated the date of the Bonds (the “Non-Arbitrage Certificate”) for the purpose of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Bonds, on a certificate of the Borough executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information relating to the Borough which may have been provided to any purchaser or prospective purchaser of the Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest thereon will be and will remain excluded from gross income pursuant to Section 103 of the Code. The Borough has provided the Non-Arbitrage Certificate which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Non-Arbitrage Certificate, the Borough has certified to the effect that it expects to be able to, and will, comply with the provisions and procedures set forth therein and that to the extent authorized by law will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is not includible in gross income under Section 103 of the Code. In rendering this opinion, we have assumed compliance by the Borough with the covenants contained in the

August 1, 2017

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Bonds and the statements contained in the Non-Arbitrage Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the Borough in respect of the Bonds after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the Bonds. These covenants and statements relate to, *inter alia*, the use of proceeds of the Bonds and the property financed or refinanced thereby and the rebating to the United States Treasury of specified arbitrage earnings, if required. We have assumed that the Borough will comply with the provisions of the Non-Arbitrage Certificate. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended, for compliance by the Borough therewith.

Based upon and subject to the foregoing we are of the opinion that:

1. The Bonds are valid and legally binding obligations of the Borough, and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights in general, from time to time in effect and by equitable principles, whether considered at law or in equity.

2. Interest on the Bonds and any gain from the sale thereof are not includible in gross income under the New Jersey Gross Income Tax Act.

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations by the Internal Revenue Code of 1986, as amended (the "Code"). Interest on a Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the adjusted current earnings of the corporate holder. Interest on a Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

4. The Borough has taken the actions necessary for the Bonds to be designated and/or deemed designated as "qualified tax-exempt obligations," as defined in and for purposes of Section 265(b)(3) of the Code. Assuming the accuracy of the representations of the Issuer relating to such designation/deemed designation, we are of the opinion that such designation/deemed designation is valid with respect to the Bonds for the purposes of such Section.

The opinions set forth herein are given solely for the benefit of the original purchaser of the Notes and the addressee hereof and may not be relied on by any other person or entity without our express prior written consent. This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof. We express

August 1, 2017

Page 4

no opinion as to any matter not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Borough furnished in connection with the sale of the Notes and make no representation that we have independently verified any such information. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

**APPENDIX F**  
**FORM OF BOND COUNSEL'S OPINION FOR THE NOTES**

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*An opinion in substantially the following form  
will be delivered at Closing assuming no  
material changes in facts or law.*

August 1, 2017

Mayor and Borough Council  
Borough of Lavallette  
Ocean County, New Jersey

**RE: Borough of Lavallette, County of Ocean, New Jersey  
\$3,552,198 Bond Anticipation Notes, Series 2017, dated August 1, 2017, due  
August 1, 2018, at 2.25%**

Dear Members of the Borough Council:

We have examined a record of the proceedings relating to the issuance of \$3,552,198 Bond Anticipation Notes, Series 2017 (the “Notes”) of the Borough of Lavallette, in the County of Ocean, a municipal corporation of the State of New Jersey (the “Borough”). The Notes are dated August 1, 2017, mature August 1, 2018, and bear interest at the rate of two and twenty-five hundredths per centum (2.25%) per annum payable at maturity. The Notes are initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), in book-entry-only form and are not subject to redemption prior to maturity. The Notes are issued pursuant to the Local Bond Law of the State of New Jersey (Chapter 2 of Title 40A of the New Jersey Statutes, as amended), and in anticipation of the issuance of bonds and are authorized by virtue of the Bond Ordinances described in the Certificate of Determination and Award dated the date hereof.

The Notes, along with other available funds of the Borough in the amount of \$2,338,712, are being issued to: (i) currently refund a \$4,887,410 aggregate portion of bond anticipation notes of the Borough originally issued in the aggregate principal amount of \$14,795,000, dated August 3, 2016 and maturing August 2, 2017; (ii) currently refund the principal of bond anticipation notes of the Borough originally issued in the aggregate principal amount of

August 1, 2017

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\$1,003,500, dated December 9, 2016 and maturing August 2, 2017; and (iii) pay costs associated with the issuance of the Notes.

In forming our opinion, we have examined certified copies of the Bond Ordinances and the unexecuted note. We also have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate, including the Non-Arbitrage and Use of Proceeds Certificate of the Borough dated the date of the Notes (the “Non-Arbitrage Certificate”) for the purpose of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Notes, on a certificate of the Borough executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information relating to the Borough which may have been provided to any purchaser or prospective purchaser of the Notes.

The Internal Revenue Code of 1986, as amended (the “Code”), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest thereon will be and will remain excluded from gross income pursuant to Section 103 of the Code. The Borough has provided the Non-Arbitrage Certificate which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Non-Arbitrage Certificate, the Borough has certified to the effect that it expects to be able to, and will, comply with the provisions and procedures set forth therein and that to the extent authorized by law will do and perform all acts and things necessary or desirable to assure that interest paid on the Notes is not includable in gross income under Section 103 of the Code. In rendering this opinion, we have assumed compliance by the Borough with the covenants contained in the Notes and the statements contained in the Non-Arbitrage Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the Borough in respect of the Notes after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the Notes. These covenants and statements relate to, *inter alia*, the use of proceeds of the Notes and the property financed or refinanced thereby and the rebating to the United States Treasury of specified arbitrage earnings, if required. We have assumed that the Borough will comply with the provisions of the Non-Arbitrage Certificate. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended, for compliance by the Borough therewith.

The Borough has taken the actions necessary for the Notes to be designated or deemed designated as “qualified tax-exempt obligations,” as defined in and for purposes of Section 265(b)(3) of the Code, and has made certain representations and covenants necessary to cause the Notes to continue to be obligations described in such Section of the Code during the period in which the Notes are outstanding.



August 1, 2017

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Based upon and subject to the foregoing, we are of the opinion that:

1. The Notes are valid and legally binding obligations of the Borough and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Notes and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to the Notes may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting the enforcement of creditors' or other equitable rights in general.

2. Interest on the Notes and any gain from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

3. Under existing statutes, regulations, rulings and court decisions, interest on the Notes will not be includible in gross income of the holders thereof for federal income tax purposes and will not be a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. We express no opinion regarding any other federal income tax consequences arising with respect to the Notes.

The opinions set forth herein are given solely for the benefit of the original purchaser of the Notes and the addressee hereof and may not be relied on by any other person or entity without our express prior written consent. This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Borough furnished in connection with the sale of the Notes and make no representation that we have independently verified any such information. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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