

OFFICIAL STATEMENT DATED SEPTEMBER 18, 2019

NEW ISSUE – Book-Entry-Only

**RATING: S&P: “AA”
(See “RATING” herein)**

In the opinion of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions existing as of the date hereof and assuming continuing compliance by the City of Brigantine with certain covenants described herein, interest on the Bonds (as defined below) (i) is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale of the Bonds are not includable in gross income under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof. See “TAX MATTERS” herein.

**\$18,485,000
CITY OF BRIGANTINE
in the County of Atlantic, State of New Jersey
GENERAL OBLIGATION BONDS, SERIES 2019
CONSISTING OF:
\$12,110,000 General Improvement Bonds
and
\$6,375,000 Water-Sewer Utility Bonds
(BOOK-ENTRY-ONLY) (CALLABLE)**

Dated: Date of Delivery

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

The \$18,485,000 aggregate principal amount of General Obligation Bonds, Series 2019, consisting of: (i) \$12,110,000 General Improvement Bonds (the “General Improvement Bonds”); and (ii) \$6,375,000 Water-Sewer Utility Bonds (the “Water-Sewer Utility Bonds”, and together with the General Improvement Bonds, the “Bonds”), are valid and legally binding general obligations of the City of Brigantine, in the County of Atlantic, State of New Jersey (the “City”) and are secured by a pledge of the full faith and credit of the City for the payment of the principal thereof and interest thereon.

The principal of and interest on the Bonds are payable, if not paid from other sources, from *ad valorem* taxes to be levied upon all the taxable property within the City without limitation as to rate or amount. Interest on the Bonds will be payable each April 1 and October 1, commencing April 1, 2020, to and including their respective dates of maturity or earlier redemption. Interest on the Bonds will be credited to the participants of DTC (as hereinafter defined) as listed on the records of DTC as of each next preceding March 15 and September 15 (the “Record Dates” for the payment of interest on the Bonds). The Bonds will be issued in the form of one certificate for the principal amount of Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as Securities Depository. See “DEPOSITORY TRUST COMPANY INFORMATION-Book-Entry-Only System” herein. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof.

The proceeds of the Bonds will be used to: (i) permanently finance various capital and water-sewer improvements in and by the City; and (iii) pay the costs associated with the authorization, sale and issuance of the Bonds.

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

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

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

The Bonds are offered when, as and if issued, and delivered to the Underwriter, as defined herein, subject to withdrawal or modification of the offer without notice, to the prior approval of legality by the law firm of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the City by its Attorney, Alfred Scerni, Esq., Atlantic City, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey served as Municipal Advisor to the City in connection with the Bonds. It is expected that delivery of the Bonds in book-entry only form will be made at DTC in New York, New York on or about October 3, 2019.

\$18,485,000
CITY OF BRIGANTINE
in the County of Atlantic, State of New Jersey
GENERAL OBLIGATION BONDS, SERIES 2019
CONSISTING OF:
\$12,110,000 General Improvement Bonds
and
\$6,375,000 Water-Sewer Utility Bonds
(BOOK-ENTRY-ONLY) (CALLABLE)

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS*

| <u>Year</u> | <u>General Improvement Principal Amount</u> | <u>Water-Sewer Utility Principal Amount</u> | <u>Total Aggregate Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP*</u> |
|-------------|---|---|---|--------------------------|--------------|---------------|
| 2020 | \$670,000 | \$350,000 | \$1,020,000 | 5.00% | 1.40% | 109025ZP4 |
| 2021 | 770,000 | 415,000 | 1,185,000 | 5.00 | 1.43 | 109025ZQ2 |
| 2022 | 830,000 | 445,000 | 1,275,000 | 5.00 | 1.45 | 109025ZR0 |
| 2023 | 890,000 | 480,000 | 1,370,000 | 5.00 | 1.47 | 109025ZS8 |
| 2024 | 940,000 | 510,000 | 1,450,000 | 4.00 | 1.50 | 109025ZT6 |
| 2025 | 1,045,000 | 540,000 | 1,585,000 | 4.00 | 1.55 | 109025ZU3 |
| 2026 | 1,105,000 | 575,000 | 1,680,000 | 4.00 | 1.60 | 109025ZV1 |
| 2027 | 1,105,000 | 575,000 | 1,680,000 | 4.00 | 1.68 | 109025ZW9 |
| 2028 | 1,100,000 | 575,000 | 1,675,000 | 4.00 | 1.74 | 109025ZX7 |
| 2029 | 1,160,000 | 605,000 | 1,765,000 | 3.00 | 2.00 | 109025ZY5 |
| 2030 | 1,160,000 | 605,000 | 1,765,000 | 3.00 | 2.15 | 109025ZZ2 |
| 2031 | 1,335,000 | 700,000 | 2,035,000 | 3.00 | 2.30 | 109025A22 |

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

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

MAYOR

Andrew Simpson

CITY COUNCIL

Vince Sera – Deputy Mayor/Councilman-at-Large
Michael Riordan – Councilman-at-Large
Karen Bew – Councilwoman – Ward 1
Paul Lettieri – Ward 2
Dennis Haney – Ward 3
Rick DeLucry – Ward 4

CITY CHIEF FINANCIAL OFFICER

Roxanne Tosto

CITY MANAGER

James Bennett

CITY CLERK

Lynn Sweeney, RMC

CITY SOLICITOR

Parker McCay P.A.
Atlantic City, New Jersey

CITY AUDITOR

Ford, Scott & Associates, L.L.C.
Ocean City, New Jersey

BOND COUNSEL

Fleishman Daniels Law Offices, LLC
Linwood, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

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

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

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

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

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

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OFFICIAL STATEMENT
Relating to

\$18,485,000
CITY OF BRIGANTINE
in the County of Atlantic, State of New Jersey
GENERAL OBLIGATION BONDS, SERIES 2019
CONSISTING OF:
\$12,110,000 General Improvement Bonds
and
\$6,375,000 Water-Sewer Utility Bonds
(BOOK-ENTRY-ONLY) (CALLABLE)

INTRODUCTION

This Official Statement, which includes the cover page, inside front cover page and the appendices attached hereto, has been prepared by the City of Brigantine (the “City”), in the County of Atlantic, in the State of New Jersey (the “State”) in connection with the \$18,485,000 aggregate principal amount of General Obligation Bonds, Series 2019, consisting of: (i) \$12,110,000 General Improvement Bonds (the “General Improvement Bonds”); and (ii) \$6,375,000 Water-Sewer Utility Bonds (the “Water-Sewer Utility Bonds”, and together with the General Improvement Bonds, the “Bonds”). This Official Statement has been executed by and on behalf of the City by the Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

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

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

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

THE BONDS

General Description

The Bonds shall be dated and shall bear interest from their date of delivery and will mature in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest, which is payable semiannually on the first (1st) day of April and October in each year (each constituting an “Interest Payment Date”), commencing April 1, 2020, at the interest rates set forth on the inside front cover page hereof. The record dates for payment of the interest on the Bonds shall be March 15 and September 15 next preceding the Interest Payment Dates. The Bonds may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple thereof, through book-entries made on the books and the records of The Depository Trust Company, New York, New York (“DTC”) and its participants. See “Book-Entry-Only-System”. The City will act as the “Bond Registrar/Paying Agent” for the Bonds.

Book-Entry-Only System*

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

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

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

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

* Source: The Depository Trust Company

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.

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

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

Discontinuation of Book-Entry-Only System

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

Redemption

The Bonds of this issue maturing on or prior to October 1, 2026, shall not be subject to redemption prior to their respective maturity dates. The Bonds of this issue maturing on or after October 1, 2027 are redeemable at the option of the City, in whole or in part, on any date on or after October 1, 2026, upon notice as required herein at par (the “Redemption Price”), plus in each case accrued interest to the date fixed for redemption.

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

AUTHORIZATION AND PURPOSE OF THE BONDS

Authorization

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”), and are authorized by bond ordinances duly adopted by the City Council below and published and approved as required by law, and by a resolution duly adopted by the City Council on August 21, 2019.

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

Purpose of the Bonds

The proceeds of the Bonds will be used to: (i) permanently finance various capital and water-sewer improvements in and by the City; and (ii) pay the costs associated with the authorization, sale and issuance of the Bonds.

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

| General Improvement Bonds | | |
|-----------------------------------|---|----------------------------|
| Ordinance No. | Description and Date of Adoption | Amount |
| 12-2015 | Providing for design and construction of the Brigantine Streetscape Project from 9th Street South to 14th Street South, finally adopted on June 17, 2015. | \$190,000 |
| 15-2017 | Providing for various capital improvements within the City, including improvements to various roadways, storm sewer improvements, bulkhead improvements, renovations and improvements to various recreation facilities, purchases of new vehicles and equipment for Fire, Police, Beach Patrol and Public Works Departments, finally adopted on April 19, 2017. | 5,070,000 |
| 7-2018 | Providing for the third periodic renourishment hydraulic Beachfill project from Vernon Place North to approximately the State municipal boundary, finally adopted on May 2, 2018. | \$230,000 |
| 9-2019 | Providing for the purchase of a new ambulance and additional related equipment, finally adopted on May 15, 2019. | 285,000 |
| 12-2019 | Providing for various capital improvements within the City, including improvements to various roadways, storm sewer drainage improvements, bulkhead improvements, renovations and improvements to various recreation facilities, purchases of new vehicles and equipment for Fire and Police Departments, and purchases of miscellaneous office furniture and equipment, finally adopted on August 7, 2019. | <u>7,225,000</u> |
| GENERAL IMPROVEMENT TOTAL: | | <u>\$13,000,000</u> |

| Water-Sewer Utility Bonds | | |
|-----------------------------------|---|----------------------------|
| <u>Ordinance No.</u> | <u>Description and Date of Adoption</u> | <u>Amount</u> |
| 2014-13 | Providing for various capital improvements to the City's drinking water and storm water systems, finally adopted on September 3, 2014. | \$800,000 |
| 25-2018 | Providing for the construction of capital improvements to the City's Sanitary Sewer system, including sewer main replacements on Sheridan Boulevard between Vardon Road and Sarazen Road and a portion of Roosevelt Boulevard, finally adopted on December 5, 2018. | 950,000 |
| 13-2019 | Providing for various water and sewer utility capital improvements within the City including municipal well water upgrades, water infrastructure improvements, and sewer infrastructure improvements, finally adopted on August 7, 2019. | <u>5,250,000</u> |
| WATER-SEWER UTILITY TOTAL: | | <u>\$7,000,000</u> |
| GRAND TOTAL: | | <u>\$20,000,000</u> |

SECURITY AND SOURCE OF PAYMENT

Taxing Power

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

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

Debt Limits

The authorized bonded indebtedness of the City for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As shown in Appendix "A", the City has not exceeded its statutory debt limit as of December 31, 2018.

Exceptions to Debt Limits - Extensions of Credit

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

Short Term Financing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A revaluation of all property in the City was last completed in 2014.

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

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

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

Tax Appeals

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the City must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 in each year for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

Real Estate Taxes

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

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and

payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of such preceding fiscal year.”

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the revenue will at least be equal to the tax levy required to balance the budget.

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

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

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

Operation of Utilities

Municipal public utilities are supported by the revenue generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the “Current” or operating budget.

TAX MATTERS

Federal Tax Exemption

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

of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

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

Original Issue Discount

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

Original Issue Premium

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

Additional Federal Income Tax Consequence of Holding the Bonds

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the

earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

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

Changes in Federal Tax Law Regarding the Bonds

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

State Taxation

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

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

BANK QUALIFICATION

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

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional building and loan associations, investment companies, and other persons carrying

on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any obligations of the City including the Bonds, and such Bonds are authorized security for any and all public deposits.

SECONDARY MARKET DISCLOSURE

The City has covenanted for the benefit of bondholders to provide certain financial information and operating data of the City to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed and within the timeframe established in the Continuing Disclosure Certificate (the "Disclosure Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix "D" hereto, such Disclosure Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the City to assist the purchaser of the Bonds in complying with the Rule.

Within the five years immediately preceding the date of this Official Statement, the City previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) its adopted budget for the fiscal year ending December 31, 2014; (ii) operating data for the fiscal year ending December 31, 2013; and (iii) annual audited financial statements for the fiscal year ending December 31, 2013. Additionally, the City acknowledges that it previously failed to file event notices and late filing notices in connection with its filings of annual financial information as described above. Such notices of events and late filings have been filed with the MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The City appointed Phoenix Advisors, LLC in May of 2015 to serve as continuing disclosure agent.

LITIGATION

To the knowledge of Alfred Scerni, Esq. of Parker McCay P.A., Atlantic City, New Jersey (the "City Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority of the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the City Attorney, no litigation is presently pending or threatened that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided. A certificate to such effect will be executed by the City Attorney and delivered to the purchaser of the Bonds at the closing.

MUNICIPAL BANKRUPTCY

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

more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

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

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

PREPARATION OF OFFICIAL STATEMENT

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

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

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

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

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

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC (the "Rating Agency"), has assigned its municipal bond rating of "AA" to the Bonds.

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

UNDERWRITING

The Bonds have been purchased from the City by Hutchinson, Shockey, Erley & Co., Chicago, Illinois (the “Underwriter”) at a purchase price of \$20,304,184.02 (the “Purchase Price”) in accordance with the Notice of Sale. The Purchase Price of the Bonds reflects the par amount of the Bonds plus an original issue premium of \$1,906,733.60 and less an Underwriter’s discount of \$87,549.58. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement, which yields may be changed from time to time by the Underwriter without notice.

MUNICIPAL ADVISOR

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

APPROVAL OF LEGAL PROCEEDINGS

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

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

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

RISK TO HOLDERS OF BONDS

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

CERTIFICATES OF THE CITY

Upon the delivery of the Bonds, the Underwriter shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the City, stating to the best knowledge of said officials, that this Official Statement, as of its date, did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the City from that set forth in or contemplated by this Official Statement. In addition, the Underwriter shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt

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

FINANCIAL STATEMENTS

Appendix “B” contains certain audited financial data of the City for the City’s fiscal year ending December 31, 2018. The audited financial data was extracted from the report prepared by Ford, Scott and Associates LLC, Ocean City, New Jersey (the “Auditor”) to the extent and for the period set forth in their report appearing in Appendix “B” and are included herein in reliance upon the authority of such firm.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Roxanne Tosto, Chief Financial Officer, City of Brigantine, 1417 W. Brigantine Avenue, Brigantine, New Jersey, (609) 266-7600 ext. 213 or Phoenix Advisors, LLC, 625 Farnsworth, Bordentown, New Jersey (609) 291-0130.

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

MISCELLANEOUS

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

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

By: /s/Roxanne Tosto
Roxanne Tosto, Chief Financial Officer

Dated: September 18, 2019

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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INFORMATION REGARDING THE CITY¹

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

General Information

Early records indicate that Brigantine Island was used by the indigenous Leni-Lenape Indians as a vacation area. The first recorded European sighting of the island was by Henry Hudson after the Half Moon had returned from what is now Hudson Bay, as recorded in the ship’s log of September 2, 1608. During the late 1600’s Brigantine was at various times under Dutch and English jurisdiction, and was for a time a whaling center. In the 1700’s, the island was owned by several families whose large landholdings were known as “plantations”.

By the mid-1800’s, the City had become a resort; several large hotels were constructed and were frequented by many New Jersey and Pennsylvania public figures. Several attempts were made during the late 1800’s to develop Brigantine on a significant scale. In connection with one of these attempts, made by the Brigantine Improvement Company, the island’s name was changed for a time to “North Atlantic City”. In 1917 the City had only 54 full-time residents and an operating budget of \$5,400.

During the 1920’s, with the advent of automobile access to the island, the City became the object of a large scale development effort by the Island Development Company, which had succeeded to title to most of the island from the Brigantine Land and Transportation Company. In 1924, a bridge was constructed linking Atlantic City and the City, and a land boom ensued. The City undertook a variety of improvements, such as streets and sewage and water facilities, for which it issued bonds. With the onset of the Great Depression and the consequent cessation of demand for homes on the island, the Island Development Company ceased operating, deeding its remaining properties to the City. As described elsewhere in this Official Statement, the City then experienced financial reserves. See “Financial History” herein.

Development of the City revived after World War II. Since then, the City has been characterized by stable growth patterns in resort population, year-round population, housing construction and assessed valuation, all relatively independent of changes in the economy of Atlantic City. The maintenance of controlled, primarily residential, development of the City is mandated by the City’s 1992 Master Plan and by State control of the types of development in barrier islands, such as the City. See “Land Utilization” herein. The advent of legalized casino gambling in Atlantic City has caused an increase in certain of these trends, but in the experience of City officials, the basic pattern of orderly growth has continued.

The City is bounded by the Atlantic Ocean, Brigantine Inlet, Absecon Inlet and inland waterways, with Brigantine Boulevard and a modern high-rise 4-lane connecting bridge, completed in 1972, providing passage over Absecon Inlet to Atlantic City. The island is 6.39 square miles in area, half of which is owned by the State under the Green Acres Program as

¹ Source: The City, unless otherwise indicated.

described herein. The Brigantine National Wildlife Refuge, a 20,000-acre national park, lies three miles northwest of the City.

Form of Government

The City is governed by the Council-Manager form of government under the Faulkner Act with a City Council, composed of six Council members and the Mayor, who are elected to serve staggered four-year terms. The Mayor is elected at large and presides over the meetings of City Council. The functions of the Council are, among others, to adopt the municipal budget and to enact ordinances to promote and ensure the security, health, government and protection of the City and its residents.

The City Manager, is the chief executive and administrative official of the City. The manager's duties are to execute all laws and ordinances of the City, to negotiate all contracts for the City, to recommend the nature and location of improvements and to execute said improvements, and to report to Council as to the City's operations and financial condition and to perform such duties as required by Council.

The City Chief Financial Officer and Comptroller maintains records of all financial transactions of the City and has custody of all public moneys.

The City Clerk, assists with administering the affairs of the City, including attending Council meetings and providing for the taking and preparation of minutes thereof; compilation, preservation, indexing and publication of all ordinances and resolutions; and any other duties which Council may assign. The Clerk also acts as liaison between the public and Council, administers and records oaths of office; maintains custody of the City seal; attests to signatures of City officers and officials and maintains receipt of service of legal documents; acts as notary for all City documents as required by law.

Services

A number of services are provided by the City and paid for from general revenues. Among them are police and fire protection, street lighting, road and park maintenance, recreation and playgrounds, snow removal, trash collection, building and zoning protection and any emergency service affecting the community.

Solid Waste Disposal

Pursuant to the Atlantic County Solid Waste Management Plan, all of the City's municipal waste is taken for disposal to the facilities of the Atlantic County Utility Authorities ("ACUA"), the agency designated by the County as the implementing agency for the solid waste management district comprised by the County.

The City's residential waste is collected and transported to ACUA's facilities by employees of the ACUA, pursuant to a one-year shared services contract, at annual rates. These collection fees are to remove, haul and dispose of residential waste generated from single family

residences. The City also reimburses the multi-unit dwellings, such as condominiums, at the lesser rate that the condo units contract or the city's average rate. The City's commercial entities pay private haulers for such service.

Water and Sewer Service

Residents of the City are furnished with water service by a City-owned and operated system. The City currently operates seven wells, which can provide an output of approximately 5.6 million gallons per day and three additional storage tanks with a combined 2.25 million gallon capacity.

Residents pay a semiannual water service charge for which each resident is permitted a consumption of 80,000 gallons per year. Excess-use charges are levied for consumption beyond 80,000 gallons per year. A connection fee is charged for connecting to the public water system.

Sanitary sewer service is provided to City residents by a City-owned and operated collection system which consists of collection lines and pumping stations, most of which were installed during the period 1970-1980. Since that period all pumping stations have been upgraded and sewer mains are replaced as needed. Sewage treatment is provided by the Atlantic County Utilities Authority under service contract with the City, pursuant to which the City pays the Authority directly for such service. Residents do not receive a separate bill from the Authority.

Property owners in the City currently pay a semiannual charge for sewer rents. New connections to the sanitary sewer system also pay connection fees.

All parts of the City have fully developed water and sanitary sewer facilities.

Retirement Systems

All full-time permanent or qualified City 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 City is enrolled in the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS").

Pension Information²

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

² 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 City, the County, and the State:

| | <u>Total Labor Force</u> | <u>Employed Labor Force</u> | <u>Total Unemployed</u> | <u>Unemployment Rate</u> |
|----------------------|-------------------------------------|--|------------------------------------|-------------------------------------|
| <u>City</u> | | | | |
| 2018 | 4,252 | 4,058 | 194 | 4.6% |
| 2017 | 4,251 | 3,989 | 262 | 6.2% |
| 2016 | 4,408 | 4,132 | 276 | 6.3% |
| 2015 | 4,591 | 4,186 | 405 | 8.8% |
| 2014 | 4,814 | 4,364 | 450 | 9.3% |
| <u>County</u> | | | | |
| 2018 | 118,969 | 111,968 | 7,001 | 5.9% |
| 2017 | 118,622 | 110,060 | 8,562 | 7.2% |
| 2016 | 122,574 | 113,483 | 9,091 | 7.4% |
| 2015 | 126,383 | 114,274 | 12,109 | 9.6% |
| 2014 | 131,786 | 117,879 | 13,907 | 10.6% |
| <u>State</u> | | | | |
| 2018 | 4,422,900 | 4,239,600 | 183,400 | 4.1% |
| 2017 | 4,518,838 | 4,309,708 | 209,123 | 4.6% |
| 2016 | 4,530,800 | 4,305,515 | 225,262 | 5.0% |
| 2015 | 4,537,231 | 4,274,685 | 262,531 | 5.8% |
| 2014 | 4,527,177 | 4,221,277 | 305,900 | 6.8% |

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

Income (as of 2016)

| | <u>City</u> | <u>County</u> | <u>State</u> |
|-------------------------|--------------------|----------------------|---------------------|
| Median Household Income | \$62,303 | \$55,456 | \$72,093 |
| Median Family Income | 80,379 | 67,475 | 88,335 |
| Per Capita Income | 39,632 | 28,575 | 36,582 |

Source: US Bureau of the Census, 2016 American Community Survey 5-Year Estimates

Population

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

| <u>Year</u> | <u>City</u> | | <u>County</u> | | <u>State</u> | |
|---------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> |
| 2017 Estimate | 8,963 | -5.15% | 269,918 | -1.69% | 8,958,013 | 1.89% |
| 2010 | 9,450 | -24.96 | 274,549 | 8.71 | 8,791,894 | 4.49 |
| 2000 | 12,594 | 10.92 | 252,552 | 12.58 | 8,414,350 | 8.85 |
| 1990 | 11,354 | 36.50 | 224,327 | 15.56 | 7,730,188 | 4.96 |
| 1980 | 8,318 | 23.39 | 194,119 | 10.90 | 7,365,001 | 2.75 |
| 1970 | 6,741 | 60.46 | 175,043 | 8.80 | 7,168,164 | 18.15 |

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

Largest Taxpayers

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

| <u>Taxpayers</u> | <u>2018 Assessed Valuation</u> | <u>% of Total Assessed Valuation</u> |
|------------------------------|------------------------------------|--|
| Brigantine Town Assoc. | \$12,750,000 | 0.39% |
| Celebrity Resorts of NJ, LLC | 10,769,900 | 0.33% |
| La Sammana Ventures | 5,780,200 | 0.18% |
| Taxpayer | 5,430,300 | 0.17% |
| Taxpayer | 4,727,600 | 0.14% |
| AIN NJ Brigantine LLC CVS | 4,400,000 | 0.13% |
| Sand Coast Joint Ventures | 4,031,600 | 0.12% |
| Taxpayer | 3,705,900 | 0.11% |
| Taxpayer | 3,386,300 | 0.10% |
| Taxpayer | <u>3,303,200</u> | <u>0.10%</u> |
| Total | <u>\$58,285,000</u> | <u>1.78%</u> |

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

Comparison of Tax Levies and Collections

| <u>Year</u> | <u>Tax Levy</u> | <u>Current Year Collection</u> | <u>Current Year % of Collection</u> |
|-------------|-----------------|------------------------------------|---|
| 2018 | \$57,109,762 | \$56,431,352 | 98.81% |
| 2017 | 57,682,632 | 57,072,087 | 98.94% |
| 2016 | 57,451,733 | 56,553,618 | 98.44% |
| 2015 | 57,604,575 | 56,861,540 | 98.71% |
| 2014 | 55,257,100 | 54,504,687 | 98.64% |

Source: Annual Audit Reports of the City

Delinquent Taxes and Tax Title Liens

| <u>Year</u> | <u>Amount of Tax Title Liens</u> | <u>Amount of Delinquent Tax</u> | <u>Total Delinquent</u> | <u>% of Tax Levy</u> |
|-------------|--------------------------------------|-------------------------------------|-----------------------------|--------------------------|
| 2018 | \$20,387 | \$493,720 | \$514,107 | 0.90% |
| 2017 | 11,515 | 412,997 | 424,512 | 0.74% |
| 2016 | 77,917 | 675,352 | 753,269 | 1.31% |
| 2015 | 55,721 | 478,064 | 533,785 | 0.93% |
| 2014 | 35,947 | 607,410 | 643,357 | 1.16% |

Source: Annual Audit Reports of the City

Property Acquired by Tax Lien Liquidation

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2018 | \$308,862 |
| 2017 | 308,862 |
| 2016 | 308,862 |
| 2015 | 308,862 |
| 2014 | 308,862 |

Source: Annual Audit Reports of the City

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

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

| <u>Year</u> | Local | | | <u>Total</u> |
|--------------------|-------------------------|----------------------|----------------------|---------------------|
| | <u>Municipal</u> | <u>School</u> | <u>County</u> | |
| 2018 | \$0.665 | \$0.515 | \$0.557 | \$1.737 |
| 2017 | 0.677 | 0.517 | 0.571 | 1.765 |
| 2016 | 0.699 | 0.520 | 0.545 | 1.764 |
| 2015 | 0.710 | 0.522 | 0.541 | 1.773 |
| 2014R | 0.711 | 0.521 | 0.475 | 1.707 |

R = Revaluation

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

Valuation of Property

| <u>Year</u> | Aggregate Assessed Valuation of <u>Real Property</u> | Aggregate True Value of <u>Real Property</u> | Ratio of Assessed to <u>True Value</u> | Assessed Value of <u>Personal Property</u> | Equalized <u>Valuation</u> |
|--------------------|---|---|---|---|---------------------------------------|
| 2018 | \$3,266,336,200 | \$3,292,677,621 | 99.20% | 0 | \$3,292,677,621 |
| 2017 | 3,247,728,100 | 3,267,332,093 | 99.40 | 0 | 3,267,332,093 |
| 2016 | 3,234,529,700 | 3,304,586,943 | 97.88 | 0 | 3,304,586,943 |
| 2015 | 3,231,377,000 | 3,423,794,236 | 94.38 | 0 | 3,423,794,236 |
| 2014R | 3,229,220,200 | 3,500,509,702 | 92.25 | 0 | 3,500,509,702 |

R = Revaluation

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

Classification of Ratables

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

| <u>Year</u> | <u>Vacant Land</u> | <u>Residential</u> | <u>Farm</u> | <u>Commercial</u> | <u>Industrial</u> | <u>Apartments</u> | <u>Total</u> |
|--------------------|---------------------------|---------------------------|--------------------|--------------------------|--------------------------|--------------------------|---------------------|
| 2018 | \$56,394,500 | \$3,126,343,800 | \$0 | \$80,878,900 | \$0 | \$2,719,000 | \$3,266,336,200 |
| 2017 | 57,448,300 | 3,103,720,800 | 0 | 83,840,000 | 0 | 2,719,000 | 3,247,728,100 |
| 2016 | 64,323,400 | 3,081,621,100 | 0 | 85,866,200 | 0 | 2,719,000 | 3,234,529,700 |
| 2015 | 63,428,600 | 3,077,052,000 | 0 | 88,177,400 | 0 | 2,719,000 | 3,231,377,000 |
| 2014R | 60,685,200 | 3,077,615,100 | 0 | 88,200,900 | 0 | 2,719,000 | 3,229,220,200 |

R = Revaluation

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

Financial Operations

The following table summarizes the City's Current Fund budget for the fiscal years ended December 31, 2015 through 2019. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

| <u>Anticipated Revenues</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fund Balance Utilized | \$1,500,000 | \$2,550,000 | \$2,550,000 | \$2,850,000 | \$2,850,000 |
| Miscellaneous Revenues | 3,719,685 | 3,897,439 | 5,193,863 | 4,422,976 | 4,217,862 |
| Receipts from Delinquent Taxes | 500,000 | 450,000 | 450,000 | 418,000 | 418,000 |
| Amount to be Raised by Taxation | <u>24,101,060</u> | <u>23,583,954</u> | <u>22,947,844</u> | <u>22,629,323</u> | <u>22,308,520</u> |
| Total Revenue: | <u>\$29,820,745</u> | <u>\$30,481,394</u> | <u>\$31,141,707</u> | <u>\$30,320,298</u> | <u>\$29,794,382</u> |
| <u>Appropriations</u> | | | | | |
| General Appropriations | \$22,706,537 | \$23,361,010 | \$23,144,278 | \$23,355,154 | \$23,263,409 |
| Operations (Excluded from CAPS) | 375,800 | 551,721 | 315,741 | 353,340 | 369,380 |
| Deferred Charges and Statutory Expenditures | 415,458 | 270,401 | 242,241 | 167,677 | 20,942 |
| Local School District Purposes | 1,218,313 | 1,177,547 | 2,506,100 | 1,154,101 | 1,109,000 |
| Capital Improvement Fund | 50,000 | 100,000 | 100,000 | 446,940 | 500,000 |
| Municipal Debt Service | 3,708,212 | 3,721,875 | 3,407,558 | 3,407,760 | 3,104,398 |
| Reserve for Uncollected Taxes | <u>1,346,425</u> | <u>1,298,841</u> | <u>1,425,789</u> | <u>1,435,326</u> | <u>1,427,252</u> |
| Total Appropriations: | <u>\$29,820,745</u> | <u>\$30,481,394</u> | <u>\$31,141,707</u> | <u>\$30,320,298</u> | <u>\$29,794,382</u> |

Source: Annual Adopted Budgets of the City

Fund Balance

Current Fund

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

| <u>Year</u> | <u>Fund Balance - Current Fund</u> | |
|--------------------|---|---|
| | <u>Balance 12/31</u> | <u>Utilized in Budget of Succeeding Year</u> |
| 2018 | \$6,221,489 | \$2,850,000 |
| 2017 | 6,355,398 | 2,850,000 |
| 2016 | 5,695,143 | 2,550,000 |
| 2015 | 5,349,846 | 2,550,000 |
| 2014 | 3,606,770 | 1,500,000 |

Source: Annual Audit Reports of the City

Water & Sewer Utility Operating Fund

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

Fund Balance - Water and Sewer Utility Operating Fund

| <u>Year</u> | <u>Balance 12/31</u> | <u>Utilized in Budget of Succeeding Year</u> |
|--------------------|---------------------------------|---|
| 2018 | \$2,762,464 | \$200,000 |
| 2017 | 2,315,740 | 250,000 |
| 2016 | 1,428,889 | 0 |
| 2015 | 542,895 | 0 |
| 2014 | 398,712 | 330,313 |

Source: Annual Audit Reports of the City

Golf Course Utility Operating Fund

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

Fund Balance - Golf Utility Operating Fund

| <u>Year</u> | <u>Balance 12/31</u> | <u>Utilized in Budget of Succeeding Year</u> |
|--------------------|---------------------------------|---|
| 2018 | \$410 | \$0 |
| 2017 | 7,410 | 7,000 |
| 2016 | 7,410 | 0 |
| 2015 | 61,090 | 53,680 |
| 2014 | 204,090 | 143,000 |

Source: Annual Audit Reports of the City

City Indebtedness as of December 31, 2018

General Purpose Debt

| | |
|---|----------------|
| Serial Bonds | \$17,040,000 |
| Bond Anticipation Notes | 0 |
| Bonds and Notes Authorized but Not Issued | 13,010,942 |
| Other Bonds, Notes and Loans | <u>290,846</u> |
| Total: | \$30,341,788 |

Local School District Debt

| | |
|---|-------------|
| Serial Bonds | \$3,100,000 |
| Temporary Notes Issued | 1,066,000 |
| Bonds and Notes Authorized but Not Issued | <u>0</u> |
| Total: | \$4,166,000 |

Self-Liquidating Debt

| | |
|---|------------------|
| Serial Bonds | \$3,900,000 |
| Bond Anticipation Notes | 661,000 |
| Bonds and Notes Authorized but Not Issued | 1,884,167 |
| Other Bonds, Notes and Loans | <u>4,704,774</u> |
| Total: | \$11,149,941 |

TOTAL GROSS DEBT

\$45,657,728

Less: Statutory Deductions

General Purpose Debt \$0

Local School District Debt 4,166,000

Self-Liquidating Debt 10,487,991

Total: \$14,653,991

TOTAL NET DEBT

\$31,003,738

Source: Annual Debt Statement of the City

Overlapping Debt (as of December 31, 2018)³

| <u>Name of Related Entity</u> | <u>Related Entity Debt Outstanding</u> | <u>City Percentage</u> | <u>City Share</u> |
|--------------------------------------|---|-----------------------------------|------------------------------|
| Local School District | \$4,166,000 | 100.00% | \$4,166,000 |
| County | 154,921,554 | 10.37% | <u>16,059,746</u> |
| Net Indirect Debt | | | \$20,225,746 |
| Net Direct Debt | | | <u>31,003,738</u> |
| Total Net Direct and Indirect Debt | | | <u>\$51,229,483</u> |

Debt Limit

| | |
|---|---------------------|
| Average Equalized Valuation Basis (2016, 2017, 2018) | \$3,288,198,886 |
| Permitted Debt Limitation (3 1/2%) | 115,086,961 |
| Less: Net Debt | <u>31,003,738</u> |
| Remaining Borrowing Power | <u>\$84,083,223</u> |
| Percentage of Net Debt to Average Equalized Valuation | 0.943% |
| Gross Debt Per Capita based on 2010 population of 9,450 | \$4,832 |
| Net Debt Per Capita based on 2010 population of 9,450 | \$3,281 |

Source: Annual Debt Statement of the City

Litigation

The status of pending litigation is included in the Notes to Financial Statements of the City's annual audit report.

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

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APPENDIX B

FINANCIAL DATA OF THE CITY

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

To the Honorable Mayor and
Members of City Council
City of Brigantine
County of Atlantic, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brigantine’s basic financial statements. The supplementary information listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

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

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

Leon P. Costello

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

July 25, 2019

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

| <u>ASSETS</u> | <u>2018</u> | <u>2017</u> |
|--|-------------------------|----------------------|
| Regular Fund: | | |
| Cash: | | |
| Cash Treasurer | \$ 11,303,298.52 | 14,535,443.12 |
| Change and Petty Cash Funds | 300.00 | 700.00 |
| Total Cash | <u>11,303,598.52</u> | <u>14,536,143.12</u> |
| Receivables and Other Assets with Full Reserves: | | |
| Delinquent Property Taxes Receivable | 493,720.33 | 412,997.02 |
| Tax Title and Other Liens | 20,386.83 | 11,514.67 |
| Property Acquired for Taxes - at Assessed Valuation | 308,862.00 | 308,862.00 |
| Revenue Accounts Receivable | 9,028.22 | 7,132.91 |
| Interfund Receivable: | | |
| Trust Other Fund | 53.00 | 1,521.31 |
| Due Water-Sewer Utility Operating Fund | 1,672.05 | - |
| Due Golf Utility Operating Fund | 4,256.38 | 753.69 |
| Total Receivables and Other Assets | <u>837,978.81</u> | <u>742,781.60</u> |
| Deferred Charges: | | |
| Special Emergency Authorizations (40A:4-53) | - | 117,677.20 |
| Total Deferred Charges | <u>-</u> | <u>117,677.20</u> |
| Total Regular Fund | <u>12,141,577.33</u> | <u>15,396,601.92</u> |
| Federal and State Grant Fund: | | |
| Cash | 295,460.02 | 123,803.35 |
| Federal and State Grants Receivable | 633,548.85 | 528,014.26 |
| Due Water-Sewer Utility Operating Fund | - | 121.94 |
| Total Federal and State Grant Fund | <u>929,008.87</u> | <u>651,939.55</u> |
| Total Current Fund | <u>\$ 13,070,586.20</u> | <u>16,048,541.47</u> |

The Notes to the Financial Statements are an Integral Part of this Statement

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

| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|---------------|
| Regular Fund: | | |
| Liabilities: | | |
| Appropriation Reserves | \$ 1,188,569.61 | 1,364,297.86 |
| Reserve for Encumbrances | 397,390.68 | 157,601.41 |
| Accounts Payable | 12,217.50 | - |
| Prepaid Taxes | 1,123,752.49 | 4,505,698.95 |
| Overpaid Taxes | 87,314.20 | 19,236.76 |
| Payroll Taxes Payable | 178,669.05 | 156,074.42 |
| County Tax Payable | 117,891.76 | 119,312.21 |
| Tourism Commission | 1,310.00 | 1,310.00 |
| Due to State: | | |
| Marriage Licenses | 275.00 | 275.00 |
| Senior Citizens & Vets | 27,599.46 | 29,928.23 |
| State Training Fees | 8,061.00 | 6,129.00 |
| Other: | | |
| Tax Appeals | 500,500.00 | 500,000.00 |
| Tax Map and Property Revaluation | 300,019.00 | 300,019.00 |
| Master Plan | 20,065.02 | 20,065.02 |
| Future Capital Projects - Insurance Proceeds | 318,474.86 | 318,474.86 |
| Reserve for Future Capital Projects | 800,000.00 | 800,000.00 |
| | 5,082,109.63 | 8,298,422.72 |
| Reserve for Receivables and Other Assets | 837,978.81 | 742,781.60 |
| Fund Balance | 6,221,488.89 | 6,355,397.60 |
| Total Regular Fund | 12,141,577.33 | 15,396,601.92 |
| Federal and State Grant Fund: | | |
| Unappropriated Reserves | - | 2,108.40 |
| Appropriated Reserves | 846,707.16 | 559,331.84 |
| Encumbrances Payable | 82,301.71 | 90,499.31 |
| | 929,008.87 | 651,939.55 |
| Total Federal and State Grant Fund | 929,008.87 | 651,939.55 |
| Total Current Fund | \$ 13,070,586.20 | 16,048,541.47 |

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

| | 2018 | 2017 |
|--|-----------------|---------------|
| Revenue and Other Income Realized | | |
| Fund Balance | \$ 2,850,000.00 | 2,550,000.00 |
| Miscellaneous Revenue Anticipated | 4,983,301.94 | 5,675,753.21 |
| Receipts from Delinquent Taxes | 416,282.22 | 745,611.38 |
| Receipts from Current Taxes | 56,431,351.63 | 57,072,086.83 |
| Non Budget Revenue | 202,126.31 | 431,238.17 |
| Other Credits to Income: | | |
| Unexpended Balance of Appropriation Res. | 1,128,366.40 | 1,082,863.43 |
| Grants Cancelled | 124.93 | - |
| Reserves Liquidated: | | |
| Interfunds Returned | 2,275.00 | 13,892.65 |
| Total Income | 66,013,828.43 | 67,571,445.67 |
| Expenditures | | |
| Budget and Emergency Appropriations: | | |
| Appropriations Within "CAPS" | | |
| Operations: | | |
| Salaries and Wages | 12,583,375.00 | 11,750,870.00 |
| Other Expenses | 7,408,030.00 | 8,070,830.00 |
| Deferred Charges & Statutory Expenditures | | |
| Appropriations Within "CAPS" | 3,316,492.62 | 3,293,824.60 |
| Operations Excluded from "CAPS" | | |
| Salaries and Wages | 295,000.00 | 252,000.00 |
| Other Expenses | 121,189.47 | 184,670.38 |
| Capital Improvements - Excluded from "CAPS" | 616,940.00 | 100,000.00 |
| Municipal Debt Service - Excluded from "CAPS" | 3,407,756.27 | 3,406,997.89 |
| Deferred Charges and Statutory Expenditures | | |
| Municipal Excluded from "CAPS" | 167,677.20 | 242,241.00 |
| Transferred to Board of Education for Use of Local Schools | 1,154,039.61 | 2,505,910.83 |
| Local District School Tax | 15,888,114.00 | 15,888,114.00 |
| Senior Citizens' Deductions Disallowed by Collector - | | |
| Prior Year Taxes | 5,250.00 | 3,288.86 |
| County Tax | 18,209,999.78 | 18,477,897.47 |
| County Share of Added Tax | 117,891.76 | 119,312.21 |
| Creation of Reserve for : | | |
| Interfunds Created | 5,981.43 | 2,275.00 |
| Cancellation of Grant Receivable | - | 4,117.92 |
| Refund of Prior Year Revenue | - | 58,840.86 |
| Total Expenditures | 63,297,737.14 | 64,361,191.02 |
| Excess in Revenue | 2,716,091.29 | 3,210,254.65 |

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

| | 2018 | 2017 |
|---|-----------------|--------------|
| Adjustments to Income before Fund Balance: | | |
| Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year | - | - |
| Total Adjustments | - | - |
| Statutory Excess to Fund Balance | 2,716,091.29 | 3,210,254.65 |
| Fund Balance January 1 | 6,355,397.60 | 5,695,142.95 |
| | 9,071,488.89 | 8,905,397.60 |
| Decreased by: | | |
| Utilization as Anticipated Revenue | 2,850,000.00 | 2,550,000.00 |
| Fund Balance December 31 | \$ 6,221,488.89 | 6,355,397.60 |

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

| | Anticipated | | Excess or (Deficit) |
|--|---------------------|-----------------|------------------------|
| | Budget | N.J.S. 40A:4-87 | |
| Fund Balance Anticipated | \$ 2,850,000.00 | | - |
| Total Fund Balance Anticipated | <u>2,850,000.00</u> | <u>-</u> | <u>-</u> |
| Miscellaneous Revenues: | | | |
| Section A: Local Revenues | | | |
| Licenses: | | | |
| Alcoholic Beverages | 11,500.00 | | 500.00 |
| Other | 16,000.00 | | (7,216.00) |
| Fees and Permits | | | |
| Fines and Costs: | | | |
| Municipal Court | | | |
| Interest and Costs on Taxes | 140,000.00 | | (23,404.66) |
| Interest and Investments and Deposits | 190,000.00 | | (47,180.04) |
| Beach Fees | 55,000.00 | | 135,947.59 |
| Beach Vehicles Permits | 590,000.00 | | 66,919.00 |
| Cable Franchise | 669,000.00 | | 32,025.00 |
| County Share of Library Costs | 75,000.00 | | 12,105.30 |
| Emergency Medical Services | 50,000.00 | | - |
| Lease of City Property | 285,000.00 | | 25,260.52 |
| | 195,000.00 | | 21,967.35 |
| Total Section A: Local Revenues | <u>2,401,500.00</u> | <u>-</u> | <u>227,692.03</u> |
| Section B: State Aid Without Offsetting Appropriations | | | |
| Energy Receipts Tax | 657,130.00 | | - |
| Open Space Pilot Aid (Garden State Trust) | 15,570.00 | | - |
| Type I School Debt Service Aid | 171,014.00 | | 2,135.00 |
| Total Section B: State Aid Without Offsetting Appropriations | <u>843,714.00</u> | <u>-</u> | <u>2,135.00</u> |

The Notes to the Financial Statements are an Integral Part of this Statement

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

| | Anticipated | | Realized | Excess or (Deficit) |
|---|-------------------|-------------------|-------------------|------------------------|
| | Budget | N.J.S. 40A:4-87 | | |
| Section C: Uniform Construction Code Fees | | | | |
| Uniform Construction Code Fees | 450,000.00 | | 469,660.00 | 19,660.00 |
| Total Section C: Uniform Construction Code Fees | <u>450,000.00</u> | <u>-</u> | <u>469,660.00</u> | <u>19,660.00</u> |
| Section D: Special Items of General Revenue Anticipated | | | | |
| None | - | | - | - |
| Total Section D: Special Items of General Revenue Anticipated | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Section E: Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services - Additional Revenues | | | | |
| Fire Prevention Inspection Fees | 275,000.00 | | 352,990.00 | 77,990.00 |
| Total Section E: Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services - Additional Revenues | <u>275,000.00</u> | <u>-</u> | <u>352,990.00</u> | <u>77,990.00</u> |
| Section F: Special Items - Public and Private Programs | | | | |
| Off-Set with Appropriations | | | | |
| N.J. Transportation Trust Fund Authority Act | 71,940.00 | | 71,940.00 | - |
| Safe and Secure Communities Program - P.L. 1994, Chapter 220 | 30,000.00 | | 30,000.00 | - |
| Bulletproof Vest Partnership Grant - 2017 | 2,108.40 | | 2,108.40 | - |
| DCA - Community Block Grants | 30,732.00 | | 30,732.00 | - |
| Municipal Alliance on Alcoholism and Drug Abuse | | 16,319.00 | 16,319.00 | - |
| Sustainable Jersey Small Grant | | 2,000.00 | 2,000.00 | - |
| Clean Communities Program | | 41,450.07 | 41,450.07 | - |
| Bulletproof Vest Partnership Grant - 2018 | | 3,080.00 | 3,080.00 | - |
| N.J. Transportation Trust Fund Authority Act - Bike Path | | 170,000.00 | 170,000.00 | - |
| Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations | <u>134,780.40</u> | <u>232,849.07</u> | <u>367,629.47</u> | <u>-</u> |

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

| | Anticipated | | Excess or (Deficit) |
|---|----------------------|-------------------|------------------------|
| | Budget | N.J.S. 40A:4-87 | |
| Section G: Other Special Items | | | |
| Reserve for Future Capital Project | 175,000.00 | | - |
| Minority Golf Receipts | 20,000.00 | | - |
| Reserve to Pay Bonds & Notes | 75,000.00 | | - |
| Reserve to Pay Bonds & Notes - School Purpose | 47,981.44 | | - |
| Total Section G: Other Special Items | 317,981.44 | - | - |
| Total Miscellaneous Revenues: | 4,422,975.84 | 232,849.07 | 327,477.03 |
| Receipts from Delinquent Taxes | 418,000.00 | | (1,717.78) |
| Amount to be Raised by Taxes for Support of Municipal Budget | | | |
| Local Tax for Municipal Purposes | 21,694,216.94 | | 1,021,349.33 |
| Addition to Local District School Tax | 935,105.56 | | - |
| Total Amount to be Raised by Taxes for Support of Municipal Budget | 22,629,322.50 | - | 1,021,349.33 |
| Budget Totals | 30,320,298.34 | 232,849.07 | 1,347,108.58 |
| Non-Budget Revenues: | | | |
| Other Non-Budget Revenues: | | | |
| | | 202,126.31 | 202,126.31 |
| | 30,320,298.34 | 232,849.07 | 1,549,234.89 |

The Notes to the Financial Statements are an Integral Part of this Statement

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

Analysis of Realized Revenues

| | |
|--|---------------|
| Allocation of Current Tax Collections: | |
| Revenue from Collections | 56,431,351.63 |
| Less: Reserve for Tax Appeals Pending | _____ |
| Net Revenue from Collections | 56,431,351.63 |
| Allocated to: | |
| School, County and Other Taxes | 34,216,005.54 |
| Balance for Support of Municipal Budget Appropriations | 22,215,346.09 |
| Increased by: | |
| Appropriation "Reserved for Uncollected Taxes" | 1,435,325.74 |
| Amount for Support of Municipal Budget Appropriations | 23,650,671.83 |

| | |
|--------------------------------------|------------|
| Receipts from Delinquent Taxes: | |
| Delinquent Tax Collection | 416,282.22 |
| Tax Title Lien Collections | - |
| Total Receipts from Delinquent Taxes | 416,282.22 |

| | |
|--|------------|
| Analysis of Non-Budget Revenue: | |
| Miscellaneous Revenue Not Anticipated: | |
| Tax Sale Costs | 7,265.90 |
| Administrative Fee - Senior Citizens and Veterans Deductions | 2,053.42 |
| Restitution | 1,100.00 |
| Zoning Fees | 7,625.00 |
| Street Opening Permits | 24,175.00 |
| Auction Proceeds - Sale of City Property | 14,326.95 |
| Special Events Permits | 5,300.00 |
| Dune Maintenance Permits | 6,000.00 |
| Weight Watchers Meetings | 5,100.00 |
| Dog Park Permits | 1,949.00 |
| Horseback Riding Permits | 400.00 |
| Copy/Notary Fees | 1,530.44 |
| Bulkhead Permits | 4,128.00 |
| List of Owners | 620.00 |
| Community Center Lease | 9,850.00 |
| Foreclosed Property | 17,400.00 |
| NSF Fees | 255.00 |
| Demolition Recovery Expense | 39,048.22 |
| JIF Assessment Proceeds | 2,000.00 |
| Prior Year Reimbursements | 17,962.20 |
| Recycling | 5,619.90 |
| Sidewalk Permits | 7,700.00 |
| Miscellaneous Collector Receipts | 4,812.23 |
| Miscellaneous | 15,905.05 |
| Total Miscellaneous Revenue Not Anticipated: | 202,126.31 |

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

| | Appropriations | | Paid or Charged | Expended | | (Over expended) Unexpended Balance Cancelled |
|--|----------------|----------------------------|-----------------|------------|-----------|--|
| | Budget | Budget After Modifications | | Encumbered | Reserved | |
| OPERATIONS WITHIN "CAPS" | | | | | | |
| GENERAL GOVERNMENT: | | | | | | |
| General Administration | | | | | | |
| Salaries & Wages | 80,200.00 | 67,700.00 | 66,481.90 | | 1,218.10 | - |
| Other Expenses | 56,400.00 | 63,900.00 | 43,300.21 | 13,848.58 | 6,751.21 | - |
| Mayor and Council | | | | | | |
| Salaries & Wages | 37,800.00 | 37,800.00 | 37,751.22 | | 48.78 | - |
| Other Expenses | 15,000.00 | 15,000.00 | 11,704.88 | 3,136.80 | 158.32 | - |
| Municipal Clerk | | | | | | |
| Salaries & Wages | 89,700.00 | 93,200.00 | 92,693.86 | | 506.14 | - |
| Other Expenses | 31,800.00 | 28,300.00 | 18,464.87 | 728.85 | 9,106.28 | - |
| Financial Administration | | | | | | |
| Salaries & Wages | 167,000.00 | 167,000.00 | 166,352.65 | | 647.35 | - |
| Other Expenses | 52,700.00 | 52,700.00 | 48,708.03 | 1,302.48 | 2,689.49 | - |
| Audit Services | | | | | | |
| Other Expenses | 45,000.00 | 45,000.00 | 40,296.00 | | 4,704.00 | - |
| Revenue Administration (Tax Collector) | | | | | | |
| Salaries & Wages | 124,500.00 | 125,500.00 | 124,596.16 | | 903.84 | - |
| Other Expenses | 26,305.00 | 25,305.00 | 21,089.85 | 2,106.15 | 2,109.00 | - |
| Tax Assessment Administration | | | | | | |
| Salaries & Wages | 203,000.00 | 203,000.00 | 161,667.66 | | 41,332.34 | - |
| Other Expenses | 36,300.00 | 36,300.00 | 24,795.91 | 1,853.95 | 9,650.14 | - |
| Legal Services | | | | | | |
| Other Expenses | 425,000.00 | 425,000.00 | 344,607.56 | | 80,392.44 | - |
| Emergency Medical Services - Billing | | | | | | |
| Other Expenses | 22,000.00 | 22,000.00 | 14,510.91 | 5,000.00 | 2,489.09 | - |
| Engineering Services and Costs | | | | | | |
| Salaries & Wages | 16,000.00 | 4,500.00 | 3,061.20 | | 1,438.80 | - |
| Other Expenses | 125,000.00 | 125,000.00 | 34,241.81 | 43,424.55 | 47,333.64 | - |
| Ethics Board | | | | | | |
| Other Expenses | 100.00 | 100.00 | | | 100.00 | - |

The Notes to the Financial Statements are an Integral Part of this Statement

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

| | Appropriations | | Paid or Charged | Expended | | (Over expended) Unexpended Balance Cancelled |
|---------------------------------------|----------------|----------------------------|-----------------|------------|------------|--|
| | Budget | Budget After Modifications | | Encumbered | Reserved | |
| Municipal Court | | | | | | |
| Salaries & Wages | 130,500.00 | 130,500.00 | 130,279.19 | | 220.81 | - |
| Other Expenses | 16,000.00 | 16,000.00 | 9,239.40 | 2,165.52 | 4,595.08 | - |
| Public Defender | | | | | | |
| Other Expenses | 10,000.00 | 10,000.00 | 9,950.00 | | 50.00 | - |
| LAND USE ADMINISTRATION | | | | | | |
| Planning Board | | | | | | |
| Salaries & Wages | 9,500.00 | 9,600.00 | 9,499.88 | | 100.12 | - |
| Other Expenses | 43,000.00 | 44,500.00 | 43,932.43 | | 567.57 | - |
| INSURANCE | | | | | | |
| General Liability and Other Insurance | 245,500.00 | 195,500.00 | 174,001.63 | | 21,498.37 | - |
| Workers Compensation Insurance | 411,000.00 | 411,000.00 | 394,258.23 | | 16,741.77 | - |
| Employee Group Health | 2,225,000.00 | 2,168,000.00 | 1,973,046.65 | | 194,953.35 | - |
| Health Benefits Waiver | | | | | | |
| Salaries & Wages | 135,000.00 | 135,000.00 | 117,736.63 | | 17,263.37 | - |
| PUBLIC SAFETY | | | | | | |
| Fire Department | | | | | | |
| Salaries & Wages | 3,523,000.00 | 3,503,000.00 | 3,489,927.96 | | 13,072.04 | - |
| Other Expenses | 219,000.00 | 219,000.00 | 158,847.28 | 54,488.57 | 5,664.15 | - |
| Police Department | | | | | | |
| Salaries & Wages | 4,400,000.00 | 4,369,000.00 | 4,348,698.51 | | 20,301.49 | - |
| Other Expenses | 209,500.00 | 209,500.00 | 135,095.69 | 71,430.07 | 2,974.24 | - |
| Office of Emergency Management | | | | | | |
| Salaries & Wages | 4,000.00 | 5,000.00 | 4,144.99 | | 855.01 | - |
| Other Expenses | 15,000.00 | 15,000.00 | 748.63 | | 14,251.37 | - |
| PUBLIC WORKS | | | | | | |
| Streets and Roads Maintenance | | | | | | |
| Salaries & Wages | 555,000.00 | 555,000.00 | 539,523.74 | | 15,476.26 | - |
| Other Expenses | 90,500.00 | 105,500.00 | 88,998.14 | 1,081.01 | 15,420.85 | - |
| Solid Waste Collection | | | | | | |
| Other Expenses | 1,330,000.00 | 1,330,000.00 | 1,180,603.67 | 72,553.63 | 76,842.70 | - |
| Recycling Program | | | | | | |
| Salaries & Wages | 40,500.00 | 30,500.00 | 26,724.23 | | 3,775.77 | - |
| Other Expenses | 13,500.00 | 13,500.00 | 255.00 | | 13,245.00 | - |

The Notes to the Financial Statements are an Integral Part of this Statement

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

| | Appropriations | | Budget After Modifications | Paid or Charged | Expended | | (Over expended) Unexpended Balance Cancelled |
|-------------------------------------|----------------|--|-------------------------------|--------------------|------------|-----------|---|
| | Budget | | | | Encumbered | Reserved | |
| Department of Public Works | | | | | | | |
| Salaries & Wages | 193,500.00 | | 193,500.00 | 187,403.52 | | 6,096.48 | - |
| Other Expenses | 14,000.00 | | 14,000.00 | 8,502.18 | | 5,497.82 | - |
| Buildings and Grounds | | | | | | | |
| Salaries & Wages | 649,375.00 | | 642,375.00 | 627,413.14 | | 14,961.86 | - |
| Other Expenses | 284,500.00 | | 342,500.00 | 272,178.10 | 66,353.97 | 3,967.93 | - |
| Demolition | | | | | | | |
| Other Expenses | 75,000.00 | | 75,000.00 | 16,172.00 | 3,100.00 | 55,728.00 | - |
| Vehicle Maintenance | | | | | | | |
| Salaries & Wages | 124,200.00 | | 124,200.00 | 122,825.87 | | 1,374.13 | - |
| Other Expenses | 199,000.00 | | 186,000.00 | 144,787.72 | 22,128.63 | 19,083.65 | - |
| HEALTH AND HUMAN SERVICES | | | | | | | |
| Dog Regulation | | | | | | | |
| Other Expenses | 18,500.00 | | 18,500.00 | 13,475.00 | | 5,025.00 | - |
| PARKS AND RECREATION | | | | | | | |
| Beach Patrol and Maintenance | | | | | | | |
| Salaries & Wages | 798,000.00 | | 783,000.00 | 771,001.90 | | 11,998.10 | - |
| Other Expenses | 77,000.00 | | 77,000.00 | 64,895.64 | | 12,104.36 | - |
| Beach Fee Program | | | | | | | |
| Salaries & Wages | 167,000.00 | | 137,000.00 | 133,450.00 | | 3,550.00 | - |
| Other Expenses | 24,100.00 | | 54,100.00 | 33,648.60 | 15,160.78 | 5,290.62 | - |
| Parks and Playgrounds | | | | | | | |
| Salaries & Wages | 280,000.00 | | 280,000.00 | 278,228.87 | | 1,771.13 | - |
| Other Expenses | 42,525.00 | | 42,525.00 | 30,495.44 | 6,095.45 | 5,934.11 | - |
| Cultural Arts | | | | | | | |
| Other Expenses | 5,000.00 | | 5,000.00 | 5,000.00 | | - | - |
| Grant Coordinator | | | | | | | |
| Other Expenses | 45,000.00 | | 45,000.00 | 15,885.00 | 3,060.00 | 26,055.00 | - |
| UNIFORM CONSTRUCTION CODE | | | | | | | |
| Construction Official | | | | | | | |
| Salaries & Wages | 337,000.00 | | 337,000.00 | 320,906.35 | | 16,093.65 | - |
| Other Expenses | 32,800.00 | | 32,800.00 | 10,918.89 | 450.00 | 21,431.11 | - |

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

| | Appropriations | | Paid or Charged | Expended | | (Over expended) Unexpended Balance Cancelled |
|--|----------------------|----------------------------|----------------------|-------------------|---------------------|--|
| | Budget | Budget After Modifications | | Encumbered | Reserved | |
| UNCLASSIFIED | | | | | | |
| Accumulated Leave Compensation | 500,000.00 | 650,000.00 | 650,000.00 | - | - | - |
| Maintenance Agreements - Contractual | 100,000.00 | 100,000.00 | 100,000.00 | - | - | - |
| Storm Reserve | 100,000.00 | 107,000.00 | 96,999.37 | 10,000.63 | - | - |
| UTILITY EXPENSES AND BULK PURCHASES | | | | | | |
| Electric | 200,000.00 | 205,000.00 | 192,058.22 | 12,941.78 | - | - |
| Street Lighting | 250,000.00 | 250,000.00 | 190,701.58 | 59,298.42 | - | - |
| Telephone | 105,000.00 | 122,000.00 | 119,519.68 | 2,480.32 | - | - |
| Gas | 45,000.00 | 50,000.00 | 49,034.40 | 965.60 | - | - |
| Fuel | 95,000.00 | 95,000.00 | 81,446.74 | 3,066.69 | 10,486.57 | - |
| Cable | 10,000.00 | 10,000.00 | 8,682.39 | 1,317.61 | - | - |
| TOTAL OPERATIONS WITHIN "CAPS" | 19,950,805.00 | 19,990,905.00 | 18,635,467.16 | 392,535.68 | 962,902.16 | - |
| Contingent | 500.00 | 500.00 | - | 500.00 | - | - |
| TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS" | 19,951,305.00 | 19,991,405.00 | 18,635,467.16 | 392,535.68 | 963,402.16 | - |
| Detail: | | | | | | |
| Salaries & Wages | 12,564,775.00 | 12,583,375.00 | 12,410,369.43 | - | 173,005.57 | - |
| Other Expenses | 7,386,530.00 | 7,408,030.00 | 6,225,097.73 | 392,535.68 | 790,396.59 | - |
| DEFERRED CHARGES AND STATUTORY EXPENDITURES: | | | | | | |
| Deferred Charges: | | | | | | |
| Deficit - Golf Course Utility | 415,000.00 | 415,000.00 | 367,743.62 | - | - | 47,256.38 |
| Statutory Expenditures: | | | | | | |
| Contributions to: | | | | | | |
| Public Employees' Retirement System | 417,739.00 | 417,739.00 | 417,739.00 | - | - | - |
| Social Security System (O.A.S.I.) | 930,000.00 | 889,900.00 | 878,384.81 | 11,515.19 | - | - |
| Police and Firemen's Retirement System | 1,576,110.00 | 1,576,110.00 | 1,576,110.00 | - | - | - |
| Unemployment Compensation Insurance | 40,000.00 | 40,000.00 | 16,779.85 | 23,220.15 | - | - |
| Lifeguard Pension | 20,000.00 | 20,000.00 | 20,000.00 | - | - | - |
| Defined Contribution Retirement Program | 5,000.00 | 5,000.00 | 2,887.62 | 2,112.38 | - | - |
| TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES: | 3,403,849.00 | 3,363,749.00 | 3,279,644.90 | - | 36,847.72 | 47,256.38 |
| TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS" | 23,355,154.00 | 23,355,154.00 | 21,915,112.06 | 392,535.68 | 1,000,249.88 | 47,256.38 |

The Notes to the Financial Statements are an Integral Part of this Statement

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

| | Appropriations | | Paid or Charged | Expended | | (Over expended) Unexpended Balance Cancelled |
|---|----------------|----------------------------|-----------------|------------|------------|--|
| | Budget | Budget After Modifications | | Encumbered | Reserved | |
| OPERATIONS - EXCLUDED FROM "CAPS" | | | | | | |
| (A) Operations - Excluded from "CAPS" | | | | | | |
| Reserve for Tax Appeals | 500.00 | 500.00 | 500.00 | - | - | - |
| Fire Prevention Inspections | 265,000.00 | 265,000.00 | 262,618.38 | 2,381.62 | - | - |
| Salaries & Wages | 10,000.00 | 10,000.00 | 5,126.89 | 4,855.00 | 18.11 | - |
| Other Expenses | 275,500.00 | 275,500.00 | 268,245.27 | 4,855.00 | 2,399.73 | - |
| | | | | | | |
| (A) Public and Private Programs Off-Set by Revenues | | | | | | |
| Safe and Secure Communities Program | | | | | | |
| Police | | | | | | |
| Salaries & Wages | 30,000.00 | 30,000.00 | 30,000.00 | - | - | - |
| Bulletproof Best Partnership Grant | 2,108.40 | 5,188.40 | 5,188.40 | - | - | - |
| DCA - Community Development Block Grant | 30,732.00 | 30,732.00 | 30,732.00 | - | - | - |
| Matching Funds to Grants | 15,000.00 | 10,920.00 | - | 10,920.00 | - | - |
| Sustainable Jersey Small Grant | | 2,000.00 | 2,000.00 | - | - | - |
| Clean Communities | | 41,450.07 | 41,450.07 | - | - | - |
| Municipal Alliance-County | | 16,319.00 | 16,319.00 | - | - | - |
| Municipal Alliance-Match | | 4,080.00 | 4,080.00 | - | - | - |
| Total Public and Private Programs Off-Set by Revenues | 77,840.40 | 140,689.47 | 129,769.47 | - | 10,920.00 | - |
| | | | | | | |
| Total Operations - Excluded from "CAPS" | 353,340.40 | 416,189.47 | 398,014.74 | 4,855.00 | 13,319.73 | - |
| Detail: | | | | | | |
| Salaries & Wages | 295,000.00 | 295,000.00 | 292,618.38 | - | 2,381.62 | - |
| Other Expenses | 58,340.40 | 121,189.47 | 105,396.36 | 4,855.00 | 10,938.11 | - |
| | | | | | | |
| (C) Capital Improvements | | | | | | |
| Capital Improvement Fund | 200,000.00 | 200,000.00 | 200,000.00 | - | - | - |
| Acquisition of Property | 175,000.00 | 175,000.00 | - | 175,000.00 | - | - |
| NJ Transportation Trust Fund Authority Act | 71,940.00 | 241,940.00 | 241,940.00 | - | - | - |
| Total Capital Improvements | 446,940.00 | 616,940.00 | 441,940.00 | - | 175,000.00 | - |
| | | | | | | |
| (D) Debt Service | | | | | | |
| Payment of Bond Principal | 2,790,000.00 | 2,790,000.00 | 2,790,000.00 | - | - | - |
| Interest on Bonds | 580,450.00 | 580,450.00 | 580,446.35 | - | - | 3.65 |
| Green Trust Loan Program: | | | | | | |
| Loan Repayments for Principal & Interest | 37,310.00 | 37,310.00 | 37,309.92 | - | - | 0.08 |
| Total Debt Service | 3,407,760.00 | 3,407,760.00 | 3,407,756.27 | - | - | 3.73 |

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

| | Appropriations | | Paid or Charged | Expended | | (Over expended) Unexpended Balance Cancelled |
|--|-------------------------|----------------------------|----------------------|-------------------|---------------------|--|
| | Budget | Budget After Modifications | | Encumbered | Reserved | |
| (E) Deferred Charges - Municipal - Excluded from "CAPS" | | | | | | |
| Special Emergency Authorization- 5 Years | 117,677.20 | 117,677.20 | 117,677.20 | - | - | - |
| Deferred Charges to Future Taxation: | | | | | | |
| Ordinance #12-17 | 45,000.00 | 45,000.00 | 45,000.00 | - | - | - |
| Ordinance #15-17 | 5,000.00 | 5,000.00 | 5,000.00 | - | - | - |
| Total Deferred Charges - Municipal - Excluded from "CAPS" | <u>167,677.20</u> | <u>167,677.20</u> | <u>167,677.20</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (I) Local School District Purposes - Excluded from "CAPS" | | | | | | |
| Type I District School Debt Service | | | | | | |
| Payment of Bond Principal | 500,000.00 | 500,000.00 | 500,000.00 | - | - | - |
| Payment of Bond Anticipation Notes | 524,000.00 | 524,000.00 | 524,000.00 | - | - | - |
| Interest on Bonds | 108,000.00 | 108,000.00 | 108,000.00 | - | - | - |
| Interest on Notes | 22,101.00 | 22,101.00 | 22,039.61 | - | - | 61.39 |
| Total | | | | | | |
| Deferred Charges and Statutory Expenditures - Excluded from "CAPS" | - | - | - | - | - | - |
| None | | | | | | |
| (K) TOTAL MUNICIPAL APPROPRIATIONS FOR LOCAL SCHOOL DISTRICT PURPOSES EXCLUDED FROM "CAPS" | <u>1,154,101.00</u> | <u>1,154,101.00</u> | <u>1,154,039.61</u> | <u>-</u> | <u>-</u> | <u>61.39</u> |
| TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS" | <u>5,529,818.60</u> | <u>5,762,667.67</u> | <u>5,569,427.82</u> | <u>4,855.00</u> | <u>188,319.73</u> | <u>65.12</u> |
| SUBTOTAL GENERAL APPROPRIATIONS | <u>28,884,972.60</u> | <u>29,117,821.67</u> | <u>27,484,539.88</u> | <u>397,390.68</u> | <u>1,188,569.61</u> | <u>47,321.50</u> |
| (M) Reserve for Uncollected Taxes | <u>1,435,325.74</u> | <u>1,435,325.74</u> | <u>1,435,325.74</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL GENERAL APPROPRIATIONS | <u>\$ 30,320,298.34</u> | <u>30,553,147.41</u> | <u>28,919,865.62</u> | <u>397,390.68</u> | <u>1,188,569.61</u> | <u>47,321.50</u> |
| Budget Appropriations by 40A:4-87 | | | | | | |
| Budget | 30,320,298.34 | 30,320,298.34 | | | Cancelled | 47,321.50 |
| Appropriations by 40A:4-87 | 232,849.07 | 232,849.07 | | | Overexpended | - |
| | <u>30,553,147.41</u> | <u>30,553,147.41</u> | | | | <u>47,321.50</u> |
| Reserve for Uncollected Taxes | | | 1,435,325.74 | | | |
| Federal and State Grants | | | 371,709.47 | | | |
| Deferred Charges | | | 167,677.20 | | | |
| Reserve for Tax Appeals | | | 500.00 | | | |
| Disbursements | | | 26,944,653.21 | | | |
| | | | <u>28,919,865.62</u> | | | |

The Notes to the Financial Statements are an Integral Part of this Statement

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

| | 2018 | 2017 |
|-------------------------------|-----------------|--------------|
| <u>Assets</u> | | |
| <u>Animal Control Fund</u> | | |
| Cash and Investments | \$ 1,604.20 | 876.40 |
| | 1,604.20 | 876.40 |
| <u>Other Funds</u> | | |
| Cash and Investments | 3,713,291.89 | 3,534,528.65 |
| Due Current Fund | 397.00 | - |
| Due from General Capital Fund | - | 5,000.00 |
| | 3,713,688.89 | 3,539,528.65 |
| | \$ 3,715,293.09 | 3,540,405.05 |

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

| <u>Liabilities, Reserves and Fund Balance</u> | <u>2018</u> | <u>2017</u> |
|---|------------------------|---------------------|
| <u>Animal Control Fund</u> | | |
| Reserve for Animal Control Expenditures | \$ 1,603.00 | 872.20 |
| Due State of New Jersey | 1.20 | 4.20 |
| | <u>1,604.20</u> | <u>876.40</u> |
| <u>Other Funds</u> | | |
| Due to Current Fund | 450.00 | 1,521.31 |
| Reserve for Accumulated Absences | 1,317,669.38 | 864,315.74 |
| Reserve for Special Law Enforcement | 47,781.14 | 53,724.74 |
| Reserve for Police Special Detail Escrow | 16,950.00 | - |
| Reserve for POAA | 2,074.00 | 1,962.00 |
| Reserve for Engineering Escrow | 157,554.77 | 201,500.59 |
| Reserve for Lifeguard Pension | 558,332.58 | 559,750.16 |
| Reserve for Recreation | 308,166.16 | 350,060.71 |
| Reserve for Recreation Green Team | 18,361.31 | 12,954.18 |
| Reserve for COAH | 506,184.30 | 565,241.19 |
| Reserve for Health Insurance Trust | 1.63 | 1.63 |
| Reserve for Tax Title Lien Redemptions | 6,299.78 | 36,676.61 |
| Reserve for Tax Title Lien Premiums | 360,404.00 | 550,104.00 |
| Reserve for Due to Third Parties Eng Escrow | 20,594.25 | 20,594.25 |
| Reserve for Fire Prevention | 2,272.00 | 1,875.00 |
| Reserve for Storm Expenses | 379,175.42 | 306,255.51 |
| Reserve for Municipal Alliance Donations | 11,418.17 | 12,991.03 |
| | <u>3,713,688.89</u> | <u>3,539,528.65</u> |
| | <u>\$ 3,715,293.09</u> | <u>3,540,405.05</u> |

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

| <u>ASSETS</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------------|----------------------|
| Cash | \$ 5,983,604.76 | 8,530,040.24 |
| Deferred Charges to Future Taxation - | | |
| Funded | 20,430,845.55 | 23,751,882.88 |
| Unfunded | 14,076,942.00 | 8,280,987.00 |
| Interfunds and Receivables | | |
| Federal and State Grant Receivable | - | 186,376.45 |
| | <u>40,491,392.31</u> | <u>40,749,286.57</u> |
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | |
| Serial Bonds Payable | 17,040,000.00 | 19,830,000.00 |
| School Type I Bonds Payable | 3,100,000.00 | 3,600,000.00 |
| Green Trust Loan Payable | 290,845.55 | 321,882.88 |
| Bond Anticipation Notes | 1,066,000.00 | 1,590,000.00 |
| Due to Trust Other | - | 5,000.00 |
| Improvement Authorizations: | | |
| Funded | 2,912,011.63 | 7,734,692.99 |
| Unfunded | 9,048,042.52 | 6,088,378.96 |
| Reserve for Encumbrances | 6,241,886.23 | 556,243.92 |
| Reserve for Bonds and Notes | 254,403.81 | 329,403.81 |
| Reserve for Future Capital Project | 264,555.00 | 439,555.00 |
| Reserve for Payment of School Debt | - | 47,981.44 |
| Capital Improvement Fund | 153,000.00 | 85,500.00 |
| Fund Balance | 120,647.57 | 120,647.57 |
| | <u>\$ 40,491,392.31</u> | <u>40,749,286.57</u> |

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

| | |
|------|---------------|
| 2017 | 6,690,987.00 |
| 2018 | 13,010,942.00 |

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

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|----------------------|-------------------|
| Beginning Balance January 1 | \$ 120,647.57 | 245,647.57 |
| Increased by: | | |
| Bond Premium | - | - |
| Decreased by: | | |
| Improvement Authorizations Funded | - | 125,000.00 |
| Ending Balance December 31 | <u>\$ 120,647.57</u> | <u>120,647.57</u> |

**WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

| | 2018 | 2017 |
|--|------------------|---------------|
| <u>ASSETS</u> | | |
| Operating Fund: | | |
| Cash | \$ 4,436,702.25 | 3,965,260.85 |
| | 4,436,702.25 | 3,965,260.85 |
| Receivables and Other Assets with Full Reserves: | | |
| Consumer Accounts Receivable | 392,920.84 | 410,805.50 |
| | 392,920.84 | 410,805.50 |
| Total Operating Fund | 4,829,623.09 | 4,376,066.35 |
| Capital Fund: | | |
| Cash | 2,978,074.60 | 2,889,841.12 |
| New Jersey EIT Receivable | 24,227.00 | 24,227.00 |
| Fixed Capital | 36,498,122.76 | 36,498,122.76 |
| Fixed Capital - Authorized and Uncompleted | 8,382,176.85 | 7,432,176.85 |
| Total Capital Fund | 47,882,601.21 | 46,844,367.73 |
| | \$ 52,712,224.30 | 51,220,434.08 |

**WATER AND SEWER UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

| | 2018 | 2017 |
|---|------------------|---------------|
| <u>LIABILITIES, RESERVES AND FUND BALANCE</u> | | |
| Operating Fund: | | |
| Appropriation Reserves | \$ 280,403.20 | 527,999.49 |
| Reserve for Encumbrances | 278,002.98 | 75,361.82 |
| Due to Current Fund | 1,672.05 | - |
| Due to Grant Fund | - | 121.94 |
| Overpaid Rents | 1,024,271.63 | 953,799.51 |
| Accrued Interest on Bonds and Notes | 84,388.02 | 86,738.58 |
| Reserve for Insurance Proceeds | 5,500.00 | 5,500.00 |
| | 1,674,237.88 | 1,649,521.34 |
| Reserve for Receivables | 392,920.84 | 410,805.50 |
| Fund Balance | 2,762,464.37 | 2,315,739.51 |
| | 4,829,623.09 | 4,376,066.35 |
| Total Operating Fund | | |
| Capital Fund: | | |
| Encumbrances Payable | 26,769.69 | 48,586.85 |
| Serial Bonds Payable | 3,900,000.00 | 4,460,000.00 |
| NJEIT Bonds & Loans | 4,703,823.81 | 5,314,919.69 |
| Improvement Authorizations: | | |
| Funded | 2,889,309.02 | 3,096,630.89 |
| Unfunded | 1,750,000.00 | 716,794.49 |
| Reserve for Amortization | 34,456,125.80 | 33,050,862.92 |
| Reserve for Bonds and Notes | 86,222.89 | 86,222.89 |
| Deferred Reserve for Amortization | 70,350.00 | 70,350.00 |
| Fund Balance | - | - |
| | 47,882,601.21 | 46,844,367.73 |
| | \$ 52,712,224.30 | 51,220,434.08 |

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

| | | |
|--|------|--------------|
| | 2017 | 1,034,167.00 |
| | 2018 | 1,750,000.00 |

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

| | <u>2018</u> | <u>2017</u> |
|---|------------------------|---------------------|
| Revenue and Other Income Realized | | |
| Fund Balance Utilized | \$ 250,000.00 | - |
| Water and Sewer Rents | 5,863,028.55 | 5,931,680.50 |
| Miscellaneous | 143,732.37 | 148,978.54 |
| Other Credits to Income: | | |
| Unexpended Balance of Appropriation Res. | 519,693.38 | 516,795.72 |
| Cancellation of Accounts Payable | - | - |
| Total Income | <u>6,776,454.30</u> | <u>6,597,454.76</u> |
| Expenditures | | |
| Operations: | | |
| Salaries and Wages | 1,077,000.00 | 1,110,000.00 |
| Other Expenses | 3,301,400.00 | 3,201,000.00 |
| Debt Service | 1,348,662.44 | 1,179,453.92 |
| Deferred Charges and Statutory Expenditures | 352,667.00 | 220,150.00 |
| Total Expenditures | <u>6,079,729.44</u> | <u>5,710,603.92</u> |
| Excess in Revenue | <u>696,724.86</u> | <u>886,850.84</u> |
| Adjustments to Income before Fund Balance: | | |
| Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year | - | - |
| Total Adjustments | <u>-</u> | <u>-</u> |
| Excess in Operations | <u>696,724.86</u> | <u>886,850.84</u> |
| Fund Balance January 1 | <u>2,315,739.51</u> | <u>1,428,888.67</u> |
| | 3,012,464.37 | 2,315,739.51 |
| Decreased by: | | |
| Utilization as Anticipated Revenue | <u>250,000.00</u> | - |
| Fund Balance December 31 | <u>\$ 2,762,464.37</u> | <u>2,315,739.51</u> |

The Notes to the Financial Statements are an Integral Part of this Statement

**WATER AND SEWER UTILITY CAPITAL FUND
COMPARATIVE STATEMENT OF FUND BALANCE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

| | 2018 | 2017 |
|-----------------------------|------|------|
| Beginning Balance January 1 | \$ - | - |
| Increased by: | | |
| None | - | - |
| Decreased by: | | |
| None | - | - |
| Ending Balance December 31 | \$ - | - |

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Anticipated Budget | Realized | Excess or (Deficit) |
|----------------------|------------------------|---------------------|------------------------|
| Anticipated Revenue: | | | |
| Surplus Anticipated | \$ 250,000.00 | 250,000.00 | - |
| Water Rents | 2,300,000.00 | 2,342,864.63 | 42,864.63 |
| Sewer Rents | 3,500,000.00 | 3,520,163.92 | 20,163.92 |
| Miscellaneous | 82,167.00 | 143,732.37 | 61,565.37 |
| | <u>\$ 6,132,167.00</u> | <u>6,256,760.92</u> | <u>124,593.92</u> |

Analysis of Realized Revenue:

| | | |
|---------------------------|--------------|---------------------|
| Water and Sewer Rents | | |
| Accounts Receivable | 5,863,028.55 | |
| Total Water & Sewer Rents | | <u>5,863,028.55</u> |
| Miscellaneous Revenue | | |
| Penalties and Interest | 40,694.40 | |
| Water/Sewer Connections | 4,500.00 | |
| Water Reading Fees | 21,605.00 | |
| Fire Sprinkler Fee | 15,425.00 | |
| Shut Off Notice Fee | 12,150.00 | |
| Meter Parts/Set Up | 47,842.00 | |
| Miscellaneous | 1,515.97 | |
| Total Miscellaneous | | <u>143,732.37</u> |

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Appropriations | | Paid or Charged | Expended | | (Over expended) Unexpended Balance Cancelled |
|---|------------------------|--------------------------------|---------------------|-------------------|-------------------|--|
| | Budget | Budget After Modifications | | Encumbered | Reserved | |
| Operations: | | | | | | |
| Salaries and Wages | \$ 1,077,000.00 | 1,077,000.00 | 941,155.85 | | 135,844.15 | |
| Other Expenses | 3,301,400.00 | 3,301,400.00 | 2,904,263.65 | 278,002.98 | 119,133.37 | |
| | <u>4,378,400.00</u> | <u>4,378,400.00</u> | <u>3,845,419.50</u> | <u>278,002.98</u> | <u>254,977.52</u> | <u>-</u> |
| Debt Service: | | | | | | |
| Payment of Bond Principal | 1,171,100.00 | 1,171,100.00 | 1,171,095.88 | | 0.00 | 4.12 |
| Interest on Bonds | 230,000.00 | 230,000.00 | 177,566.56 | | - | 52,433.44 |
| | <u>1,401,100.00</u> | <u>1,401,100.00</u> | <u>1,348,662.44</u> | <u>-</u> | <u>0.00</u> | <u>52,437.56</u> |
| Deferred Charges and Statutory Expenditures: | | | | | | |
| Deferred Charges Unfunded | | | | | | |
| Ord #16-94, 25-08, 13-14 | 134,167.00 | 134,167.00 | 134,167.00 | | - | |
| Contribution to: Public Employees Retirement System | 126,500.00 | 126,500.00 | 126,500.00 | | - | |
| Social Security System (O.A.S.I.) | 85,000.00 | 85,000.00 | 66,574.32 | | 18,425.68 | |
| Unemployment Compensation Insurance | 7,000.00 | 7,000.00 | | | 7,000.00 | |
| | <u>352,667.00</u> | <u>352,667.00</u> | <u>327,241.32</u> | <u>-</u> | <u>25,425.68</u> | <u>-</u> |
| | <u>\$ 6,132,167.00</u> | <u>6,132,167.00</u> | <u>5,521,323.26</u> | <u>278,002.98</u> | <u>280,403.20</u> | <u>52,437.56</u> |
| | | Cash Disbursed \$ 5,523,673.82 | | | Cancelled | 52,437.56 |
| | | Accrued Interest (2,350.56) | | | Overexpended | - |
| | | <u>5,521,323.26</u> | | | | <u>52,437.56</u> |

**GOLF COURSE UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

| | 2018 | 2017 |
|----------------------------|-----------------|--------------|
| <u>Assets</u> | | |
| Operating Fund: | | |
| Cash and Investments | \$ 5,074.13 | 16,388.97 |
| Total Operating Fund | 5,074.13 | 16,388.97 |
| Capital Fund: | | |
| Cash and Investments | 12,421.32 | 23,355.08 |
| Fixed Capital: | | |
| Completed | 5,229,283.54 | 5,229,283.54 |
| Authorized and Uncompleted | 351,716.46 | 351,716.46 |
| Total Capital Fund | 5,593,421.32 | 5,604,355.08 |
| | \$ 5,598,495.45 | 5,620,744.05 |

**GOLF COURSE UTILITY FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

| | 2018 | 2017 |
|---|-----------------|--------------|
| <u>Liabilities, Reserves and Fund Balance</u> | | |
| Operating Fund: | | |
| Appropriation Reserves | \$ 407.47 | 500.00 |
| Accrued Interest on Bonds and Notes | - | 7,725.00 |
| Due Current Fund | 4,256.38 | 753.69 |
| | 4,663.85 | 8,978.69 |
| Fund Balance | 410.28 | 7,410.28 |
| Total Operating Fund | 5,074.13 | 16,388.97 |
| Capital Fund: | | |
| Serial Bonds Payable | - | 360,000.00 |
| Bond Anticipation Notes Payable | 661,000.00 | 690,000.00 |
| Improvement Authorizations: | | |
| Funded | 13,352.33 | 23,328.62 |
| Unfunded | - | 950.00 |
| Reserve for Amortization | 4,905,000.00 | 4,516,000.00 |
| Reserve for Deferred Amortization | 14,050.00 | 14,050.00 |
| Reserve for Payment of Debt Service | - | 7.47 |
| Fund Balance | 18.99 | 18.99 |
| Total Capital Fund | 5,593,421.32 | 5,604,355.08 |
| | \$ 5,598,495.45 | 5,620,744.05 |

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

| | |
|------|--------|
| 2017 | 950.00 |
| 2018 | 950.00 |

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

| | <u>2018</u> | <u>2017</u> |
|--|-------------------------|-------------------------|
| Revenue and Other Income Realized | | |
| Fund Balance Utilized | \$ 7,000.00 | - |
| Golf Course Charges | 750,995.74 | 732,044.96 |
| Golf Course Charges - F&B | 22,200.00 | 24,200.00 |
| Miscellaneous | | - |
| Other Credits to Income: | | |
| Unexpended Balance of Appropriation Reserves | 500.00 | 4,775.46 |
| Reserve for Payment of Debt | 7.47 | - |
| Deficit (General Budget) | 367,743.62 | 386,246.31 |
| Total Income | <u>1,148,446.83</u> | <u>1,147,266.73</u> |
| Expenditures: | | |
| Operating | 750,407.47 | 729,000.00 |
| Debt Service | 398,039.36 | 418,266.73 |
| Total Expenditures | <u>1,148,446.83</u> | <u>1,147,266.73</u> |
| Excess/(Deficit) in Revenue | <u>-</u> | <u>-</u> |
| Adjustments to Income Before Fund Balance: | | |
| Expenditures included above which are by Statute | | |
| Deferred Charges to Budget of Succeeding Year | - | - |
| Total Adjustments | <u>-</u> | <u>-</u> |
| Excess in Operations | - | - |
| Fund Balance January 1 | <u>7,410.28</u> | <u>7,410.28</u> |
| Decreased By: | | |
| Utilization as Anticipated Revenue | 7,000.00 | - |
| Balance December 31 | <u>\$ 410.28</u> | <u>7,410.28</u> |

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

| | 2018 | 2017 |
|-----------------------------|----------|-------|
| Beginning Balance January 1 | \$ 18.99 | 18.99 |
| Increased by: | | |
| None | - | - |
| Decreased by: | | |
| None | - | - |
| Ending Balance December 31 | \$ 18.99 | 18.99 |

**GOLF COURSE UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Anticipated Budget | Realized | Excess or (Deficit) |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Anticipated Revenue: | | | |
| Surplus Anticipated | \$ 7,000.00 | 7,000.00 | - |
| Golf Course Charges | 732,000.00 | 750,995.74 | 18,995.74 |
| Golf Course Charges - F&B | 24,000.00 | 22,200.00 | (1,800.00) |
| Reserve for Payment of Debt | 7.47 | 7.47 | - |
| Deficit (General Budget) | 415,000.00 | 367,743.62 | (47,256.38) |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Revenue | \$ <u>1,178,007.47</u> | <u>1,147,946.83</u> | <u>(30,060.64)</u> |

**GOLF COURSE UTILITY OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Appropriations | | Expended | | (Overexpended) Unexpended Balance Cancelled |
|---------------------------------|------------------------|------------------------------|---------------------|------------------|--|
| | Budget | Budget After Modification | Paid or Charged | Reserved | |
| Operations: | | | | | |
| ACIA Contractual | \$ 778,407.47 | 778,407.47 | 750,000.00 | 407.47 | 28,000.00 |
| | <u>778,407.47</u> | <u>778,407.47</u> | <u>750,000.00</u> | <u>407.47</u> | <u>28,000.00</u> |
| Debt Service: | | | | | |
| Payment on Bond Principal | 360,000.00 | 360,000.00 | 360,000.00 | | - |
| Payment of BANs & Capital Notes | 29,000.00 | 29,000.00 | 29,000.00 | | - |
| Interest on Bonds | 600.00 | 600.00 | 600.00 | | - |
| Interest on Notes | 10,000.00 | 10,000.00 | 8,439.36 | | 1,560.64 |
| | <u>399,600.00</u> | <u>399,600.00</u> | <u>398,039.36</u> | <u>-</u> | <u>1,560.64</u> |
| | <u>\$ 1,178,007.47</u> | <u>1,178,007.47</u> | <u>1,148,039.36</u> | <u>407.47</u> | <u>29,560.64</u> |
| | | | 1,155,764.36 | Disbursed | |
| | | | (7,725.00) | Accrued Interest | |
| | | | <u>1,148,039.36</u> | | |

The Notes to the Financial Statements are an Integral Part of this Statement

**CITY OF BRIGANTINE
GENERAL FIXED ASSETS ACCOUNT GROUP
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,**

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|-------------------------|----------------------|
| General Fixed Assets: | | |
| Land and Land Improvements | \$ 40,398,200.00 | 40,398,200.00 |
| Buildings and Improvements | 37,259,070.71 | 37,212,874.00 |
| Machinery and Equipment | <u>8,053,217.17</u> | <u>7,964,900.00</u> |
| Total General Fixed Assets | <u>85,710,487.88</u> | <u>85,575,974.00</u> |
| | | |
| Investment in General Fixed Assets | <u>\$ 85,710,487.88</u> | <u>85,575,974.00</u> |

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Brigantine is an island community in the County of Atlantic, State of New Jersey. The City comprises an area of approximately 6.39 square miles with a population according to the 2010 census of 9,450.

The City is incorporated and operates under a Mayor - Council form of government. The Mayor is the chief officer of the City. The Council exercises the legislative power. The Manager oversees the day-to-day operation of the City. The Mayor and Council members are elected by the voters and the Manager is appointed by the Major and Council.

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

B. Description of Funds

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

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

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

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

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

Golf Course Utility Operating and Capital Funds -- account for the operations and acquisition of capital facilities of the municipally owned golf course.

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

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

C. Basis of Accounting

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

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

Revenues -- are recorded as received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the City budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund, in addition the receivables for utility billings are recorded with offsetting reserves in the Utility Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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

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

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

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

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

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$5,000.00 are capitalized.

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

No depreciation has been provided for in the financial statements.

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

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

Property and equipment purchased by a Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

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

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

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

Levy of Utility Charges – The City operates a water and sewer utility fund. Rates are determined by ordinance and changed as necessary. Water and Sewer charges are based on flat fees and usage based on the type of City. Water charges are billed semi-annually and due June and December 1st. Sewer charges are billed semi-annually and due January and July 1st.

Interest on Delinquent Utility Charges – It is the policy of the City to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Utility Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of charges becoming delinquent after due date and eighteen percent (18%) per annum on any amount of charges in excess of \$1,500.00 becoming delinquent after due date.

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

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

D. Required Financial Statements

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

E. Comparative Data

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

F. Recent Accounting Pronouncements Not Yet Effective

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

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

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

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

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

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

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the City is required to establish a reserve for uncollected taxes. The 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$1,435,325.74 and \$1,425,788.76. To balance the budget, the City is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$2,850,000.00 and \$2,550,000.00. In addition, the City operates a self-liquidating water and sewer utility and golf course utility. Under New Jersey Statutes a separate budget for each utility must be adopted concurrently with the operating budget of the City. The utility budgets must be a balanced cash basis budget with fund balance being used to balance the budget. The fund balance budgeted to balance the water and sewer utility budget in 2018 and 2017 was \$250,000.00 and \$0. The fund balance budgeted to balance the golf course utility budget in 2018 and 2017 was \$7,000.00 and \$0, respectively.

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2018 and 2017, the following budget insertions were approved:

| <u>Budget Category</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|-------------|
| Clean Communities Program | \$ 41,450.07 | 43,233.89 |
| Municipal Alliance on Alcoholism and Drug Abuse | 16,319.00 | 16,319.00 |
| Drunk Driving Enforcement | | 2,156.27 |
| Safe and Secure | | 30,000.00 |
| Recycling Tonnage | | 26,149.40 |
| Sustainable Jersey Small Grant | 2,000.00 | |
| Federal Bullet Proof Vests | 3,080.00 | |
| State Body Armor Replacement Fund | | 3,071.04 |
| NJ Transportation Trust Fund Authority Act | 170,000.00 | |

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

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following more significant budget transfers were approved in the 2018 and 2017 calendar years:

| <u>Budget Category</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|--------------|
| <u>Current Fund:</u> | | |
| Public Buildings & Grounds | | |
| Salaries and Wages | \$ - | 35,000.00 |
| Other Expenses | 58,000.00 | 30,000.00 |
| Insurance | | |
| General Liability and Other Insurance | (50,000.00) | |
| Workers Compensation Insurance | | (36,000.00) |
| Employee Group Insurance | (57,000.00) | (125,000.00) |
| Beach Fee Program | | |
| Salaries and Wages | (30,000.00) | |
| Other Expenses | 30,000.00 | |
| Solid Waste Collection | | |
| Other Expenses | | (25,000.00) |
| Fire Department | | |
| Salaries and Wages | | (100,000.00) |
| Police Department | | |
| Salaries and Wages | (31,000.00) | (100,000.00) |
| Accumulated Leave Compensation | 150,000.00 | 200,000.00 |
| Social Security System (O.A.S.I.) | (40,100.00) | |
| Maintenance Agreements - Contractual | | 30,000.00 |
| Snow Storm Reserve | | 125,000.00 |
| Utility Expenses and Bulk Purchases | | |
| Fuel | | (25,000.00) |
| Electric | | (49,000.00) |
| Street Lighting | | 27,000.00 |
| <u>Water Sewer Utility Operating Fund:</u> | None | None |
| <u>Golf Course Utility Operating Fund:</u> | None | None |

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

The City may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. As of December 31, 2018, the City has two special emergency appropriations; \$1,850,000.00 for Hurricane Sandy approved December 5, 2012 and \$588,385.00 for Contractual Severance Liability approved November 6, 2013. There was no unfunded balance of these special emergencies as of December 31, 2018.

NOTE 3: INVESTMENTS

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

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The City places no limit on the amount that they can invest in any one issuer.

NOTE 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the City 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 fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2018 and 2017, \$224,199.30 and \$390,824.80 of the City's bank balance of \$27,022,420.79 and \$32,993,697.31 was exposed to custodial credit risk.

New Jersey Cash Management Fund – During the year, the City participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Funds are not subject to custodial credit risk as defined above. At December 31, 2018 the City's deposits with the New Jersey Cash Management Fund were \$3,871,046.79.

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

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2018 and 2017:

| | Balance 12/31/16 | Additions | * Adjustments | Balance 12/31/17 |
|---------------------------------|-------------------------|-------------------|----------------------|----------------------|
| Land, Building and Improvements | \$ 54,465,744.91 | | (54,465,744.91) | - |
| Land and Land Improvements | - | | 40,398,200.00 | 40,398,200.00 |
| Buildings and Improvements | - | | 37,212,874.00 | 37,212,874.00 |
| Equipment and Machinery | 10,949,942.66 | 751,176.00 | (3,736,218.66) | 7,964,900.00 |
| | <u>\$ 65,415,687.57</u> | <u>751,176.00</u> | <u>19,409,110.43</u> | <u>85,575,974.00</u> |

* In 2017, the City had an inventory of their fixed assets completed. Land, Buildings and Improvements that were previously presented as one amount were separated during the inventory.

| | Balance 12/31/17 | Additions | Adjustments | Balance 12/31/18 |
|----------------------------|----------------------|-------------------|---------------------|----------------------|
| Land and Land Improvements | \$ 40,398,200.00 | | | 40,398,200.00 |
| Buildings and Improvements | 37,212,874.00 | 46,196.71 | | 37,259,070.71 |
| Equipment and Machinery | 7,964,900.00 | 469,325.17 | (381,008.00) | 8,053,217.17 |
| | <u>85,575,974.00</u> | <u>515,521.88</u> | <u>(381,008.00)</u> | <u>85,710,487.88</u> |

NOTE 6: SHORT-TERM OBLIGATIONS

| | Balance 12/31/16 | Issued | Retired | Balance 12/31/17 |
|---------------------|------------------------|---------------------|---------------------|---------------------|
| Bond Anticipation | | | | |
| Notes payable: | | | | |
| General | \$ 3,771,000.00 | 1,590,000.00 | 3,771,000.00 | 1,590,000.00 |
| Golf Course Utility | 719,000.00 | 690,000.00 | 719,000.00 | 690,000.00 |
| | <u>\$ 4,490,000.00</u> | <u>2,280,000.00</u> | <u>4,490,000.00</u> | <u>2,280,000.00</u> |

| | Balance 12/31/17 | Issued | Retired | Balance 12/31/18 |
|---------------------|------------------------|---------------------|---------------------|---------------------|
| Bond Anticipation | | | | |
| Notes payable: | | | | |
| General | \$ 1,590,000.00 | 1,066,000.00 | 1,590,000.00 | 1,066,000.00 |
| Golf Course Utility | 690,000.00 | 661,000.00 | 690,000.00 | 661,000.00 |
| | <u>\$ 2,280,000.00</u> | <u>1,727,000.00</u> | <u>2,280,000.00</u> | <u>1,727,000.00</u> |

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

The note was issued on December 3, 2015 and is due and payable on November 28, 2018 with interest at 1.39%. As of December 31, 2018 the City has authorized but not issued bonds in the amount of \$13,010,942.00, \$1,750,000.00, \$950.00 in the General Capital Fund, Water and Sewer Utility Capital Fund and Golf Course Utility Capital Fund respectively.

NOTE 7: LONG TERM DEBT

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

| | Balance 12/31/16 | Issued | Retired | Balance 12/31/17 | Amounts Due Within One Year |
|-----------------------------|-------------------------|----------------------|---------------------|----------------------|-----------------------------------|
| Bonds payable: | | | | | |
| General | \$ 19,995,000.00 | 6,450,000.00 | 3,015,000.00 | 23,430,000.00 | 3,290,000.00 |
| Water Sewer Utility | 1,900,000.00 | 3,000,000.00 | 440,000.00 | 4,460,000.00 | 560,000.00 |
| Golf Course Utility | 720,000.00 | | 360,000.00 | 360,000.00 | 360,000.00 |
| Total | <u>22,615,000.00</u> | <u>9,450,000.00</u> | <u>3,815,000.00</u> | <u>28,250,000.00</u> | <u>4,210,000.00</u> |
| Other liabilities: | | | | | |
| Loans Payable: | | | | | |
| General | 354,017.36 | | 32,134.48 | 321,882.88 | 31,037.33 |
| Water Sewer Utility | 5,938,906.17 | | 623,986.48 | 5,314,919.69 | 611,095.88 |
| Compensated | | | | | |
| Absences Payable | <u>3,802,559.24</u> | <u>1,189,370.42</u> | <u>9,651.77</u> | <u>4,982,277.89</u> | <u>153,937.94</u> |
| Total long-term liabilities | <u>\$ 32,710,482.77</u> | <u>10,639,370.42</u> | <u>4,480,772.73</u> | <u>38,869,080.46</u> | <u>5,006,071.15</u> |
| | | | | | |
| | Balance 12/31/17 | Issued | Retired | Balance 12/31/18 | Amounts Due Within One Year |
| Bonds payable: | | | | | |
| General | \$ 23,430,000.00 | | 3,290,000.00 | 20,140,000.00 | 3,070,000.00 |
| Water Sewer Utility | 4,460,000.00 | | 560,000.00 | 3,900,000.00 | 510,000.00 |
| Golf Course Utility | 360,000.00 | | 360,000.00 | - | |
| Total | <u>28,250,000.00</u> | <u>-</u> | <u>4,210,000.00</u> | <u>24,040,000.00</u> | <u>3,580,000.00</u> |
| Other liabilities: | | | | | |
| Loans Payable: | | | | | |
| General | 321,882.88 | | 31,037.33 | 290,845.55 | 31,661.17 |
| Water Sewer Utility | 5,314,919.69 | | 611,095.88 | 4,703,823.81 | 611,088.29 |
| Compensated | | | | | |
| Absences Payable | <u>4,982,277.89</u> | <u>82,500.81</u> | <u>139,244.14</u> | <u>4,925,534.56</u> | |
| Total long-term liabilities | <u>\$ 38,869,080.46</u> | <u>82,500.81</u> | <u>4,991,377.35</u> | <u>33,960,203.92</u> | <u>4,222,749.46</u> |

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

Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the City:

\$5,250,000 General Obligation Bonds dated January 15, 2006 due in annual installments through January 15, 2018 bearing interest at various rates. There is no balance remaining as of December 31, 2018.

\$8,150,000 General Obligation Bonds dated March 15, 2008 due in annual installments through January 15, 2019 bearing interest at various rates. The balance remaining as of December 31, 2018, is \$700,000.00.

\$9,000,000 General Obligation Bonds dated July 7, 2012 due in annual installments through July 15, 2024 bearing interest at various rates. The balance remaining as of December 31, 2018, is \$5,040,000.00.

\$6,850,000 General Obligation Bonds dated December 1, 2015 due in annual installments through December 1, 2024 bearing interest at various rates. The balance remaining as of December 31, 2018, is \$5,190,000.00.

\$6,450,000 General Obligation Bonds dated October 15, 2017 due in annual installments through October 15, 2030 bearing interest at various rates. The balance remaining as of December 31, 2018, is \$6,110,000.00.

\$5,850,000 Type I School Bond dated July 7, 2012, due in annual installments through July 15, 2024, bearing interest at various rates. The balance remaining as of December 31, 2018, is \$3,100,000.00.

\$72,803 Green Trust Loan dated 1997, due in annual installments through 2017, bearing an interest rate of 2.00%. The balance remaining as of December 31, 2018, is \$532.41.

\$600,000 Green Trust Loan dated 2007, due in annual installments through March 16, 2027, bearing an interest rate of 2.00%. The balance remaining as of December 31, 2018, is \$290,313.14.

Outstanding bonds whose principal and interest are paid from the Water and Sewer Utility Operating Fund of the City:

\$1,750,000 Water and Sewer Utility Bond dated January 15, 2005, due in annual installments through January 15, 2018, bearing interest at various rates. There was no balance remaining as of December 31, 2018.

\$1,800,000 Water and Sewer Utility Bond dated March 15, 2008, due in annual installments through January 15, 2020, bearing interest at various rates. The balance remaining as of December 31, 2018, is \$260,000.00.

\$1,400,000 Water and Sewer Utility Bond dated July 17, 2012, due in annual installments through July 15, 2023, bearing interest at various rates. The balance remaining as of December 31, 2018, is \$800,000.00.

\$3,000,000 Water and Sewer Utility Bond dated October 15, 2017 due in annual installments through October 15, 2030 bearing interest at various rates. The balance remaining as of December 31, 2018, is \$2,840,000.00.

\$480,000 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Bond dated November 5, 1999, due in annual installments through August 1, 2019, bearing interest at various rates. The balance remaining as of December 31, 2018, is \$40,000.00.

\$1,155,000 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Bond dated November 4, 2004, due in annual installments through August 1, 2019, bearing interest at various rates. The balance remaining as of December 31, 2018, is \$110,000.00.

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

\$457,960 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Loan dated November 5, 1999, due in annual installments through August 1, 2019, bearing no interest rate. The balance remaining as of December 31, 2018, is \$24,808.94.

\$1,212,500 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Loan dated November 4, 2004, due in annual installments through August 1, 2019, bearing no interest rate. The balance remaining as of December 31, 2018, is \$68,425.12.

\$325,000 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Bond dated March 10, 2010, due in annual installments through August 1, 2029, bearing interest at various rates. The balance remaining as of December 31, 2018, is \$225,000.00.

\$931,500 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Loan dated March 10, 2010, due in annual installments through August 1, 2019, bearing no interest rate. The balance remaining as of December 31, 2018, is \$546,869.00.

\$2,335,000 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Bond dated February 2, 2010, due in annual installments through August 1, 2030, bearing interest at various rates. The balance remaining as of December 31, 2018, is \$1,345,000.00.

\$2,512,650 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Loan dated February 2, 2011, due in annual installments through August 1, 2030, bearing no interest rate. The balance remaining as of December 31, 2018, is \$1,100,242.48.

\$435,000 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Bond dated May 28, 2015, due in annual installments through August 1, 2034, bearing interest at various rates. The balance remaining as of December 31, 2018, is \$390,000.00.

\$1,049,067 Water and Sewer Utility New Jersey Environmental Infrastructure Trust Loan dated May 28, 2015, due in annual installments through August 1, 2034, bearing no interest rate. The balance remaining as of December 31, 2018, is \$853,478.27.

Outstanding bonds whose principal and interest are paid from the Golf Course Utility Fund of the City:

\$4,000,000 Golf Course Utility Bond dated January 15, 2005, due in annual installments through January 15, 2018, bearing interest at various rates. There is no balance remaining as of December 31, 2018.

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

| Year Ending December 31, | General Capital Fund | |
|-----------------------------|-------------------------|---------------------|
| | Principal | Interest |
| 2019 | 3,070,000.00 | 590,087.50 |
| 2020 | 2,460,000.00 | 498,187.50 |
| 2021 | 2,520,000.00 | 413,387.50 |
| 2022 | 2,560,000.00 | 340,587.50 |
| 2023 | 2,590,000.00 | 266,187.50 |
| 2024-2027 | 5,220,000.00 | 427,225.00 |
| 2028-2030 | 1,720,000.00 | 91,212.50 |
| | <u>\$ 20,140,000.00</u> | <u>2,626,875.00</u> |

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

| Year Ending December 31, | Utility Capital Fund | |
|-----------------------------|------------------------|---------------------|
| | Principal | Interest |
| 2019 | 1,121,088.29 | 214,267.50 |
| 2020 | 802,854.23 | 184,787.50 |
| 2021 | 742,854.23 | 163,687.50 |
| 2022 | 757,854.23 | 143,687.50 |
| 2023 | 772,854.23 | 122,837.50 |
| 2024-2027 | 2,616,802.75 | 324,037.50 |
| 2028-2032 | 1,617,830.90 | 95,325.00 |
| 2033-2034 | 171,684.95 | 4,000.00 |
| | <u>\$ 8,603,823.81</u> | <u>1,252,630.00</u> |

As of December 31, 2018 the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$130,039.61, to the water and sewer utility budget was \$177,566.56 and to the golf course utility budget was \$9,039.36.

| <u>Summary of Municipal Debt</u> | <u>Year 2018</u> | <u>Year 2017</u> | <u>Year 2016</u> |
|--|-------------------------|-------------------------|----------------------|
| <u>Issued:</u> | | | |
| General - Bonds and Notes | \$ 21,496,845.55 | \$ 25,341,882.88 | 24,120,017.36 |
| Water/Sewer Utility - Bonds and Notes | 8,603,823.81 | 9,774,919.69 | 7,838,906.17 |
| Golf Course Utility - Bonds and Notes | 661,000.00 | 1,050,000.00 | 1,439,000.00 |
| Total Issued | <u>30,761,669.36</u> | <u>36,166,802.57</u> | <u>33,397,923.53</u> |
| <u>Authorized but not issued:</u> | | | |
| General - Bonds and Notes | 13,010,942.00 | 6,690,987.00 | 7,272,027.99 |
| Water/Sewer Utility - Bonds and Notes | 1,750,000.00 | 1,034,167.00 | 4,034,167.00 |
| Beach Utility - Bonds and Notes | 950.00 | 950.00 | 950.00 |
| Total Authorized But Not Issued | <u>14,761,892.00</u> | <u>7,726,104.00</u> | <u>11,307,144.99</u> |
| Total Bonds & Notes Issued and Authorized But Not Issued | <u>\$ 45,523,561.36</u> | <u>\$ 43,892,906.57</u> | <u>44,705,068.52</u> |

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.943%.

| | Gross Debt | Deductions | Net Debt |
|-------------------|-------------------------|----------------------|----------------------|
| Local School Debt | \$ 4,166,000.00 | 4,166,000.00 | - |
| Utility Debt | 11,015,773.81 | 10,353,823.81 | 661,950.00 |
| General Debt | 30,341,787.55 | | 30,341,787.55 |
| | <u>\$ 45,523,561.36</u> | <u>14,519,823.81</u> | <u>31,003,737.55</u> |

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

Net Debt \$31,003,737.55 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$3,288,198,885.67 = 0.943%.

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

| | | |
|---|----|-------------------|
| 3 1/2 % of Equalized Valuation Basis (Municipal) | \$ | 115,086,961 |
| Net Debt | | 31,003,738 |
| Remaining Borrowing Power | \$ | <u>84,083,223</u> |

NOTE 8: FUND BALANCES APPROPRIATED

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

| | | <u>2019</u> | <u>2018</u> |
|---------------------|----|--------------|--------------|
| Current Fund | \$ | 2,850,000.00 | 2,850,000.00 |
| Water/Sewer Utility | | 200,000.00 | 250,000.00 |
| Golf Course Utility | | None | 7,000.00 |

NOTE 9: SCHOOL TAXES

Local District School Tax in the amount of \$15,888,114.00 has been raised for the 2018 and 2017 calendar years and remitted to the school district.

NOTE 10: TAXES COLLECTED IN ADVANCE

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

| | <u>Balance 12/31/18</u> | <u>Balance 12/31/17</u> |
|---|-----------------------------|-----------------------------|
| Prepaid Taxes | \$ 1,123,752.49 | 4,505,698.95 |
| Cash Liability for Taxes Collected in Advance | <u>\$ 1,123,752.49</u> | <u>4,505,698.95</u> |

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

NOTE 11: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

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

Defined Contribution Retirement Program (DCRP)

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

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

Pension Plan for Lifeguards

The City of Brigantine has established a pension plan to provide retirement, disability, and survivor pension benefits for the individuals who serve on the City's lifeguard force. An eligible employee becomes a plan member upon employment. Employee contributions shall be withheld from the member's salary and contributed to plan for his benefit for his/her benefit. Retiree benefits are paid out of the current fund and charged to the current operating budget of the City. A plan member may retire with a pension only after his 45th birthday and after he has completed 20 years of service, the last 10 must have been completed immediately preceding his/her application.

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.34% through June 30, 2017 and 7.50% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 14.11% of covered payroll. The City's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$544,238.92, \$510,175.69, and \$508,867.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The City's contributions to PFRS for the years ended December 31, 2018, 2017, and 2016 were \$1,576,110.00, \$1,533,762.00, and \$1,552,045.00.

The total payroll for the year ended December 31, 2018 was \$13,110,665.92. Payroll covered by PFRS was \$6,463,215.00 and PERS was \$4,031,621.00.

The Lifeguard Pension provides for employee contributions of 4.00% of employees' annual compensation. The City's contributions to the Lifeguard Pension for the year ended December 31, 2018, 2017, and 2016 was \$20,000.00, \$20,000.00 and \$20,000.00. The City's trust for the Lifeguard Pension at December 31, 2018 was \$558,332.58. Currently there are eight individuals receiving benefits. The benefits paid by the trust for the year ended December 31, 2018, 2017, and 2016 were \$61,383.96, \$161,383.96, and \$55,050.92.

Significant Legislation

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

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

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

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

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

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

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

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

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

Note 12: PENSION LIABILITIES

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

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

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

Public Employees' Retirement System

The City has a liability of \$10,981,997.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion would be 0.05577589960%, which would be a decrease of 4.34% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City would have recognized pension expense of \$363,104.00. At December 31, 2018, the City would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected & actual experience | \$ 209,428 | (56,627) |
| Changes of assumptions | 1,809,651 | (3,511,459) |
| Changes in proportion | 178,093 | (863,673) |
| Net difference between projected and actual earnings on pension plan investments | | (103,012) |
| Total | <u>\$ 2,197,172</u> | <u>(4,534,771)</u> |

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

| Year ended June 30, | |
|------------------------|-----------------------|
| 2018 | \$ (1,859,733) |
| 2019 | (2,701,914) |
| 2020 | (1,604,926) |
| 2021 | 2,145,694 |
| 2022 | 1,683,280 |
| Total | <u>\$ (2,337,599)</u> |

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

Actuarial Assumptions

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

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

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2043 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

| | 1% Decrease (4.66%) | Current Discount Rate (5.66%) | 1% Increase (6.66%) |
|---|------------------------|----------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$13,203,138.29 | 10,981,997.00 | 9,119,721.33 |

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

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The City has a liability of \$25,478,240.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2017 that was rolled forward to June 30, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the City's proportion would be 0.18828630100%, which would be an increase of 5.73% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City would have recognized pension expense of \$1,248,791.00. At December 31, 2018, the City would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected & actual experience | \$ 259,208 | \$ (105,435) |
| Changes of assumptions | 2,186,964 | (6,529,633) |
| Changes in proportion | 1,581,140 | (2,451,654) |
| Net difference between projected and actual earnings on pension plan investments | | (139,389) |
| Total | <u>\$ 4,027,312</u> | <u>\$ (9,226,111)</u> |

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

| | <u>Year ended June 30,</u> |
|-------|--------------------------------|
| 2018 | \$ 229,167.79 |
| 2019 | (901,889.01) |
| 2020 | (2,438,770.71) |
| 2021 | (1,581,375.90) |
| 2022 | (505,931.16) |
| Total | <u>\$ (5,198,799.00)</u> |

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

Actuarial Assumptions

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

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

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

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

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

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

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

Discount Rate

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

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

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

| | 1% Decrease (5.51%) | Current Discount Rate (6.51%) | 1% Increase (7.51%) |
|--|---------------------------|-------------------------------------|---------------------------|
| City's proportionate share of the net pension liability | \$ 33,189,010.71 | 25,478,240.00 | 19,119,534.91 |

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

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2017 State special funding situation net pension liability amount of \$1,838,050,687.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2018 State special funding situation pension expense of \$217,714,180.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

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

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the City was 0.18828630100% for 2018. The net pension liability amount allocated to the City was \$3,460,798.00. For the fiscal year ending June 30, 2018 State special funding situation pension expense of \$409,926.00 is allocated to the City.

Pension plan fiduciary net position.

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS

General Information about the Plan:

The City offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:

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

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

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

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

Allocation Methodology:

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the City these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation as applicable, the Collective Total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Special Funding Situation:

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

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

Net OPEB Liability:

Components of Net OPEB Liability

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

| | June 30, 2018 |
|---|--------------------------|
| | Collective |
| | Total |
| Total OPEB Liability | \$ 15,981,103,227 |
| Plan Fiduciary Net Position | 314,485,086 |
| Net OPEB Liability | <u>\$ 15,666,618,141</u> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 1.97% |

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

At June 30, 2018, the State's proportionate share for the Special Funding Situation that is associated with the City is \$24,491,495. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.394144% which was a decrease from the prior year of 2.91%.

For the Year ended June 30, 2018, the State of New Jersey realized Total OPEB Expense in the amount of \$741,386 for its proportionate share of Total OPEB Expense that is associated with the City.

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

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

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

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

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

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

Health Care Trend Assumptions

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

Discount Rate

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

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

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

| | <u>1% Decrease</u> <u>(2.87%)</u> | <u>Discount Rate</u> <u>(3.87%)</u> | <u>1% Increase</u> <u>(4.87%)</u> |
|-----------------------|--------------------------------------|--|--------------------------------------|
| Collective | | | |
| Net OPEB Liability \$ | 18,381,085,096 | \$ 15,666,618,141 | \$ 13,498,373,388 |

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

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

| | <u>1% Decrease</u> | <u>Healthcare Cost</u> <u>Trend Rate</u> | <u>1% Increase</u> |
|-----------------------|--------------------|---|--------------------|
| Collective | | | |
| Net OPEB Liability \$ | 13,068,471,450 | \$ 15,666,618,141 | \$ 19,029,006,023 |

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

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

| | <u>Collective Totals</u> | |
|---|--|---|
| | <u>Deferred Outflow s</u> <u>of Resources</u> | <u>Deferred Inflow s</u> <u>of Resources</u> |
| Differences between expected and actual experience \$ | | \$ (3,180,882,321) |
| Changes of assumptions | | (3,974,042,874) |
| Net difference between projected and actual earnings on OPEB plan investments | 8,279,239 | |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,106,728,269 | (2,106,728,269) |
| Total | <u>\$ 2,115,007,508</u> | <u>\$ (9,261,653,464)</u> |

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

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

| Year ended June 30, | Collective Totals |
|------------------------|---------------------------|
| 2019 | \$ (1,049,390,011) |
| 2020 | (1,049,390,011) |
| 2021 | (1,049,390,011) |
| 2022 | (1,050,264,681) |
| 2023 | (1,051,678,489) |
| Thereafter | <u>(1,896,532,753)</u> |
| Total | <u>\$ (7,146,645,956)</u> |

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

Collective OPEB Expenses reported by the State of New Jersey

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

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

NOTE 14: POST-RETIREMENT BENEFITS

Retired members of the PBA and the fire department are entitled to an annual allowance of up to \$900.00 for dental work. During 2018, the City provided post-retirement dental coverage to fifty-four (54) retired employees. In accordance with GASB Statement 75 "Accounting and Financial Reporting For Post-employment Benefits Other Than Pensions" ("OPEB") and the State of New Jersey, the City obtained an actuarial valuation of the liability for providing these benefits.

City employees are also eligible to participate in the single – employer OPEB Plan discussed below.

A retiree and their covered dependents may also receive City-paid dental and vision benefits for a period of 3 to 5 years in accordance with labor agreements if they meet any one of the following requirements:

- (1) Twenty-five (25) years or more of full-time service with the City and Twenty-five (25) years or more enrolled in the pension system; or

The Regulatory Basis of Accounting does not permit the accrual of Actuarially determined OPEB Expenses or Liabilities. The City reports all OPEB related costs on the "pay as you go" basis. The following information is for disclosure purposes only and has not been accrued in the Financial Statements of the City.

The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 75.

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

The actuarial valuation report was based on 129 total participants including 54 retirees.

Annual OPEB Cost and Net OPEB Liability

The City's annual OPEB cost represents the accrued cost for post-employment benefits under GASB 75. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2017 actuarial valuation, the "Entry-Age-Normal as a Percentage of Salary" method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 3.64%. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years.

Other Post-employment Benefit Costs and Obligations

In the January 1, 2018 actuarial valuation, the Actuarially Determined Contribution for the year ending December 31, 2018 were projected as follows:

| | <u>12/31/2018</u> |
|--|------------------------|
| Service Cost | \$ 68,659.00 |
| 30 Year Amortization of NOL at 3.64 | 201,335.00 |
| Actuarially Determined Contribution | <u>269,994.00</u> |
| Actual Contribution | 19,889.00 |
| Excess Contribution | <u>\$ (250,105.00)</u> |
| Covered Payroll | \$ 7,720,474.00 |
| Actuarially Determined Contribution as a % of Covered Payroll | 3.50% |

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

The following reflects the change in the Total OPEB Liability as of the January 1, 2018 valuation date for the Year ended December 31, 2018.

| | <u>12/31/2018</u> |
|--|------------------------|
| OPEB Liability, Beginning of Year | \$ 2,825,547.00 |
| Changes for the Year: | |
| Service Cost | 68,659.00 |
| Interest | 102,488.00 |
| Assumption Changes & Difference | |
| Between Actual & Expected Experience | (127,448.00) |
| Change in Actuarial Cost Method | - |
| Benefit Payments | (19,889.00) |
| OPEB Liability, End of Year | \$ <u>2,849,357.00</u> |
| Covered payroll (for Covered Participants) | \$ 7,720,474.00 |
| Total OPEB liability as a percentage of covered payroll | 36.91% |

Sensitivity of the total OPEB liability to changes in the discount rate.

The January 1, 2018 valuation was prepared using a discount rate of 3.64%. If the discount rate were 1% higher than what was used in this valuation, the Total OPEB Liability would decrease to \$2,324,329.00 or by 4.64%. If the discount rate were 1% lower than was used in this valuation, the Total OPEB Liability would increase to \$3,374,383.00 or by 2.64%.

| | <u>Discount Rate</u> | | |
|----------------------|------------------------|------------------------|------------------------|
| | <u>1% Decrease</u> | <u>Baseline 3.64%</u> | <u>1% Increase</u> |
| Total OPEB Liability | \$ <u>3,374,383.00</u> | \$ <u>2,849,357.00</u> | \$ <u>2,324,329.00</u> |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.

The January 1, 2018 valuation was prepared using an initial trend rate of 8.00%. If the trend rate were 1% higher than what was used in this valuation, the Total OPEB Liability would increase to \$3,433,778.00 or by 9.00%. If the trend rate were 1% lower than was used in this valuation, the Total OPEB Liability would decrease to \$2,359,779.00 or by 7.00%.

| | <u>Healthcare Cost Trend Rates</u> | | |
|----------------------|------------------------------------|------------------------|------------------------|
| | <u>1% Decrease</u> | <u>Baseline 8.00%</u> | <u>1% Increase</u> |
| Total OPEB Liability | \$ <u>2,359,779.00</u> | \$ <u>2,849,357.00</u> | \$ <u>3,433,778.00</u> |

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

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

For the year ended December 31, 2017, the City's Actuarially determined OPEB expense was \$30,108,254. At December 31, 2017, the City reported deferred outflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Increase in January 1, 2017 OPEB Liability due to Actuarial experience different from expected and actuarial assumption changes | \$ - | \$ 111,517.00 |
| Total | <u>\$ -</u> | <u>\$ 111,517.00</u> |

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

For the Year Ending December 31,

| | |
|------------|------------------------|
| 2018 | \$ (15,931.00) |
| 2019 | (15,931.00) |
| 2020 | (15,931.00) |
| 2021 | (15,931.00) |
| 2022 | (15,931.00) |
| Thereafter | <u>(31,862.00)</u> |
| | <u>\$ (111,517.00)</u> |

NOTE 14: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation and sick time, which may be taken as time off or paid at a later date. Personal time accrued during the year must be used during that year and does not accrue.

Upon termination or retirement, unused earned vacation hours are paid out in total at the employees' current hourly rate, sick time payouts vary with the different bargaining units and are determined by contractual agreements and hire dates as follows:

- Hired prior to May 22, 2010 - The majority of the sick time liability lies within the police and fire departments. Police and Fire employees having more than \$50,000 in accrued sick time will be capped at 9 months of their salary as of January 1, 2015. All other employees with \$50,000 or less in accrued sick time will be capped at the greater of \$50,000 or the dollar value of the hours accrued.
- Hired after May 22, 2010 – Sick time payout for all employees is capped at a payout of \$15,000.

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

The total monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. The City has been providing in the budget amounts to cover anticipated payouts during the budget year. At December 31, 2018, the City estimates this liability to be approximately \$4,925,534.56 based upon 2018 pay rates and compensated balances.

NOTE 15: ECONOMIC DEPENDENCY

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

NOTE 16: RISK MANAGEMENT

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

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

The City is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

NOTE 17: DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. In 1998 the City of Brigantine amended the plan by resolution to comply with a private letter ruling of the Internal Revenue Service that requires assets of deferred compensation plans be held in trust under the beneficial ownership of the Trustee, (City of Brigantine) serving as Trustee, for the exclusive benefit of the plan participants and their beneficiaries, and that the assets shall not be diverted to any other purpose. The plan administrators are Hartford, Aflac and Valic.

NOTE 18: CONTINGENT LIABILITIES

From time to time, the City is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the City's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

NOTE 19: FEDERAL AND STATE GRANTS

In the normal course of operations, the City received grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as a result of these audits is not believed to be material.

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

NOTE 20: INTERFUND BALANCES

During the most current calendar year ended December 31, 2018, the following interfunds were included on the balance sheets of the various funds of the City of Brigantine:

| | <u>Due From</u> | <u>Due To</u> |
|------------------------------------|---------------------|-------------------|
| Current Fund: | | |
| Trusts Other | \$ 53.00 | |
| Water-Sewer Utility Operating Fund | 1,672.05 | |
| Golf Utility Operating Fund | 4,256.38 | |
| Other Trusts: | | |
| Current Fund | 397.00 | 450.00 |
| Water-Sewer Operating Fund: | | |
| Current Fund | | 1,672.05 |
| Grant Fund | | |
| Golf Operating Fund: | | |
| Current Fund | | 4,256.38 |
| | <u>\$ 6,378.43</u> | <u>6,378.43</u> |

The balances are primarily the result of disbursements made from the various funds which were not reimbursed prior to year end.

NOTE 21: SUBSEQUENT EVENTS

The City has evaluated subsequent events through July 25, 2019, the date which the financial statements were available to be issued. The following event was identified:

Subsequent to December 31, the City of Brigantine authorized additional Bonds and Notes as follows:

| <u>Purpose</u> | <u>Date</u> | <u>Amount</u> |
|--|--|-------------------------|
| General Capital: | | |
| Bonds and Notes: | | |
| Purchase of Ambulance & Related Equipment | Introduced: May 1, 2019 Adopted: May 15, 2019 | \$ 285,000.00 |
| Various Capital Improvements | Introduced: July 20, 2019 | 7,557,250.00 |
| Water Sewer Capital: | | |
| Bonds and Notes: | | |
| Capital Improvements | Introduced: July 20, 2019 | 6,170,000.00 |
| | | <u>\$ 14,012,250.00</u> |

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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FLEISHMAN • DANIELS LAW OFFICES, LLC

A NEW JERSEY LIMITED LIABILITY COMPANY
646 Ocean Heights Avenue - Suite 103
Linwood, New Jersey 08221

JOEL M. FLEISHMAN, ESQUIRE
Member NJ & PA Bar
E-mail: Joel@fdlawllc.com

(609) 272-1266
FAX (609) 272-9351

MICHAEL R. RANN, ESQUIRE
Of Counsel
Member NJ Bar
E-mail: Michael@fdlawllc.com

Please refer to: 20020-43

John W. Daniels, Esquire
(2002-2016)

October 3, 2019

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

Hutchinson, Shockey, Erley & Co.
222 W. Adams St # 1700
Chicago, Illinois 60606

RE: *City of Brigantine in the County of Atlantic, New Jersey*
\$18,485,000 Aggregate Principal Amount General Obligation Bonds, Series 2019

Ladies and Gentlemen:

This office has served as Bond Counsel in connection with the issuance and sale by the City of Brigantine in the County of Atlantic, New Jersey (the "City") of \$18,485,000 aggregate principal amount General Obligation Bonds, Series 2019, comprised of \$12,110,000 General Improvement Bonds, Series 2019 ("General Improvement Bonds") and \$6,375,000 Water-Sewer Utility Bonds, Series 2019 ("Utility Bonds", and collectively with the General Improvement Bonds being hereinafter referred to as the "Bonds"), all dated the date hereof.

The Bonds are authorized to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1, *et seq.* (the "Act"); Resolution No. 2019-146 of the City adopted on August 21, 2019, and entitled "*Resolution Providing for the Combination of Certain Issues of General Obligation Bonds or Notes of the City of Brigantine, in the County of Atlantic, New Jersey, into a Single Issue of General Obligation Bonds, Series 2019, in the Aggregate Principal Amount of \$20,000,000, consisting of \$13,000,000 General Improvement Bonds and \$7,000,000 Water-Sewer Utility Bonds*" and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law (the "Combining Resolution"); and Resolution No. 2019-147 of the City adopted August 21, 2019, and entitled "*Resolution Determining the Form and Other Details of \$20,000,000 General Obligation Bonds, Series 2019, Consisting of \$13,000,000 General Improvement Bonds and \$7,000,000 Water-Sewer Utility Bonds of the City of Brigantine, County of Atlantic, New Jersey and Providing For Their Sale*" (the "Bond Resolution"; and together with the Combining Resolution and the bond ordinances referred to therein, the "Local Proceedings").

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The Mayor and City Council of the
City of Brigantine, in the County of Atlantic, New Jersey
Hutchinson, Shockey, Erley & Co.
October 3, 2019
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The Bonds are being issued: (i) for the purpose of providing funds to permanently finance the costs of certain general capital improvements as described in the Bond Ordinances and (ii) to pay the costs of issuance of the Bonds.

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

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the first (1st) day of April and October (each an "Interest Payment Date"), commencing April 1, 2020, in each year until maturity. The Bonds shall mature on October 1 in each of the years, in the respective principal amounts and at the interest rates as follows:

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The Mayor and City Council of the
City of Brigantine, in the County of Atlantic, New Jersey
Hutchinson, Shockey, Erley & Co.
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| <u>Year</u> | <u>General Improvement Bonds</u> | <u>Water-Sewer Utility Bonds</u> | <u>Combined Maturities</u> |
|-------------|--|--------------------------------------|--------------------------------|
| 2020 | \$670,000 | \$350,000 | \$1,020,000 |
| 2021 | \$770,000 | \$415,000 | \$1,185,000 |
| 2022 | \$830,000 | \$445,000 | \$1,275,000 |
| 2023 | \$890,000 | \$480,000 | \$1,370,000 |
| 2024 | \$940,000 | \$510,000 | \$1,450,000 |
| 2025 | \$1,045,000 | \$540,000 | \$1,585,000 |
| 2026 | \$1,105,000 | \$575,000 | \$1,680,000 |
| 2027 | \$1,105,000 | \$575,000 | \$1,680,000 |
| 2028 | \$1,100,000 | \$575,000 | \$1,675,000 |
| 2029 | \$1,160,000 | \$605,000 | \$1,765,000 |
| 2030 | \$1,160,000 | \$605,000 | \$1,765,000 |
| 2031 | \$1,335,000 | \$700,000 | \$2,035,000 |

The Bonds maturing on or before October 1, 2026 are not redeemable prior to their stated maturities. The Bonds maturing on October 1, 2027, and thereafter, are redeemable at the option of the City, in whole or in part, on or after October 1, 2026, at par plus, in each case, accrued interest to the date fixed for redemption.

We have examined such matters of law, certified copies of the Local Proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents.

We are of the opinion that (i) the Local Proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the City enforceable in accordance with their terms, and (iii) the City has

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The Mayor and City Council of the
City of Brigantine, in the County of Atlantic, New Jersey
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Page 4

pledged its faith and credit for the payment of the principal of and interest on the Bonds, and, unless paid from other sources, all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

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

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

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

For purposes of this Opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles now or hereafter enacted by any state or by the federal government relating to the enforcement of creditors' rights generally, and the phrase "enforceable in accordance with their terms" shall not mean that specific performance

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The Mayor and City Council of the
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would be available as a remedy in every situation (regardless of whether enforcement is considered in proceedings at law or in equity).

The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

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

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate ("**Disclosure Certificate**") is executed and delivered as of this 3rd day of October, 2019, by the City of Brigantine, County of Atlantic, New Jersey (the "**City**") pursuant to Resolution No. 2019-146, entitled "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$20,000,000 GENERAL OBLIGATION BONDS, SERIES 2019, CONSISTING OF \$13,000,000 GENERAL IMPROVEMENT BONDS AND \$7,000,000 WATER-SEWER UTILITY BONDS OF THE CITY OF BRIGANTINE IN THE COUNTY OF ATLANTIC, NEW JERSEY AND PROVIDING FOR THEIR SALE," adopted on August 21, 2019, (the "**Bond Resolution**"); and Bond Ordinance No. 12-2015, finally adopted on June 17, 2015, Bond Ordinance No. 13-2014, finally adopted on September 3, 2014, Bond Ordinance No. 15-2017, finally adopted on April 19, 2017, Bond Ordinance No. 7-2018, finally adopted on May 2, 2018, Bond Ordinance No. 25-2018, finally adopted on December 5, 2018, Bond Ordinance No. 9-2019, finally adopted on May 15, 2019, Bond Ordinance No. 12-2019, finally adopted on August 7, 2019, and Bond Ordinance No. 13-2019, finally adopted on August 7, 2019, in connection with the issuance and sale by the Issuer of \$18,485,000 aggregate principal amount General Obligation Bonds, Series 2019, consisting of \$12,110,000 General Improvement Bonds and \$6,375,000 Water-Sewer Utility Bonds (collectively, the "**Bonds**").

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

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

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

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

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

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

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

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

“EMMA” shall mean the Electronic Municipal Market Access system, an internet-based filing system created and maintained by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The City or the Dissemination Agent shall submit disclosure documents to EMMA as a Portable Document File (PDF file) to www.emma.msrb.org.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

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

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

“State” shall mean the State of New Jersey.

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

SECTION 3. Provision of Annual Reports.

(a) The City shall provide or cause to be provided to the Dissemination Agent not later than September 15 of each year, commencing September 15, 2020 (for the calendar year ending December 31, 2019), until termination of the City’s reporting obligations under this Disclosure Certificate pursuant to the provisions of Section 6 hereof, the Annual Report prepared for the preceding fiscal year of the City. Each Annual Report provided to the Dissemination Agent by the City shall comply with the requirements of Section 4 of this Disclosure Certificate but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the City are not available by such date, the City shall include unaudited financial statements with its Annual Report and when such audited financial

statements become available to the City, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the City.

(b) Not later than September 30 of each year (commencing September 30, 2020), the Dissemination Agent shall file with EMMA a copy of the Annual Report pursuant to subsection (a) hereof.

(c) If the City does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as **Exhibit A**, with copies to the City (if the Dissemination Agent is not the City).

(d) Each year the Dissemination Agent shall file a report with the City (if the Dissemination Agent is not the City), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the City changes, the City shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the City, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the City (as of December 31 of each year).

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

(2) Certain financial information and operating data of the City consisting of: (a) City indebtedness; (b) the City's most current adopted budget; (c) property valuation information; and (d) tax rate, levy and collection data.

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

SECTION 5. Reporting of Significant Events.

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

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

15. Incurrence of a financial obligation¹ of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the City, if any such event reflects financial difficulties.

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

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

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

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

(e) If the Dissemination Agent has been instructed in writing by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the City (if the Dissemination Agent is not the City). Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owner of the affected Bonds pursuant to the Bond Resolution.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in

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

full of all of the Bonds or when the City is no longer an "Obligated Person" (as defined in the Rule). The City shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) hereof.

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

SECTION 8. Prior Compliance with the Rule. Within the five years immediately preceding the date of this Disclosure Certificate, the City previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) the adopted budget for the fiscal year ending December 31, 2014; (ii) operating data for the fiscal year ending December 31, 2013; and (iii) annual audited financial statements for the fiscal year ending December 31, 2013. Additionally, the City acknowledges that it previously failed to file event notices and late filing notices in connection with its filings of annual financial information, all as described above. Such notices of events and late filings have been filed with EMMA. The City appointed Phoenix Advisors, LLC in May 2015 to serve as Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in federal securities laws acceptable to the City to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the City or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The City shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 hereof. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact

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

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner of the Bonds may, at the Bondholder's or Beneficial Owner's cost and expense, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the City agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the City) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. To the extent permitted by law, the City further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Underwriter and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 14. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the City:

City of Brigantine
1417 West Brigantine Avenue
Brigantine, New Jersey 08203
Attn: Roxanne B. Tosto
Telecopy No.: 609-266-7600 ext.210
Email: rtosto@brigantinebeachnj.com

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

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

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

SECTION 15. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the City and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 16. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the City and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

Section 17. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey, as applicable.

[SEE SIGNATURES NEXT PAGE]

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

[SEAL]
Attest:

CITY OF BRIGANTINE
ATLANTIC COUNTY, NEW JERSEY

Lynn Sweeney, RMC, City Clerk

By: _____
Andrew Simpson, Mayor

By: _____
Roxanne B. Tosto, Chief Financial Officer

EXHIBIT "A"

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Brigantine, County of Atlantic, New Jersey

Name of Bond Issue: \$18,485,000 General Obligation Bonds, Series 2019,
comprised of: \$12,110,000 General Improvement Bonds and
\$6,375,000 Water-Sewer Utility Bonds.

CUSIP No. 109025ZP4

Date of Issuance: October 3, 2019

NOTICE IS HEREBY GIVEN that the above designated City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate for the Bonds dated as of October 3, 2019 executed by the City.

Dated: _____

Dissemination Agent
(on behalf of the City)

cc: City of Brigantine