

OFFICIAL STATEMENT DATED SEPTEMBER 13, 2017

**NEW ISSUE
BOOK-ENTRY ONLY**

Rating: See "RATINGS" herein

In the opinion of GluckWalrath LLP, Bond Counsel assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), applicable to the Tax-Exempt Bonds and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the date of original delivery of the Tax-Exempt Bonds, interest received by holders of the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes under Section 57 of the Code for individuals or corporations. Interest on the Tax-Exempt Bonds is included in the adjusted current earnings of certain corporations for the purposes of computing the alternative minimum tax on such corporations. Interest on the Taxable Bonds is included in gross income for Federal income tax purposes. Interest received by a holder of the Taxable Bonds is not excludable from gross income for federal income tax purposes. Under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein for a description of certain other provisions of the Code that may affect the federal tax treatment of interest on the Bonds.

\$2,925,000

**BOROUGH OF SHIP BOTTOM
IN THE COUNTY OF OCEAN, NEW JERSEY
GENERAL OBLIGATION BONDS**

consisting of:

**\$842,000 General Improvement Bonds, Series 2017A
\$2,083,000 Water-Sewer Utility Bonds, Series 2017B
(Bank-Qualified) (Callable)**

\$1,300,000

**BOROUGH OF SHIP BOTTOM
IN THE COUNTY OF OCEAN, NEW JERSEY
GENERAL OBLIGATION BONDS (FEDERALLY TAXABLE)**

consisting of:

**\$405,000 General Improvement Bonds, Series 2017C
(Federally Taxable)
\$895,000 Water-Sewer Utility Bonds, Series 2017D
(Federally Taxable)
(Callable)**

Dated: Date of Delivery

Due: September 15, as shown on the inside front cover

The \$2,925,000 aggregate principal amount of General Obligation Bonds consisting of: (i) \$842,000 aggregate principal amount of General Improvement Bonds, Series 2017A (the "Tax Exempt General Improvement Bonds") and (ii) \$2,083,000 aggregate principal amount of Water-Sewer Utility Bonds, Series 2017B (the "Tax-Exempt Water-Sewer Utility Bonds" and, together with the Tax-Exempt General Improvement Bonds, the "Tax-Exempt Bonds") and the \$1,300,000 aggregate principal amount of General Obligation Bonds (Federally Taxable) consisting of: (i) \$405,000 aggregate principal amount of General Improvement Bonds, Series 2017C (Federally Taxable) (the "Taxable General Improvement Bonds"); and (ii) \$895,000 aggregate principal amount of Water-Sewer Utility Bonds, Series 2017D (Federally Taxable) (the "Taxable Water-Sewer Utility Bonds" and, together with the Taxable General Improvement Bonds, the "Taxable Bonds"); and, together with the Tax-Exempt Bonds, the "Bonds" are general obligations of the Borough of Ship Bottom, in the County of Ocean, State of New Jersey (the "Borough") for which the full faith and credit of the Borough are pledged. The Borough is authorized and required by law to levy ad valorem taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

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

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on March 15 and September 15 of each year, commencing March 15, 2018, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Borough or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Borough to the registered owner thereof as of the Record Dates (as defined herein).

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Borough Council on the dates set forth herein and by resolutions duly adopted by the Borough Council on August 22, 2017.

The proceeds of the Tax-Exempt General Improvement Bonds, along with available funds of the Borough, are being used to: (i) refund, on a current basis, all or a portion of certain bond anticipation notes of the Borough, as described herein; (ii) permanently finance the cost of various general improvements in and by the Borough; and (iii) pay the costs associated with the issuance of the Tax-Exempt General Improvement Bonds. (See "Purpose of the Bonds" herein)

The Tax-Exempt Water-Sewer Utility Bonds are being issued to: (i) refund, on a current basis, the bond anticipation notes of the Borough, as described herein; (ii) permanently finance the cost of various Water-Sewer utility improvements in and by the Borough; and (iii) pay the costs associated with the issuance of the Tax-Exempt Water-Sewer Utility Bonds. (See "Purpose of the Bonds" herein)

The Taxable General Improvement Bonds, along with available funds of the Borough, are being issued to: (i) refund, on a current basis, all or a portion of certain bond anticipation notes of the Borough, as described herein; (ii) permanently finance the cost of various general improvements in and by the Borough; and (iii) pay the costs associated with the issuance of the Taxable General Improvement Bonds. (See "Purpose of the Bonds" herein)

The Taxable Water-Sewer Utility Bonds, along with available funds of the Borough, are being issued to: (i) refund, on a current basis, all or a portion of certain bond anticipation notes of the Borough, as described herein; and (ii) pay the costs associated with the issuance of the Taxable Water-Sewer Utility Bonds. (See "Purpose of the Bonds" herein)

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

The scheduled payment of principal of and interest on the Tax-Exempt Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Tax-Exempt Bonds by ASSURED GUARANTY MUNICIPAL CORP.



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

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

The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by GluckWalrath, LLP, Trenton, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Borough by the Borough Attorney, Dasti, Murphy, McGuckin, Ulaky, Koutsouris & Connors, Forked River, New Jersey. It is anticipated that the Bonds will be available for delivery through DTC on or about September 21, 2017.

Tax-Exempt Bonds Underwriter
UBS FINANCIAL SERVICES, INC.

Taxable Bonds Underwriter
BAIRD

\$2,925,000 GENERAL OBLIGATION BONDS

consisting of:

\$842,000 General Improvement Bonds, Series 2017A**\$2,083,000 Water-Sewer Utility Bonds, Series 2017B****MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS***

<u>Year</u>	<u>General Improvement Amount</u>	<u>Water-Sewer Utility Amount</u>	<u>Combined Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2018	\$38,000	\$62,000	\$100,000	3.00%	0.85%	824671BY6
2019	39,000	61,000	100,000	4.00	1.05	824671BZ3
2020	60,000	90,000	150,000	4.00	1.15	824671CA7
2021	65,000	95,000	160,000	4.00	1.30	824671CB5
2022	65,000	95,000	160,000	4.00	1.42	824671CC3
2023	70,000	100,000	170,000	4.00	1.55	824671CD1
2024	70,000	100,000	170,000	4.00	1.70	824671CE9
2025	70,000	100,000	170,000	4.00	1.90	824671CF6
2026	70,000	105,000	175,000	2.00	2.10	824671CG4
2027	70,000	105,000	175,000	2.00	2.25	824671CH2
2028	75,000	105,000	180,000	2.125	2.35	824671CJ8
2029	75,000	115,000	190,000	2.25	2.50	824671CK5
2030	75,000	115,000	190,000	3.00	2.60	824671CL3
2031		120,000	120,000	3.00	2.70	824671CM1
2032		120,000	120,000	3.00	2.80	824671CN9
2033		120,000	120,000	3.00	2.90	824671CP4
2034		120,000	120,000	3.00	3.00	824671CQ2
2035		120,000	120,000	3.00	3.10	824671CR0
2036		120,000	120,000	3.00	3.15	824671CS8
2037		115,000	115,000	3.125	3.20	824671CT6

\$1,300,000 GENERAL OBLIGATION BONDS (FEDERALLY TAXABLE)

consisting of:

\$405,000 General Improvement Bonds, Series 2017C (Federally Taxable)**\$895,000 Water-Sewer Utility Bonds, Series 2017D (Federally Taxable)****MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS***

<u>Year</u>	<u>General Improvement Amount</u>	<u>Water-Sewer Utility Amount</u>	<u>Combined Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2018	\$15,000	\$35,000	\$50,000	4.00%	1.50%	824671CU3
2019	15,000	35,000	50,000	4.00	1.80	824671CV1
2020	15,000	35,000	50,000	4.00	2.00	824671CW9
2021	15,000	35,000	50,000	4.00	2.20	824671CX7
2022	20,000	40,000	60,000	4.00	2.40	824671CY5
2023	20,000	40,000	60,000	4.00	2.55	824671CZ2
2024	20,000	45,000	65,000	4.00	2.70	824671DA6
2025	20,000	45,000	65,000	4.00	2.80	824671DB4
2026	20,000	50,000	70,000	4.00	2.90	824671DC2
2027	25,000	50,000	75,000	3.00	3.00	824671DD0
2028	25,000	50,000	75,000	3.10	3.10	824671DE8
2029	25,000	55,000	80,000	3.20	3.20	824671DF5
2030	25,000	55,000	80,000	3.25	3.25	824671DG3
2031	25,000	60,000	85,000	3.30	3.30	824671DH1
2032	30,000	60,000	90,000	3.35	3.35	824671DJ7
2033	30,000	65,000	95,000	3.40	3.40	824671DK4
2034	30,000	70,000	100,000	3.45	3.45	824671DL2
2035	30,000	70,000	100,000	3.50	3.50	824671DM0

* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Borough does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**BOROUGH OF SHIP BOTTOM
IN THE COUNTY OF OCEAN, NEW JERSEY
1621 LONG BEACH BOULEVARD
SHIP BOTTOM, NEW JERSEY 08008-5499
(609) 494-2171**

MAYOR

William Huelsenbeck

BOROUGH COUNCIL

Edward English, Council President
Joseph Valyo
David Hartman
Peter J. Rossi
Robert J. Butkus
Tom Tallon

BOROUGH ADMINISTRATOR

Mark A. Pino

CHIEF FINANCIAL OFFICER

Kathleen Flanagan

TAX COLLECTOR

Dawn Annarumma

BOROUGH ATTORNEY

Dasti, Murphy, McGuckin, Ulaky, Koutsouris & Connors
Forked River, New Jersey

AUDITOR

Suplee, Clooney & Company
Westfield, New Jersey

BOND COUNSEL

GluckWalrath LLP
Trenton, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

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

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

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

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Tax-Exempt Bonds or the advisability of investing in the Tax-Exempt Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “Bond Insurance” and “Appendix E - Specimen Municipal Bond Insurance Policy”.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE BONDS	1
General Description.....	1
Optional Redemption.....	2
Notice of Redemption.....	2
Authorization for the Issuance of the Bonds	2
Purpose of the Bonds.....	3
Payment of Bonds.....	6
Denominations and Place of Payment	6
SECURITY FOR THE BONDS	6
The Borough.....	6
BOND INSURANCE	6
Bond Insurance Policy.....	6
Assured Guaranty Municipal Corp.....	6
BOOK-ENTRY-ONLY SYSTEM	9
Discontinuance of Book-Entry Only System	11
MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES.....	11
Local Bond Law (N.J.S.A. 40A:2-1 et seq.).....	11
Debt Limits.....	11
Exceptions to Debt Limits - Extensions of Credit.....	11
Short Term Financing.....	12
The Local Budget Law (N.J.S.A. 40A:4-1 et seq.).....	12
Appropriation "CAP"	13
Tax Appeals.....	14
The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)	14
School Debt Subject to Voter Approval	15
TAX MATTERS.....	15
Federal Taxation.....	15
State Taxation.....	18
LEGALITY FOR INVESTMENT.....	18
CONTINUING DISCLOSURE	19
LITIGATION.....	19
MUNICIPAL BANKRUPTCY	19
CERTAIN REFERENCES	20
CERTIFICATION OF OFFICIAL STATEMENT.....	20
RATINGS	21
UNDERWRITING.....	21
MUNICIPAL ADVISOR.....	21
APPROVAL OF LEGAL PROCEEDINGS.....	22
FINANCIAL STATEMENTS	22
ADDITIONAL INFORMATION	22
MISCELLANEOUS	22

- APPENDIX A: GENERAL INFORMATION REGARDING THE BOROUGH
- APPENDIX B: FINANCIAL STATEMENTS OF THE BOROUGH
- APPENDIX C: FORMS OF CONTINUING DISCLOSURE CERTIFICATES
- APPENDIX D: FORMS OF BOND COUNSEL’S OPINIONS
- APPENDIX E: SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**OFFICIAL STATEMENT
OF THE
BOROUGH OF SHIP BOTTOM
IN THE COUNTY OF OCEAN, STATE OF NEW JERSEY
RELATING TO**

**\$2,925,000
BOROUGH OF SHIP BOTTOM
IN THE COUNTY OF OCEAN, NEW JERSEY
GENERAL OBLIGATION BONDS
consisting of:
\$842,000 General Improvement Bonds, Series 2017A
\$2,083,000 Water-Sewer Utility Bonds, Series 2017B
(Bank-Qualified) (Callable)**

**\$1,300,000
BOROUGH OF SHIP BOTTOM
IN THE COUNTY OF OCEAN, NEW JERSEY
GENERAL OBLIGATION BONDS (FEDERALLY TAXABLE)
consisting of:
\$405,000 General Improvement Bonds, Series 2017C (Federally Taxable)
\$895,000 Water-Sewer Utility Bonds, Series 2017D (Federally Taxable)
(Callable)**

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and the appendices attached hereto, has been prepared by the Borough of Ship Bottom (the “Borough”), in the County of Ocean (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$2,925,000 aggregate principal amount of General Obligation Bonds consisting of: (i) \$842,000 aggregate principal amount of General Improvement Bonds, Series 2017A (the “Tax Exempt General Improvement Bonds”) and (ii) \$2,083,000 aggregate principal amount of Water-Sewer Utility Bonds, Series 2017B (the “Tax-Exempt Water-Sewer Utility Bonds” and, together with the Tax-Exempt General Improvement Bonds, the “Tax-Exempt Bonds”) and the \$1,300,000 aggregate principal amount of General Obligation Bonds (Federally Taxable) consisting of: (i) \$405,000 aggregate principal amount of General Improvement Bonds, Series 2017C (Federally Taxable) (the “Taxable General Improvement Bonds”) and (ii) \$895,000 aggregate principal amount of Water-Sewer Utility Bonds, Series 2017D (Federally Taxable) (the “Taxable Water-Sewer Utility Bonds” and, together with the Taxable General Improvement Bonds, the “Taxable Bonds”, and, together with the Tax-Exempt Bonds, the “Bonds”) of the Borough.

THE BONDS

General Description

The Bonds will be dated the date of delivery and will mature on September 15 in each of the years and in the principal amounts as shown on the inside cover page hereof. The interest on the Bonds will be payable semi-annually beginning March 15, 2018 and on each September 15 and March 15 thereafter until maturity or prior redemption (the “Interest Payment Dates”). The record dates for the Bonds are each preceding September 1 and March 1, respectively (the “Record Dates”). The Bonds will be issued in book-entry form only.

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

Optional Redemption

Tax-Exempt Bonds

The Tax-Exempt Bonds maturing prior to September 15, 2026 are not subject to optional redemption. The Tax-Exempt Bonds maturing on or after September 15, 2026 shall be subject to redemption at the option of the Borough, in whole or in part, on any date on or after September 15, 2025 at a price of 100% of the principal amount being redeemed, plus unpaid accrued interest to the date fixed for redemption.

Taxable Bonds

The Taxable Bonds maturing prior to September 15, 2028 are not subject to optional redemption. The Taxable Bonds maturing on or after September 15, 2028 shall be subject to redemption at the option of the Borough, in whole or in part, on any date on or after September 15, 2027 at a price of 100% of the principal amount being redeemed, plus unpaid accrued interest to the date fixed for redemption.

Notice of Redemption

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

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

Authorization for the Issuance of the Bonds

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Borough Council on the dates set forth in the charts on the following pages and published and approved as required by law, and by resolutions adopted by the Borough Council on August 22, 2017 (the "Resolution").

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

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

Purpose of the Bonds

Tax-Exempt General Improvement Bonds

The proceeds of the Tax-Exempt General Improvement Bonds are being used to: (i) refund, on a current basis, a \$542,500 aggregate portion of the tax-exempt general improvement bond anticipation notes of the Borough originally issued in the aggregate principal amount of \$617,630, dated September 22, 2016 and maturing September 22, 2017 (the “Tax-Exempt General Improvement Prior Notes”); (ii) finance the cost of various capital improvements in and by the Borough in the amount of \$332,500; and (iii) pay the costs associated with the issuance of the Tax-Exempt General Improvement Bonds. A portion of the Tax-Exempt General Improvement Prior Notes, in the amount of \$75,130, will be paid by available funds of the Borough.

The purposes for which the proceeds of the Tax-Exempt General Improvement Bonds are to be used have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described on the following table by ordinance number, description, the amount of the Tax-Exempt General Improvement Prior Notes being refunded with the Tax-Exempt General Improvement Bonds, and the amount of new money, if any. The bond ordinances are:

Tax-Exempt General Improvement Bonds

Ordinance Number	Description and Date of Final Adoption	Amount of Tax-Exempt General Improvement Prior Notes Being Refunded with the Tax-Exempt General Improvement Bonds	Amount of New Money
2010-06	Improvement to W. 13th Street, finally adopted April 27, 2010	\$35,000	
2011-06	Reconstruction of Street-End Bulkheads, finally adopted June 28, 2011	99,400	
2012-02	Renovations to Borough Hall, finally adopted February 28, 2012	132,300	
2013-03	Chevy Tahoe/Barber Surf Rake/Reconstruct and Improve Beach Berm, finally adopted March 26, 2013	60,000	
2013-09	Reconstruction of Borough Hall and Bulkheads, finally adopted July 23, 2013	25,900	
2015-14	Repairs to 14th Street, finally adopted June 23, 2015	<u>189,900</u>	
2016-17	Acquisition of various Equipment, finally adopted August 23, 2016		\$332,500
	SUBTOTAL:	<u>\$542,500</u>	<u>\$332,500</u>
	TOTAL TAX-EXEMPT GENERAL IMPROVEMENT:		<u>\$875,000</u>

Tax-Exempt Water-Sewer Utility Bonds

The proceeds of the Tax-Exempt Water-Sewer Utility Bonds are being used to: (i) refund, on a current basis, a \$1,838,000 aggregate portion of the tax-exempt Water-Sewer utility bond anticipation notes of the Borough originally issued in the aggregate principal amount of \$1,838,500, dated September 22, 2016 and maturing September 22, 2017 (the “Tax-Exempt Water-Sewer Utility Prior Notes”); (ii) finance the cost of various Water-Sewer utility improvements in and by the Borough in the amount of \$275,000; and (iii) pay the costs associated with the issuance of the Tax-Exempt Water-Sewer Utility Bonds. A portion of the Tax-Exempt Water-Sewer Utility Prior Notes, in the amount of \$500, will be paid by available funds of the Borough.

The purposes for which the proceeds of the Tax-Exempt Water-Sewer Utility Bonds are to be used have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described in the following table by ordinance number, description, the amount of the Water-Sewer Utility Prior Notes being refunded with the Tax-Exempt Water-Sewer Utility Bonds, and the amount of new money, if any. The bond ordinances are:

Tax-Exempt Water-Sewer Utility Bonds

Ordinance Number	Description and Date of Final Adoption	Amount of Tax-Exempt Water-Sewer Utility Prior Notes Being Refunded with the Tax-Exempt Water-Sewer Utility Bonds	Amount of New Money
2013-04	Water Utility Improvements, finally adopted March 26, 2013	\$324,500	
2014-02	Water and Sewer Utility Infrastructure Upgrades, finally adopted April 22, 2014	475,000	
2015-13	Water Utility Improvements, finally adopted August 25, 2015	350,000	
2015-15	Water and Sewer Utility Improvements, finally adopted August 25, 2015	563,500	<u>\$275,000</u>
2015-17/ 2016-09	Water and Sewer Utility Improvements, finally adopted November 24, 2015/ January 26, 2016	<u>125,000</u>	
SUBTOTAL:		<u>\$1,838,000</u>	<u>\$275,000</u>
TOTAL TAX-EXEMPT WATER-SEWER UTILITY:			<u>\$2,113,000</u>

Taxable General Improvement Bonds

The Taxable General Improvement Bonds are being issued to: (i) refund, on a current basis, a \$275,888 aggregate portion of the taxable general improvement bond anticipation notes of the Borough originally issued in the aggregate principal amount of \$316,000, dated September 22, 2016 and maturing September 22, 2017 (the "Taxable General Improvement Prior Notes"); (ii) finance the cost of various capital improvements in and by the Borough in the amount of \$129,112; and (iii) pay the costs associated with the issuance of the Taxable General Improvement Bonds. A portion of the Taxable General Improvement Prior Notes, in the amount of \$40,112, will be paid by available funds of the Borough.

The purposes for which the Taxable General Improvement Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described on the following table by ordinance number, description, the amount of the Taxable General Improvement Prior Notes being refunded with the Taxable General Improvement Bonds, and the amount of new money, if any. The bond ordinances are:

Taxable General Improvement Bonds

Ordinance Number	Description and Date of Final Adoption	Amount of Taxable General Improvement Prior Notes Being Refunded with the Taxable General Improvement Bonds	Amount of New Money
2006-30	Acquisition and Installation of Recreation Equipment, Computer Equipment/Software; Renovations and Improvements to Public Works Facilities, finally adopted November 26, 2006	\$9,800	
2007-08	Improvements to 19th Street, finally adopted May 22, 2007	31,388	
2008-02	Various Capital Improvements, finally adopted March 25, 2008	168,000	\$4,500

Taxable General Improvement Bonds

Ordinance Number	Description and Date of Final Adoption	Amount of Taxable General Improvement Prior Notes Being Refunded with the Taxable General Improvement Bonds	Amount of New Money
2008-04	Purchase Beach Operations Truck, finally adopted April 22, 2008	10,000	
2009-04	Improvement of 12th Street and North Shore Avenue, finally adopted April 28, 2009	4,200	
2011-03	Purchase of Tractor, finally adopted March 22, 2011	<u>52,500</u>	
2012-02	Renovations/Alterations to the Borough Hall, finally adopted February 28, 2012		18,500
2012-07	Construction of a New Public Works Facility, finally adopted October 23, 2012		<u>106,112</u>
	SUBTOTAL:	<u>\$275,888</u>	<u>\$129,112</u>
	TOTAL TAXABLE GENERAL IMPROVEMENT:		<u>\$405,000</u>

Taxable Water-Sewer Utility Bonds

The Taxable Water-Sewer Utility Bonds are being issued to: (i) refund, on a current basis, a \$895,000 aggregate portion of the taxable Water-Sewer utility bond anticipation notes of the Borough originally issued in the aggregate principal amount of \$895,965, dated September 22, 2016 and maturing September 22, 2017 (the “Taxable Water-Sewer Utility Prior Notes”); and (ii) pay the costs associated with the issuance of the Taxable Water-Sewer Utility Bonds. A portion of the Taxable Water-Sewer Utility Prior Notes, in the amount of \$965, will be paid by available funds of the Borough.

The purposes for which the Taxable Water-Sewer Utility Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described on the following table by ordinance number, description and the amount of the Taxable Water-Sewer Utility Prior Notes being refunded with the Taxable Water-Sewer Utility Bonds. The bond ordinances are:

Taxable Water-Sewer Utility Bonds

Ordinance Number	Description and Date of Final Adoption	Amount of Taxable Water-Sewer Utility Prior Notes Being Refunded with the Taxable Water-Sewer Utility Bonds	Amount of New Money
2006-03	Water-Sewer Infrastructure Upgrades, finally adopted March 3, 2006	\$44,000	
2008-03	Water-Sewer Infrastructure Upgrades, finally adopted March 25, 2008	142,000	
2008-09	Water-Sewer Infrastructure Upgrades, finally adopted June 24, 2008	54,000	
2008-10	Water-Sewer Infrastructure Upgrades, finally adopted June 24, 2008	0	<u>\$275,964</u>
2009-15	Water-Sewer Infrastructure Upgrades, finally adopted August 25, 2009	<u>379,036</u>	
	SUBTOTAL:	<u>\$619,036</u>	<u>\$275,964</u>
	TOTAL TAXABLE WATER-SEWER UTILITY:		<u>\$895,000</u>

Payment of Bonds

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

Denominations and Place of Payment

The Bonds are issuable only as fully registered bonds without coupons, and when issued will be in the form of one certificate per maturity and will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company (“DTC”), New York, New York. DTC will act as Securities Depository for the Bonds. Purchase of the Bonds will be made in book entry form, in the denomination of \$5,000 each or any integral multiple of \$1,000 in excess thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See “Book-Entry-Only System” herein.

SECURITY FOR THE BONDS

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

The Borough

The Borough is located in Ocean County, New Jersey. See Appendix “A” for demographic and statistical information concerning the Borough.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Tax-Exempt Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Tax-Exempt Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Tax-Exempt Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of AGM

At June 30, 2017:

- The policyholders' surplus of AGM was approximately \$2,222 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,289 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,699 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017 (filed by AGL with the SEC on August 3, 2017).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Tax-Exempt Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Tax-Exempt Bonds or the advisability of investing in the Tax-Exempt Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOOK-ENTRY-ONLY SYSTEM

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect

only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

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

Discontinuance of Book-Entry Only System

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

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

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

Debt Limits

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

Exceptions to Debt Limits - Extensions of Credit

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local Finance Board for an

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

Short Term Financing

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

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

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

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

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

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

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

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely

coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

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

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

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

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

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

Appropriation "CAP"

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

by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.4% or less.

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

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

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

Tax Appeals

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

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

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

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

School Debt Subject to Voter Approval

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

TAX MATTERS

Federal Taxation

Tax-Exempt Bonds

In the opinion of Bond Counsel, assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Tax-Exempt Bonds and subject to certain provisions of the Code which are described below, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Tax-Exempt Bonds, interest received by a holder of the Tax-Exempt Bonds will be excludable from gross income for federal income tax purposes, and will not be treated as a tax preference item for purposes under Section 57 of the Code for individuals or corporations. Interest on the Tax-Exempt Bonds is included in the adjusted current earnings of certain corporations for the purposes of computing the alternative minimum alternative tax on such corporations.

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

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

The Tax-Exempt Bonds maturing September 15, 2018 to 2025 and September 15, 2030 to 2033 (the "Premium Bonds") have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the

amortizable bond premium for a taxable year. Under, Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

The Tax-Exempt Bonds maturing on September 15, 2026 to 2029 and September 15, 2035 to 2037 (the "Discount Bonds") have been sold to the public at an original issue discount. The original issue discount is the excess of the stated redemption price at maturity of such a Discount Bond over the initial offering price to the public (excluding underwriters' and other intermediaries) at which price a substantial amount of that maturity of the Discount Bonds was sold. Under existing law, an appropriate portion of any original issue discount, depending in part on the period a Discount Bond is held by the purchaser thereof, will be treated for federal income tax purposes as interest that is excludable from gross income rather than as taxable gain.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compounded basis. The amount of original issue discount that accrues to a holder of a Discount Bond, who acquires the Discount Bond in this initial offering, during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the holder's basis in such Discount Bond. Proceeds received from the sale, exchange, redemption or payment of a Discount Bond in excess of the holder's adjusted basis (as increased by the amount of original issue discount that has accrued and is treated as tax-exempt interest in such holder's hands), will be treated as gain from the sale or exchange of such Discount Bond and not as interest.

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

In addition, prospective purchasers should be aware that Section 6049 of the Code provides that interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The provision is effective for interest paid on tax-exempt obligations after December 31, 2005, regardless of when the tax-exempt obligations were issued. Pursuant to Notice 2006-93, backup withholding will be required if the bondholder fails to provide a tax identification number. The new reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Ownership of tax-exempt obligations may also result in collateral federal income tax consequences to certain taxpayers including, without limitation, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, property and casualty

insurance companies, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations.

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

In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for bonds like the Tax-Exempt Bonds. There can be no assurance that an audit initiated or concluded by the IRS after the issue date of the Bonds involving either the Tax-Exempt Bonds or other Tax-Exempt Bonds will not have an adverse effect on the tax-exempt status or market price of the Tax-Exempt Bonds.

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

Taxable Bonds

The following is a general discussion of certain of the anticipated federal tax consequences of the purchase, ownership and disposition of the Taxable Bonds by the original purchasers of the Taxable Bonds. Investors should consult their own tax advisors in determining the federal, state, local or other tax consequences to them of purchase, ownership and disposition of the Taxable Bonds. This discussion is based upon the Code, regulations, rulings and decisions now in effect, all of which are subject to change at any time, possibly with retroactive effect, and does not purport to deal with federal income tax consequences applicable to all categories of investors, some of which will be subject to special rules. This discussion assumes that the Taxable Bonds will be held as "capital assets" under the Code and that the Taxable Bonds are owned by U.S. Holders (as defined below). Investors should consult their own tax advisors in determining the federal, state, local or other tax consequences to them of purchase, ownership and disposition of the Taxable Bonds.

As used herein, the term "U.S. Holder" means a beneficial owner of a Taxable Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any State or

any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a court within the United States and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

INTEREST ON THE TAXABLE BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. The Borough will report annually (or more frequently if required) to owners of record and to the Internal Revenue Service in respect of interest paid on the Taxable Bonds.

Under the Code, payments on the Taxable Bonds may under certain circumstances, be subject to "backup withholding" at a rate equal to the fourth lowest rate of tax applicable under Section 1(c) of the Code. This withholding generally applies if the owner (i) fails to furnish such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails to properly report interest, dividends or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide such owner's securities broker with a certified statement, signed under penalties of perjury, that the TIN is correct and that such Bondholder is not subject to backup withholding. Owners of the Taxable Bonds should consult their own tax advisors as to their qualification for exemption for backup withholding and the procedures for obtaining the exemption.

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Taxable Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Taxable Bond.

The Borough may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Bonds to be deemed to be no longer outstanding under the Resolutions (a "defeasance"). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Taxable Bonds subsequent to any such defeasance could also be affected.

State Taxation

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

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

LEGALITY FOR INVESTMENT

The State and all public officers, municipalities, counties, political subdivisions and public bodies, and agencies thereof, all banks, bankers, trust companies, savings and loan associations, savings banks and institutional building and loan associations, investment companies, and other persons carrying on banking business, all insurance companies, and all executors, administrators, guardians, trustees, and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within

their control in any bonds of the Borough including the Bonds, and such Bonds are authorized security for any and all public deposits.

CONTINUING DISCLOSURE

Pursuant to the requirements of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, the Borough will deliver concurrently with the delivery of the Continuing Disclosure Certificates in substantially the forms annexed hereto as Appendix C (collectively, the "Forms of Continuing Disclosure Certificates"). The Borough has covenanted for the benefit of the Bondholders, in accordance with the provisions of the Continuing Disclosure Certificate, to provide or cause to be provided, in accordance with the requirements of the Rule, certain financial information and operating data to Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access System ("EMMA") dataport or to any other designated nationally recognized municipal securities information depository (the "National Repository") and to the appropriate State information depository, if any (as defined in the Continuing Disclosure Certificate). The Borough has also covenanted in the Continuing Disclosure Certificate to provide notices of the occurrence of certain enumerated events, if material.

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2011, 2012, and 2013; and (ii) operating data for the fiscal years ending December 31, 2011 and 2012. Additionally, the Borough previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; and (ii) operating data, all as described above, and late filing notices and/or event notices in connection with certain bond insurer rating changes in 2012 and 2013. Such notices of events and late filings have since been filed with the MSRB's EMMA dataport. The Borough appointed Phoenix Advisors, LLC in August of 2014 to serve as continuing disclosure agent.

LITIGATION

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

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, *et seq.*, as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors' rights and municipalities in general. Chapter IX permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter IX directs such a petitioner to file with the Bankruptcy Court

a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

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

CERTAIN REFERENCES

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

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

CERTIFICATION OF OFFICIAL STATEMENT

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

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

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

RATINGS

Moody's, S&P and KBRA (the "Rating Agencies") are expected to assign the Tax-Exempt Bonds ratings of "A2", "AA", and "AA+" respectively, subject to the issuance of the Policy by AGM at the time of delivery of the Tax-Exempt Bonds. Moody's has assigned an underlying rating of "Aa3" to the Tax-Exempt Bonds based upon the creditworthiness of the Borough. Moody's has assigned a rating of "Aa3" to the Taxable Bonds based upon the creditworthiness of the Borough.

Any desired explanation of the significance of such ratings should be obtained from the Rating Agencies. There is no assurance that the ratings will pertain for any given period of time or that they will not be lowered or withdrawn entirely if, in the judgment of the Rating Agencies, circumstances so warrant. Any downward revision or withdrawal of the rating could have an adverse effect on the market price of the Bonds.

UNDERWRITING

Tax-Exempt Bonds

The Tax-Exempt Bonds have been purchased from the Borough at a public sale by UBS Financial Services, Inc. (the "Tax-Exempt Bonds Underwriter") at a price of \$2,988,876.40. The Tax-Exempt Bonds Underwriter has purchased the Tax-Exempt Bonds in accordance with the Notice of Sale. The Tax-Exempt Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement, which may be changed from time to time by the Tax-Exempt Bonds Underwriter without notice.

Taxable Bonds

The Taxable Bonds have been purchased from the Borough at a public sale by Robert W. Baird & Co. (the "Taxable Bonds Underwriter" and together with the Tax-Exempt Bonds Underwriter, the "Underwriters") at a price of \$1,313,304.90. The Taxable Bonds Underwriter has purchased the Taxable Bonds in accordance with the Notice of Sale. The Taxable Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement, which may be changed from time to time by the Taxable Bonds Underwriter without notice.

MUNICIPAL ADVISOR

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

APPROVAL OF LEGAL PROCEEDINGS

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

FINANCIAL STATEMENTS

Appendix “B” contains certain audited financial data of the Borough for the Borough’s fiscal year ending December 31, 2016. The audited financial data was provided by Suplee, Clooney & Company, Westfield, New Jersey, 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 the Borough’s Chief Financial Officer, 1621 Long Beach Boulevard, Ship Bottom, New Jersey 08008-5499, telephone (609) 494-2171 or its Municipal Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey, telephone (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or holders of any of the Bonds. 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 Borough since the date hereof.

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

**BOROUGH OF SHIP BOTTOM,
IN THE COUNTY OF OCEAN, NEW JERSEY**

By: /s/ Kathleen Flanagan
Kathleen Flanagan,
Chief Financial Officer

Dated: September 13, 2017

APPENDIX A
GENERAL INFORMATION REGARDING THE BOROUGH

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INFORMATION REGARDING THE BOROUGH¹

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

General Information

The Borough was originally incorporated as the Borough of Ship Bottom-Beach Arlington by an Act of the New Jersey Legislature on March 3, 1925, from portions of Long Beach Township, based on the results of a referendum held on May 23, 1925. The Borough name was shortened to “Ship Bottom” in 1947.

The Borough covers an area of 1.2 square miles and is located on Long Beach Island, an island approximately 18 miles long and 1-mile wide, bounded by Barnegat Bay on the west and the Atlantic Ocean on the east. The Borough is approximately 90 miles south of New York City, and 60 miles east of Philadelphia, Pennsylvania. The Borough is a seashore residential community, noted for its beaches, boating and sport fishing. The Borough's location and maritime flavor have served to attract residents from other parts of the State, nearby Pennsylvania and the New York metropolitan area.

The Borough is also known as the "Gateway to Long Beach Island", as Route 72 provides the sole road access from Manahawkin in Stafford Township, ending in the Borough as it crosses Manahawkin Bay via the Manahawkin Bay Bridge (formally known as the Dorland J. Henderson Memorial Bridge).

Form of Government

The Borough is governed under the Borough form of New Jersey municipal government. The governing body consists of a Mayor and a Borough Council comprising six council members, with all positions elected at-large on a partisan basis as part of the November general election. A Mayor is elected directly by the voters to a four-year term of office. The Borough Council consists of six members elected to serve three-year terms on a staggered basis, with two seats coming up for election each year in a three-year cycle. The Borough form of government, the most common system used in the state, is a "weak mayor / strong council" government in which council members act as the legislative body with the mayor presiding at meetings and voting only in the event of a tie. The mayor makes committee and liaison assignments for council members and most appointments are made by the mayor with the advice and consent of the council. Each Council member chairs a committee that oversees a department: Revenue and Finance, Public Safety, Water/Sewer, Parks and Recreation, Public Property and Community Affairs, and Public Works.

¹ Source: The Borough, unless otherwise indicated.

Education

The Borough is a constituent member of the Southern Regional High School District (the "Regional School District"). There is presently one middle school and one high school for grades 7 through 12 operated by the Southern Regional Board of Education. The constituent municipalities of the Regional School District are the Boroughs of Barnegat Light, Beach Haven, Harvey Cedars, Ship Bottom and Surf City and the Townships of Long Beach and Stafford.

Taxes for the support of the Regional School District, as approved by the voters in the Regional School District, are levied on the valuations in the seven municipalities as equalized by the County.

The Regional School District functions through a nine-member board, elected by the voters to staggered three-year terms. In addition to the nine members representing the constituent municipalities, two additional members, with limited voting rights, represent the sending districts of the Townships of Barnegat and Ocean. The sending districts pay tuition on a per-pupil basis through their local board of education.

The Borough is also a constituent member of the Long Beach Island Consolidated School District (the "Consolidated District"), which operates two schools for grades kindergarten through 6. The constituent municipalities of the Long Beach Island Consolidated School District are the Boroughs of Barnegat Light, Harvey Cedars, Ship Bottom, Surf City and the Township of Long Beach.

Taxes for the support of the Consolidated District, as approved by the voters in the Consolidated District, are levied on the valuations of the five municipalities.

The Consolidated District functions through a nine-member board, elected by the voters to staggered three-year terms.

Retirement Systems

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

Pension Information²

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other

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

participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2016, which is based upon the annual billings received from the State, amounted to \$116,670 for PERS and \$237,288 for PFRS.

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2016	588	553	35	6.0%
2015	594	555	39	6.6%
2014	585	543	42	7.2%
2013	599	538	61	10.2%
2012	614	537	77	12.5%
<u>County</u>				
2016	268,849	254,769	14,080	5.2%
2015	268,585	252,465	16,120	6.0%
2014	266,273	246,687	19,586	7.4%
2013	265,783	241,266	24,517	9.2%
2012	268,491	240,035	28,456	10.6%
<u>State</u>				
2016	4,524,262	4,299,923	224,315	5.0%
2015	4,543,800	4,288,800	255,000	5.6%
2014	4,513,600	4,209,700	303,900	6.7%
2013	4,528,500	4,157,600	370,800	8.2%
2012	4,585,300	4,158,600	426,800	9.3%

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

Income (as of 2015)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$63,977	\$61,994	\$72,093
Median Family Income	82,639	76,934	88,335
Per Capita Income	49,128	31,200	36,582

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

Population

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2016 Estimate	1,139	-1.47%	583,450	1.19%	8,958,013	1.89%
2010	1,156	-16.47	576,567	12.85	8,791,894	4.49
2000	1,384	2.37	510,916	17.94	8,414,350	8.85
1990	1,352	-5.26	433,203	25.19	7,730,188	4.96
1980	1,427	32.25	346,038	65.99	7,365,001	2.75

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2016 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
LBI Gateway Hotel, LLC	\$6,633,400	0.59%
Hochstrasser, Louis	2,987,200	0.27%
Baldwin Residence, LLC	2,887,800	0.26%
CVS Corp	2,727,000	0.24%
Braunstein, Charles & Alison	2,580,100	0.23%
Guida Holding Corp	2,357,500	0.21%
Buldo, Giuseppina	2,323,200	0.21%
Ward, Thomas J III & Cynthia	2,293,300	0.20%
Ron Jon Realty Corp	2,224,500	0.20%
Laqualgia, Michael	<u>2,170,500</u>	<u>0.19%</u>
Total	<u>\$29,184,500</u>	<u>2.60%</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>
2016	\$12,685,701	\$12,456,021	98.19%
2015	12,236,660	11,878,808	97.08%
2014	12,040,990	11,596,059	96.30%
2013	11,557,481	11,177,717	96.71%
2012	11,429,991	11,070,639	96.86%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2016	\$0	\$250,199	\$250,199	1.97%
2015	0	324,857	324,857	2.65%
2014	21,987	427,884	449,871	3.74%
2013	21,309	371,026	392,335	3.39%
2012	19,101	363,902	383,003	3.35%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2016	\$82,610
2015	82,610
2014	20,010
2013	20,010
2012	20,010

Source: Annual Audit Reports of the Borough

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

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

<u>Year</u>	<u>Municipal</u>	<u>Elementary School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2017r	\$0.393	\$0.048	\$0.223	\$0.457	\$1.121
2016	0.393	0.047	0.218	0.449	1.107
2015	0.393	0.041	0.206	0.440	1.080
2014	0.374	0.048	0.212	0.445	1.079
2013	0.363	0.047	0.206	0.429	1.045

r: Reassessment

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Value of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2017r	\$1,312,132,800	N/A	N/A	\$193,187	N/A
2016	1,135,650,300	1,266,901,272	89.64	176,826	1,266,901,272
2015	1,120,261,000	1,238,678,682	90.44	180,469	1,238,859,151
2014	1,103,504,600	1,203,648,124	91.68	166,078	1,203,814,202
2013	1,104,303,500	1,242,605,491	88.87	265,006	1,242,870,497

r: Reassessment

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2017r	\$35,815,000	\$1,156,328,700	\$0	\$116,839,700	\$0	\$3,149,400	\$1,312,132,800
2016	33,876,200	983,853,300	0	115,260,900	0	2,659,900	1,135,650,300
2015	41,059,900	961,920,500	0	114,620,700	0	2,659,900	1,120,261,000
2014	35,066,700	950,796,400	0	115,001,600	0	2,639,900	1,103,504,600
2013	23,964,400	961,839,400	0	115,859,800	0	2,639,900	1,104,303,500

r: Reassessment

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Fund Balance Utilized	\$750,000	\$1,058,750	\$1,087,500	\$1,125,000	\$1,202,823
Miscellaneous Revenues	1,619,148	1,331,425	1,213,995	1,345,074	1,206,551
Receipts from Delinquent Taxes	330,000	314,500	389,375	321,850	230,000
Amount to be Raised by Taxation	<u>4,020,000</u>	<u>4,171,800</u>	<u>4,402,245</u>	<u>4,462,955</u>	<u>4,464,126</u>
Total Revenue:	<u>\$6,719,148</u>	<u>\$6,876,475</u>	<u>\$7,093,115</u>	<u>\$7,254,879</u>	<u>\$7,103,500</u>
<u>Appropriations</u>					
General Appropriations	\$5,647,144	\$5,917,281	\$5,931,306	\$6,079,583	\$6,183,359
Operations (Excluded from CAPS)	109,977	266,389	84,403	135,226	59,959
Deferred Charges and Statutory Expenditures	73,298	0	22,025	52,254	0
Capital Improvement Fund	263,429	30,000	165,000	100,000	150,000
Municipal Debt Service	240,300	237,849	408,565	512,000	408,941
Reserve for Uncollected Taxes	<u>385,000</u>	<u>424,956</u>	<u>481,816</u>	<u>375,816</u>	<u>301,241</u>
Total Appropriations:	<u>\$6,719,148</u>	<u>\$6,876,475</u>	<u>\$7,093,115</u>	<u>\$7,254,879</u>	<u>\$7,103,500</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u>	<u>Utilized in Budget</u>
<u>Year</u>	<u>12/31</u>	<u>of Succeeding Year</u>
2016	\$2,597,840	\$1,202,823
2015	2,479,718	1,125,000
2014	1,938,131	1,087,500
2013	1,173,077	1,058,750
2012	905,121	750,000

Source: Annual Audit Reports of the Borough

Water/Sewer Utility Operating Fund

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

Fund Balance-Water/Sewer Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2016	\$214,580	\$208,498
2015	259,409	51,041
2014	368,969	342,175
2013	441,455	424,000
2012	464,087	400,171

Source: Annual Audit Reports of the Borough

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Borough Indebtedness as of December 31, 2016

General Purpose Debt	
Serial Bonds	\$330,000
Bond Anticipation Notes	2,254,597
Bonds and Notes Authorized but Not Issued	5,811,112
Other Bonds, Notes and Loans	<u>223,703</u>
Total:	\$8,619,412
Local School District Debt	
Serial Bonds	\$0
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$0
Regional School District Debt	
Serial Bonds	\$96,065
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$96,065
Self-Liquidating Debt	
Serial Bonds	\$755,000
Bond Anticipation Notes	2,844,779
Bonds and Notes Authorized but Not Issued	861,086
Other Bonds, Notes and Loans	<u>1,645,700</u>
Total:	\$6,106,565
TOTAL GROSS DEBT	<u>\$14,822,042</u>
Less: Statutory Deductions	
General Purpose Debt	\$89,985
Local School District Debt	0
Regional School District Debt	96,065
Self-Liquidating Debt	<u>6,106,565</u>
Total:	\$6,292,615
TOTAL NET DEBT	<u>\$8,529,427</u>

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2016)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$0	100.00%	\$0
Regional School District	1,520,000	6.00%	96,065
County	457,267,841	1.32%	<u>6,025,811</u>
Net Indirect Debt			\$6,121,876
Net Direct Debt			<u>8,529,427</u>
Total Net Direct and Indirect Debt			<u>\$14,651,303</u>

Debt Limit

Average Equalized Valuation Basis (2014, 2015, 2016)	\$1,236,409,359
Permitted Debt Limitation (3 1/2%)	43,274,328
Less: Net Debt	<u>8,529,427</u>
Remaining Borrowing Power	<u>\$34,744,901</u>
Percentage of Net Debt to Average Equalized Valuation	0.690%
Gross Debt Per Capita based on 2010 population of 1,156	\$12,822
Net Debt Per Capita based on 2010 population of 1,156	\$7,378

Source: Annual Debt Statement of the Borough

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

APPENDIX B
FINANCIAL STATEMENTS OF THE BOROUGH

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SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Ship Bottom
County of Ocean
Ship Bottom, New Jersey 08008

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account groups of the Borough of Ship Bottom, as of December 31, 2016 and 2015, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Borough's regulatory 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 regulatory 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 regulatory 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.

SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the regulatory 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 regulatory financial statements, the regulatory financial statements are prepared by the Borough of Ship Bottom 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 the various individual funds and account groups of the Borough of Ship Bottom as of December 31, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2016.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets of the various individual funds and account groups as of December 31, 2016 and 2015, the regulatory basis statements of operations and changes in fund balance for the years then ended and the regulatory basis statements of revenues and regulatory basis statements of expenditures for the year ended December 31, 2016 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.

SUPLEE, CLOONEY & COMPANY

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017 on our consideration of the Borough of Ship Bottom's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Ship Bottom's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Robert W. Swisher
Robert W. Swisher, C.P.A., R.M.A.

June 21, 2017

CURRENT FUND

BOROUGH OF SHIP BOTTOM

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
<u>ASSETS</u>			
Current Fund:			
Cash and Cash Equivalents	A-4	\$ 3,762,043.40	\$ 3,188,410.36
Change Fund	A-5	425.00	425.00
Petty Cash Fund	A-6	250.00	250.00
Investment in Bond Anticipation Notes	A-7	1,303,985.07	1,628,526.28
		<u>5,066,703.47</u>	<u>4,817,611.64</u>
Receivables with Full Reserves:			
Taxes Receivable	A-8	250,198.94	324,857.08
6% YEP Receivable	A-9	2,393.26	2,388.90
Property Acquired for Taxes at Assessed Valuation	A-10	82,610.00	82,610.00
Revenue Accounts Receivable	A-11	5,516.18	2,706.48
Prepaid Local District School Tax	A-17	250,938.37	20,956.87
Interfunds Receivable	A-20	211,155.46	196,127.10
		<u>802,812.21</u>	<u>629,646.43</u>
		<u>5,869,515.68</u>	<u>5,447,258.07</u>
Federal and State Grant Fund:			
Interfunds Receivable	A-24	67,962.61	113,741.55
Grants Receivable	A-25	50,425.00	4,050.00
		<u>118,387.61</u>	<u>117,791.55</u>
		<u>\$ 5,987,903.29</u>	<u>\$ 5,565,049.62</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Appropriation Reserves	A-3:A-19	\$ 1,276,597.12	\$ 860,979.95
Third Party Liens	A-12	1.13	
Due to State of New Jersey (Ch. 20, P.L. 1971)	A-13	3,541.68	4,041.68
Tax Overpayments	A-14	28,985.54	16,578.94
Prepaid Taxes	A-15	294,715.07	279,160.43
Regional School District Taxes Payable	A-18	615,767.12	512,245.52
Interfunds Payable	A-20:A-24	202,394.05	393,911.30
Accounts Payable	A-21		16,826.20
Reserve for:			
Encumbrances	A-22	20,260.42	137,562.52
Miscellaneous Reserves	A-23	26,601.79	116,586.79
		<u>2,468,863.92</u>	<u>2,337,893.33</u>
Reserve for Receivables		802,812.21	629,646.43
Fund Balance	A-1	<u>2,597,839.55</u>	<u>2,479,718.31</u>
		<u>5,869,515.68</u>	<u>5,447,258.07</u>
Federal and State Grant Fund:			
Grants - Appropriated	A-26	93,928.69	108,065.32
Grants - Unappropriated	A-27	24,458.92	9,726.23
		<u>118,387.61</u>	<u>117,791.55</u>
		<u>\$ 5,987,903.29</u>	<u>\$ 5,565,049.62</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	YEAR ENDED <u>2016</u>	YEAR ENDED <u>2015</u>
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	A-2	\$ 1,125,000.00	\$ 1,087,500.00
Miscellaneous Revenue Anticipated	A-2	1,663,246.39	1,435,510.81
Receipts from Delinquent Taxes	A-2	316,062.01	403,194.59
Receipts from Current Taxes	A-2	12,456,020.73	11,878,807.63
Non-Budget Revenues	A-2	135,940.60	872,766.61
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-19	772,430.58	547,688.11
Miscellaneous Reserves Canceled			40,674.25
Canceled Accounts Payable	A-21	16,826.20	
Canceled Grant Appropriated Reserves	A-24	18,475.00	
<u>Total Income</u>		<u>16,504,001.51</u>	<u>16,266,142.00</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Salaries and Wages		2,622,500.00	2,591,250.00
Other Expenses		3,027,562.54	2,840,916.37
Capital Improvements		100,000.00	165,000.00
Municipal Debt Service		511,810.87	408,491.72
Deferred Charges and Statutory Expenditures		588,958.00	623,081.30
	A-3	<u>6,850,831.41</u>	<u>6,628,739.39</u>
Refund of Prior Year Revenue	A-4	9,227.92	22,952.90
County Taxes	A-16	5,086,682.21	4,925,107.24
Added Taxes Due County	A-16	45,481.87	55,402.71
Local District School Taxes	A-17	537,580.00	459,963.00
Regional School District Taxes	A-18	2,481,767.00	2,302,605.00
Canceled Grant Receivables	A-24	4,050.00	25,910.24
Senior Citizen/Veteran Deductions -			
Reimbursement Due To Taxation Audit	A-8	250.00	250.00
Reserve for Prepaid Local District School Tax	A-17	229,981.50	20,956.87
Interfund Advances	A-20:A-24	15,028.36	195,167.30
<u>Total Expenditures</u>		<u>\$ 15,260,880.27</u>	<u>\$ 14,637,054.65</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM
CURRENT FUND
STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	YEAR ENDED <u>2016</u>	YEAR ENDED <u>2015</u>
<u>EXPENDITURES (CONTINUED)</u>			
Excess in Revenue		\$ 1,243,121.24	\$ 1,629,087.35
Fund Balance January 1	A	<u>2,479,718.31</u>	<u>1,938,130.96</u>
		3,722,839.55	3,567,218.31
Decreased by:			
Utilized as Anticipated Revenue	A-1	<u>1,125,000.00</u>	<u>1,087,500.00</u>
Fund Balance December 31	A	\$ <u><u>2,597,839.55</u></u>	\$ <u><u>2,479,718.31</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	SPECIAL N.J.S.A. 40A:4-87		
Fund Balance Anticipated	A-1	\$ 1,125,000.00	\$ _____	\$ 1,125,000.00	\$ _____
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-11	12,000.00		12,716.00	716.00
Other	A-11	20,000.00		23,705.00	3,705.00
Fees and Permits	A-11	20,000.00		21,750.00	1,750.00
Fines and Costs - Municipal Court	A-11	85,000.00		113,281.53	28,281.53
Interest and Costs on Taxes	A-11	43,649.99		66,973.79	23,323.80
Beach Badge Fees	A-11	575,000.00		752,046.00	177,046.00
Energy Receipts Tax	A-11	247,442.00		247,442.00	
Uniform Construction Code Fees	A-11	80,000.00		162,000.00	82,000.00
Shared Services Agreement					
Tax Assessment Services					
Salaries and Wages	A-11	16,000.00		11,999.70	(4,000.30)
Other Expenses	A-11	5,000.00			(5,000.00)
Tax Collection Services					
Salaries and Wages	A-11	20,000.00		10,524.54	(9,475.46)
Other Expenses	A-11	5,000.00			(5,000.00)
Tower Lease Rental	A-11	36,000.00		34,394.25	(1,605.75)
Post Office Rent	A-11	24,000.00		26,220.00	2,220.00
Reserve for Debt Service	A-11	96,256.04		96,256.04	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	<u>ANTICIPATED</u>		<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
		<u>BUDGET</u>	<u>SPECIAL N.J.S.A. 40A:4-87</u>		
Clean Communities Program	A-24	\$	\$ 11,333.84	\$ 11,333.84	\$
Click It or Ticket	A-24		5,000.00	5,000.00	
Community Development Block Grant	A-24	33,000.00		33,000.00	
Cops In Shops	A-24		4,000.00	4,000.00	
Drunk Driving Enforcement Fund	A-24	1,100.00		1,100.00	
OEM Message Board	A-24	17,000.00		17,000.00	
Ocean County Tourism Grant	A-24	1,500.00	1,500.00	3,000.00	
Recycling Revenue and Residue	A-24	3,179.94	2,377.47	5,557.41	
Recycling Tonnage Grant	A-24	3,946.29		3,946.29	
	A-1	<u>1,345,074.26</u>	<u>24,211.31</u>	<u>1,663,246.39</u>	<u>293,960.82</u>
Receipts from Delinquent Taxes	A-2	<u>321,850.00</u>		<u>316,062.01</u>	<u>(5,787.99)</u>
Amount to be Raised by Taxation for Support of Municipal Budget	A-2	<u>4,462,955.17</u>		<u>4,680,325.32</u>	<u>217,370.15</u>
<u>Budget Totals</u>		<u>7,254,879.43</u>	<u>24,211.31</u>	<u>7,784,633.72</u>	<u>505,542.98</u>
Non-Budget Revenues	A-1:A-2			<u>135,940.60</u>	<u>135,940.60</u>
		<u>\$ 7,254,879.43</u>	<u>\$ 24,211.31</u>	<u>\$ 7,920,574.32</u>	<u>\$ 641,483.58</u>
	<u>REF.</u>	A-3	A-3		

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	<u>ANTICIPATED</u>		<u>REALIZED</u>	<u>EXCESS OR (DEFICIT)</u>
		<u>BUDGET</u>	<u>SPECIAL N.J.S.A. 40A:4-87</u>		
<u>ANALYSIS OF REALIZED REVENUE</u>					
Current Tax Collections	A-1:A-8			\$ 12,456,020.73	
Appropriation "Reserve for Uncollected Taxes"	A-3			375,815.67	
				<u>12,831,836.40</u>	
Less: Allocated to School and County Taxes	A-8			8,151,511.08	
	A-2			<u>\$ 4,680,325.32</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	
<u>INTEREST AND COSTS ON TAXES</u>		
Delinquent Interest Collections		\$ 64,584.89
6% Year End Penalty Collections	A-9	<u>2,388.90</u>
	A-2:A-11	<u>\$ 66,973.79</u>
<u>RECEIPTS FROM DELINQUENT TAXES</u>		
Delinquent Tax Collections	A-8	\$ 315,723.34
Overpayments Applied	A-8	<u>338.67</u>
	A-1:A-2	<u>\$ 316,062.01</u>
<u>MISCELLANEOUS REVENUES</u>		
Revenue Accounts Receivable	A-11	\$ 1,579,308.85
Interfund - Federal and State Grant Fund	A-24	<u>83,937.54</u>
	A-1:A-2	<u>\$ 1,663,246.39</u>
<u>ANALYSIS OF NON-BUDGET REVENUE</u>		
941 Refund		\$ 3,545.81
Administration & Refunds of Off-Duty Police		4,417.00
Bids		5,120.00
Boat Ramp		39,655.00
Cable TV Franchise		17,527.33
Close Out PATF 1 Account		14.39
Copies		116.43
Donation		150.00
Escrow Forfeiture		7,105.87
Gun Permits		28.00
Homestead Benefit Administrative Fees		102.60
Interlocal Services - Prior Year		3,598.10
JIF Safety Incentive		250.00
Mercantile Transfer		20.00
NSF Check Charges		300.78
OEM Drill		320.00
OPRA Requests		11.10
Planning Board Fees		9,675.00
Police		1,304.00
Polling Places		200.00
Recycling		60.00
Re-entry Passes		50.00
Restitution		898.00
SC/VETS Administrative Fees		440.00
Surplus Court Funds		3.00
Tax Sale Certificate		100.00
Vending Machine Commission		104.80
Vital Statistics		3,508.00
Void Checks		8,653.44
Unclassified		<u>28,485.93</u>
Statutory Excess in Animal Control Trust Reserve	A-4	135,764.58
	A-20	<u>176.02</u>
	A-1:A-2	<u>\$ 135,940.60</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	APPROPRIATED		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>OPERATIONS WITHIN CAPS</u>						
<u>GENERAL GOVERNMENT</u>						
Administrative and Executive						
Salaries and Wages	\$ 35,000.00	\$ 15,000.00	\$ 13,679.23		\$ 1,320.77	\$
Other Expenses	20,000.00	20,000.00	15,909.55		4,090.45	
Publicity						
Other Expenses	500.00	500.00			500.00	
Human Resources (Personnel)						
Other Expenses	40,000.00	40,000.00	5,751.25		34,248.75	
Mayor and Council						
Salaries and Wages	38,000.00	38,000.00	34,514.58		3,485.42	
Other Expenses	5,000.00	5,000.00	2,518.46		2,481.54	
Municipal Clerk						
Salaries and Wages	75,000.00	75,000.00	50,770.59		24,229.41	
Other Expenses	25,000.00	25,000.00	8,736.79	3,058.00	13,205.21	
Financial Administration (Treasury)						
Salaries and Wages	75,000.00	75,000.00	52,274.03		22,725.97	
Other Expenses	35,000.00	35,000.00	28,822.33		6,177.67	
Audit Services						
Other Expenses	25,000.00	25,000.00	25,000.00			
Revenue Administration (Tax Collection)						
Salaries and Wages	75,000.00	75,000.00	49,248.86		25,751.14	
Other Expenses	20,000.00	20,000.00	6,177.62		13,822.38	
Liquidation of Tax Title Liens						
Other Expenses	1,000.00	1,000.00			1,000.00	
Tax Assessment Administration						
Salaries and Wages	35,000.00	35,000.00	20,739.89		14,260.11	
Other Expenses	22,000.00	22,000.00	7,833.25	744.00	13,422.75	
Other Expenses - Revaluation	75,000.00	75,000.00	68,110.42		6,889.58	
Legal Services						
Other Expenses	80,000.00	80,000.00	47,915.19		32,084.81	
Consulting Services						
Other Expenses	110,000.00	110,000.00	109,654.86	345.14		
Engineering Services						
Other Expenses	45,000.00	65,000.00	54,870.97		10,129.03	
Historic Preservation						
Other Expenses	500.00	500.00			500.00	
Municipal Prosecutor						
Other Expenses	13,000.00	13,000.00	12,000.00		1,000.00	
<u>LAND USE ADMINISTRATION</u>						
Land Use Board						
Salaries and Wages	15,000.00	15,000.00	11,777.50		3,222.50	
Other Expenses	18,000.00	18,000.00	12,568.07		5,431.93	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	APPROPRIATED		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
Zoning Enforcement						
Salaries and Wages	\$ 37,500.00	\$ 38,500.00	\$ 38,500.00			\$
Other Expenses	5,000.00	4,000.00	138.46		3,861.54	
Other Code Enforcement						
Salaries and Wages	25,000.00	25,000.00	12,574.10		12,425.90	
Other Expenses	5,500.00	5,500.00	1,056.64		4,443.36	
<u>INSURANCE</u>						
General Liability	85,000.00	85,000.00	64,888.95	552.80	19,558.25	
Worker's Compensation	165,000.00	165,000.00	79,373.12		85,626.88	
Employee Group Health	650,000.00	650,000.00	450,624.76		199,375.24	
Health Benefits Waiver	17,500.00	17,500.00			17,500.00	
<u>PUBLIC SAFETY</u>						
Police Department						
Salaries and Wages	1,223,000.00	1,148,000.00	1,107,340.77		40,659.23	
Other Expenses	78,000.00	153,000.00	74,191.01	9,184.23	69,624.76	
Police Dispatch/911						
Other Expenses	57,500.00	57,500.00	57,368.90		131.10	
Office of Emergency Management						
Salaries and Wages	7,500.00	7,500.00	1,416.67		6,083.33	
Other Expenses	7,500.00	7,500.00	2,609.87		4,890.13	
Aid to Volunteer Fire Company	45,000.00	45,000.00			45,000.00	
First Aid Organization Contribution	23,000.00	23,000.00	23,000.00			
Municipal Court						
Salaries and Wages	85,000.00	90,000.00	90,000.00			
Other Expenses	15,000.00	10,000.00	7,269.33		2,730.67	
Public Defender						
Other Expenses	9,500.00	9,500.00	400.00		9,100.00	
<u>PUBLIC WORKS</u>						
Streets and Road Maintenance						
Salaries and Wages	160,000.00	165,000.00	164,433.29		566.71	
Other Expenses	50,000.00	50,000.00	37,450.28	14.70	12,535.02	
Garbage and Trash Removal						
Other Expenses	257,000.00	247,000.00	165,000.00		82,000.00	
Recycling						
Salaries and Wages	11,000.00	11,000.00	10,170.68		829.32	
Other Expenses	11,500.00	11,500.00	2,584.81		8,915.19	
Public Buildings and Grounds						
Salaries and Wages	65,000.00	50,000.00	41,053.11		8,946.89	
Other Expenses	70,000.00	80,000.00	71,938.64	594.36	7,467.00	
Equipment Maintenance and Repair						
Salaries and Wages	125,000.00	125,000.00	68,961.12		56,038.88	
Other Expenses	50,000.00	50,000.00	44,640.31	617.19	4,742.50	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	APPROPRIATED		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>HEALTH AND HUMAN SERVICES</u>						
Board of Health						
Other Expenses	\$ 46,000.00	\$ 46,000.00	\$ 42,174.00		\$ 3,826.00	\$
Environmental Health Service						
Salaries and Wages	500.00	500.00			500.00	
Other Expenses	200.00	200.00			200.00	
LBI Joint Environmental Commission						
Other Expenses	500.00	500.00			500.00	
Animal Control Services						
Other Expenses	7,000.00	7,000.00	4,755.84		2,244.16	
Aid to Senior Citizens Center (R.S.40:48-94):						
Other Expenses	6,000.00	6,000.00			6,000.00	
Aid to Museum (N.J.S.A. 40:23-22):						
Other Expenses	300.00	300.00			300.00	
<u>WHARVES, DOCKS AND BULKHEADS</u>						
Salaries and Wages	21,000.00	21,000.00	17,138.23		3,861.77	
Other Expenses	6,500.00	6,500.00	2,734.49		3,765.51	
<u>PARKS AND RECREATION FUNCTIONS</u>						
Recreation						
Salaries and Wages	10,000.00	10,000.00	7,204.58		2,795.42	
Other Expenses	5,125.00	5,125.00	5,119.84		5.16	
<u>BEACHFRONT MAINTENANCE</u>						
Salaries and Wages	140,000.00	140,000.00	128,314.46		11,685.54	
Other Expenses	20,000.00	20,000.00	13,987.53	150.00	5,862.47	
<u>BEACH OPERATIONS</u>						
Salaries and Wages	368,500.00	362,000.00	355,194.54		6,805.46	
Other Expenses	50,000.00	56,500.00	49,991.94	5,000.00	1,508.06	
<u>BEACH REPLENISHMENT</u>						
Other Expenses	12,000.00	12,000.00	7,967.50		4,032.50	
<u>CELEBRATION OF PUBLIC EVENTS</u>						
Other Expenses	35,000.00	35,000.00	24,371.35		10,628.65	
<u>TRANSPORTATION</u>						
Other Expenses	10,000.00	10,000.00	10,000.00			
<u>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)</u>						
Uniform Construction Code Enforcement Functions						
Salaries and Wages	45,000.00	47,500.00	38,246.51		9,253.49	
Other Expenses	15,000.00	12,500.00	4,574.94		7,925.06	

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	APPROPRIATED		EXPENDED			UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED	
<u>UNCLASSIFIED</u>						
Electricity	\$ 30,000.00	\$ 30,000.00	\$ 17,614.76		\$ 12,385.24	\$
Street Lighting	100,000.00	110,000.00	105,747.39		4,252.61	
Telephone	30,000.00	30,000.00	22,771.75		7,228.25	
Natural Gas	18,000.00	18,000.00	6,533.72		11,466.28	
Gasoline	65,000.00	65,000.00	33,531.55		31,468.45	
Sanitary Landfill	195,000.00	195,000.00	95,400.86		99,599.14	
Accumulated Absence Liability	30,000.00	30,000.00	30,000.00			
Total Operations within Caps	<u>5,490,625.00</u>	<u>5,490,625.00</u>	<u>4,279,234.04</u>	<u>20,260.42</u>	<u>1,191,130.54</u>	
Detail:						
Salaries and Wages	2,689,500.00	2,586,500.00	2,313,552.74		272,947.26	
Other Expenses	2,801,125.00	2,904,125.00	1,965,681.30	20,260.42	918,183.28	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>						
<u>WITHIN CAPS</u>						
Deferred Charges:						
Anticipated Deficit in Water - Sewer Operations	52,254.32	52,254.32				52,254.32
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	116,670.00	116,670.00	116,670.00			
Social Security System (O.A.S.I.)	215,000.00	215,000.00	176,762.15		38,237.85	
Police and Firemen's Retirement System of NJ	237,288.00	237,288.00	237,288.00			
Defined Contribution Retirement Program	5,000.00	5,000.00			5,000.00	
Unemployment and Disability Insurance	15,000.00	15,000.00	9,234.77		5,765.23	
Total Deferred Charges and Statutory Expenditures within Caps	<u>641,212.32</u>	<u>641,212.32</u>	<u>539,954.92</u>		<u>49,003.08</u>	<u>52,254.32</u>
Total Appropriations within Caps	<u>6,131,837.32</u>	<u>6,131,837.32</u>	<u>4,819,188.96</u>	<u>20,260.42</u>	<u>1,240,133.62</u>	<u>52,254.32</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>						
Length of Service Award Program	20,000.00	20,000.00	2,769.00		17,231.00	
Recycling Tax	7,000.00	7,000.00			7,000.00	
Interlocal Municipal Service Agreements:						
Shared Services Agreements						
Borough of Surf City - Assessment Services						
Salaries and Wages	16,000.00	16,000.00	16,000.00			
Other Expenses	5,000.00	5,000.00	267.50		4,732.50	
Borough of Surf City - Tax Collection Services						
Salaries and Wages	20,000.00	20,000.00	20,000.00			
Other Expenses	5,000.00	5,000.00			5,000.00	
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>						
Matching Funds for Grants	2,500.00	2,500.00			2,500.00	
Clean Communities Program (40A:4-87 + \$11,333.84)		11,333.84	11,333.84			
Click It or Ticket (40A:4-87 + \$5,000.00)		5,000.00	5,000.00			
Community Development Block Grant	33,000.00	33,000.00	33,000.00			

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	APPROPRIATED		EXPENDED		UNEXPENDED BALANCE CANCELED	
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED RESERVED		
Cops In Shops (40A:4-87 + \$4,000.00)	\$	\$ 4,000.00	\$ 4,000.00	\$	\$	
Drunk Driving Enforcement Fund	1,100.00	1,100.00	1,100.00			
OEM Message Board	17,000.00	17,000.00	17,000.00			
Ocean County Tourism Grant						
Grant Portion	1,500.00	3,000.00	3,000.00			
Recycling Revenue and Residue	3,179.94	5,557.41	5,557.41			
Recycling Tonnage Grant (40A:4-87 + \$2,377.54)	3,946.29	3,946.29	3,946.29			
Total Operations excluded from Caps	\$ 135,226.23	\$ 159,437.54	\$ 122,974.04	\$	\$ 36,463.50	
Detail:						
Salaries and Wages	36,000.00	36,000.00	36,000.00			
Other Expenses	99,226.23	123,437.54	86,974.04		36,463.50	
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u>						
Capital Improvement Fund	100,000.00	100,000.00	100,000.00			
Total Capital Improvements excluded from Caps	100,000.00	100,000.00	100,000.00			
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>						
Payment of Bond Principal	75,000.00	75,000.00	75,000.00			
Payment of Bond Anticipation Notes and Capital Notes	380,600.21	380,600.21	380,600.21			
Interest on Bonds	11,200.00	11,200.00	11,191.88		8.12	
Interest on Notes	12,600.00	12,600.00	12,435.80		164.20	
Green Trust Loan Program:						
Loan Repayments for Principal & Interest	32,600.00	32,600.00	32,582.98		17.02	
Total Municipal Debt Service excluded from Caps	512,000.21	512,000.21	511,810.87		189.34	
Total General Appropriations excluded from Caps	747,226.44	771,437.75	734,784.91		36,463.50	
Subtotal General Appropriations	6,879,063.76	6,903,275.07	5,553,973.87	20,260.42	1,276,597.12	
Reserve for Uncollected Taxes	375,815.67	375,815.67	375,815.67			
	\$ 7,254,879.43	\$ 7,279,090.74	\$ 5,929,789.54	\$ 20,260.42	\$ 1,276,597.12	
REF.	A-2	A-3	A1:A-3	A-1:A22	A, A-1	A-1

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	<u>APPROPRIATED BUDGET AFTER MODIFICATION</u>
Appropriation by 40A:4-87	A-2	\$ 24,211.31
Budget	A-3	<u>7,254,879.43</u>
	A-3	<u>\$ 7,279,090.74</u>
		<u>EXPENDED PAID OR CHARGED</u>
Reserve for Uncollected Taxes	A-2	\$ 375,815.67
Disbursements	A-4	5,470,036.33
Interfund - Federal and State Grant Fund	A-24	<u>83,937.54</u>
		<u>\$ 5,929,789.54</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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TRUST FUND

BOROUGH OF SHIP BOTTOMTRUST FUNDBALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
<u>ASSETS</u>			
Animal Control Trust Fund:			
Cash and Cash Equivalents	B-1	\$ <u>469.62</u>	\$ <u>1,465.09</u>
		<u>469.62</u>	<u>1,465.09</u>
Trust - Other:			
Cash and Cash Equivalents	B-1	420,755.09	498,002.55
Interfund Receivable	B-4	<u>17,832.76</u>	<u>116,500.00</u>
		<u>438,587.85</u>	<u>614,502.55</u>
		\$ <u>439,057.47</u>	\$ <u>615,967.64</u>
<u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
Animal Control Trust Fund:			
Reserve for Animal Control Trust Fund Expenditures	B-2	\$ 293.60	\$ 505.29
Interfunds Payable	B-4	<u>176.02</u>	<u>959.80</u>
		<u>469.62</u>	<u>1,465.09</u>
Trust - Other:			
Interfunds Payable	B-4		65,070.85
Reserve for Encumbrances	B-5	662.00	7,532.84
Miscellaneous Reserves	B-6	<u>437,925.85</u>	<u>541,898.86</u>
		<u>438,587.85</u>	<u>614,502.55</u>
		\$ <u>439,057.47</u>	\$ <u>615,967.64</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND

BOROUGH OF SHIP BOTTOM
GENERAL CAPITAL FUND
BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 342,381.01	\$ 430,224.15
Deferred Charges to Future Taxation:			
Funded	C-4	450,396.36	553,702.55
Unfunded	C-5	7,913,922.88	7,962,023.09
Grants Receivable	C-6	111,970.07	251,845.07
Interfunds Receivable	C-7	116,598.68	280,169.75
		<u>\$ 8,935,269.00</u>	<u>\$ 9,477,964.61</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Interfunds Payable	C-7	\$	\$ 116,500.00
Serial Bonds Payable	C-8	255,000.00	330,000.00
Bond Anticipation Notes Payable	C-9	1,873,997.07	2,254,597.28
Green Trust Loans Payable	C-10	195,396.36	223,702.55
Improvement Authorizations:			
Funded	C-11	95,686.57	316,310.76
Unfunded	C-11	6,002,214.56	5,886,748.92
Capital Improvement Fund	C-12	268,922.00	186,422.00
Reserve for Debt Service	C-13		6,271.04
Reserve for Encumbrances	C-14	152,829.97	9,446.56
Capital Reserves	C-15	4,850.08	63,317.11
Fund Balance	C-1	86,372.39	84,648.39
		<u>\$ 8,935,269.00</u>	<u>\$ 9,477,964.61</u>

There were bonds and notes authorized but not issued on December 31, 2016 of \$6,039,925.81 (Schedule C-16).

The accompanying Notes to Financial statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

GENERAL CAPITAL FUND

STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2015	C	\$ 84,648.39
Increased by:		
Premium on Bond Anticipation Notes Issued	C-2	<u>1,724.00</u>
Balance, December 31, 2016	C	<u>\$ 86,372.39</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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WATER - SEWER UTILITY FUND

BOROUGH OF SHIP BOTTOM

WATER - SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	D-5	\$ 536,376.29	\$ 399,798.73
Interfunds Receivable	D-10	292.28	292.28
		<u>536,668.57</u>	<u>400,091.01</u>
Receivables with Full Reserves:			
Water Rents Receivable	D-7	78,631.68	33,572.66
Sewer Rents Receivable	D-8	92,945.20	46,968.85
		<u>171,576.88</u>	<u>80,541.51</u>
Deferred Charges:			
Emergency Authorizations (40A:4-47)	D-4		208,368.16
<u>Total Operating Fund</u>		<u>708,245.45</u>	<u>689,000.68</u>
Capital Fund:			
Cash and Cash Equivalents	D-5	207,218.85	822,891.07
Fixed Capital	D-14	13,198,850.82	12,372,260.27
Fixed Capital Authorized and Uncompleted	D-15	8,701,369.51	1,627,960.06
Interfunds Receivable	D-16		18,004.33
<u>Total Capital Fund</u>		<u>22,107,439.18</u>	<u>14,841,115.73</u>
		<u>\$ 22,815,684.63</u>	<u>\$ 15,530,116.41</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM
WATER - SEWER UTILITY FUND
BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	BALANCE DECEMBER <u>31, 2016</u>	BALANCE DECEMBER <u>31, 2015</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	D-4, D-9	\$ 69,445.61	\$ 8,051.60
Reserve for Debt Service	D-3		142,000.00
Interfunds Payable	D-10	208,982.80	146,104.14
Overpayments	D-11	11,303.08	17,251.51
Accrued Interest on Bonds, Notes and Loans	D-12	31,989.06	31,196.44
Reserve for Encumbrances	D-13	367.88	4,446.13
		<u>322,088.43</u>	<u>349,049.82</u>
Reserve for Receivables		171,576.88	80,541.51
Fund Balance	D-1	214,580.14	259,409.35
<u>Total Operating Fund</u>		<u>708,245.45</u>	<u>689,000.68</u>
Capital Fund:			
Reserve for Encumbrances	D-13	67,490.00	13,598.00
Serial Bonds Payable	D-17	570,000.00	755,000.00
Bond Anticipation Notes Payable	D-18	2,822,118.00	2,844,779.00
New Jersey Environmental Infrastructure Trust Loan Payable	D-19	1,442,386.35	1,645,700.33
Improvement Authorizations: Unfunded	D-20	8,701,369.51	1,627,960.06
Capital Improvement Fund	D-21	70,058.93	60,058.93
Reserve for Amortization	D-22	8,429,630.47	7,893,655.49
Fund Balance	D-2	4,385.92	363.92
<u>Total Capital Fund</u>		<u>22,107,439.18</u>	<u>14,841,115.73</u>
		<u>\$ 22,815,684.63</u>	<u>\$ 15,530,116.41</u>

There were bonds and notes authorized but not issued on December 31, 2016 of \$8,636,085.51 (Schedule D-23).

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM

WATER - SEWER UTILITY OPERATING FUND

STATEMENTS OF OPERATIONS
AND CHANGES IN OPERATING FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	<u>YEAR ENDED DECEMBER 31, 2016</u>	<u>YEAR ENDED DECEMBER 31, 2015</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	D-3	\$ 51,041.19	\$ 342,175.00
Water Rents	D-3	729,154.10	580,941.73
Sewer Rents	D-3	915,112.80	874,250.76
Miscellaneous	D-3	58,681.98	50,597.00
Reserve for Retirement of Debt	D-3	142,000.00	
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-9	<u>9,932.99</u>	<u>159,010.97</u>
<u>TOTAL INCOME</u>		<u>1,905,923.06</u>	<u>2,006,975.46</u>
<u>EXPENDITURES</u>			
Operating	D-4	970,000.00	905,175.00
Capital Improvements	D-4	70,000.00	278,368.16
Debt Service	D-4	624,515.02	768,268.87
Deferred Charges	D-4	208,368.16	6,195.76
Statutory Expenditures	D-4	<u>26,827.90</u>	<u>24,720.00</u>
<u>TOTAL EXPENDITURES</u>		<u>1,899,711.08</u>	<u>1,982,727.79</u>
Excess in Revenue		6,211.98	24,247.67
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	D-4	<u>208,368.16</u>	<u>208,368.16</u>
Statutory Excess to Fund Balance		6,211.98	232,615.83
Fund Balance January 1	D	<u>259,409.35</u>	<u>368,968.52</u>
		265,621.33	601,584.35
Less: Utilized as Anticipated Revenue	D-1	<u>51,041.19</u>	<u>342,175.00</u>
Fund Balance December 31	D	<u>\$ 214,580.14</u>	<u>\$ 259,409.35</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM
WATER/SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>		
Balance December 31, 2015	D	\$	363.92
Increased by:			
Premium on Sale of Bond Anticipation Notes Issued	D-5		<u>4,022.00</u>
Balance December 31, 2016	D	\$	<u><u>4,385.92</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM
WATER/SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>REF.</u>	<u>ANTICIPATED</u>	<u>REALIZED</u>	<u>EXCESS/(DEFICIT)</u>
Fund Balance Anticipated	D-1	\$ 51,041.19	\$ 51,041.19	\$
Water Rents	D-1:D-7	686,122.73	729,154.10	43,031.37
Sewer Rents	D-1:D-8	929,087.76	915,112.80	(13,974.96)
Miscellaneous	D-1:D-3	50,597.00	58,681.98	8,084.98
Reserve for Retirement of Debt	D-1:D	142,000.00	142,000.00	
Deficit (General Budget)		<u>52,254.32</u>	<u></u>	<u>(52,254.32)</u>
	D-4	\$ <u>1,911,103.00</u>	\$ <u>1,895,990.07</u>	\$ <u>(15,112.93)</u>

ANALYSIS OF REALIZED REVENUE

Miscellaneous:				
Connect			\$ 5,975.00	
Disconnect			2,300.00	
Interest on Delinquent Accounts			7,987.91	
On/Off			2,000.00	
T-Mobil			21,293.28	
Prior Year Voided Checks			14,717.03	
Other Miscellaneous			<u>4,408.76</u>	
	D-3:D-5		\$ <u>58,681.98</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

BOROUGH OF SHIP BOTTOM
 WATER/SEWER UTILITY OPERATING FUND
 STATEMENT OF EXPENDITURES - REGULATORY BASIS
 YEAR ENDED DECEMBER 31, 2016

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Operating:					
Salaries and Wages	\$ 295,000.00	\$ 295,000.00	\$ 294,696.31	\$ 303.69	\$
Other Expenses	675,000.00	675,000.00	657,473.09	7,526.91	
<u>Total Operating</u>	<u>970,000.00</u>	<u>970,000.00</u>	<u>962,169.40</u>	<u>7,830.60</u>	<u>-</u>
Capital Improvements:					
Capital Improvement Fund	10,000.00	10,000.00	10,000.00		
Reserve for Emergency Repairs	60,000.00	60,000.00	2,732.60	57,267.40	
<u>Total Capital Improvements</u>	<u>70,000.00</u>	<u>70,000.00</u>	<u>12,732.60</u>	<u>57,267.40</u>	<u>-</u>
Debt Service:					
Payment of Bond Principal	185,000.00	185,000.00	185,000.00		
Payment of Bond Anticipation Notes and Capital Notes	147,661.00	147,661.00	147,661.00		
Interest on Bonds	25,320.62	25,320.62	25,320.62		
Interest on Notes	25,000.00	25,000.00	23,369.86		1,630.14
Infrastructure Loan Principal	203,313.98	203,313.98	203,313.98		
Infrastructure Loan Interest	49,611.34	49,611.34	39,849.56		9,761.78
<u>Total Debt Service</u>	<u>635,906.94</u>	<u>635,906.94</u>	<u>624,515.02</u>		<u>11,391.92</u>
Deferred Charges and Statutory Expenditures:					
Deferred Charges:					
Emergency Authorizations	208,368.16	208,368.16	208,368.16		
	<u>208,368.16</u>	<u>208,368.16</u>	<u>208,368.16</u>		<u>-</u>
Statutory Expenditures:					
Contribution To:					
Public Employees Retirement System	2,000.00	2,000.00		2,000.00	
Social Security System (O.A.S.I.)	22,567.50	22,567.50	21,419.84	1,147.66	
Unemployment Compensation Insurance	2,260.40	2,260.40	1,060.45	1,199.95	
<u>Total Deferred Charges and Statutory Expenditures</u>	<u>26,827.90</u>	<u>26,827.90</u>	<u>22,480.29</u>	<u>4,347.61</u>	
	\$ <u>1,911,103.00</u>	\$ <u>1,911,103.00</u>	\$ <u>1,830,265.47</u>	\$ <u>69,445.61</u>	\$ <u>11,391.92</u>
	REF. D-3		D-1	D:D-1	D-1
Deferred Charges - Emergency Authorizations (40A-4-47)	D:D-1		\$ 208,368.16		
Disbursements	D-5		1,532,989.39		
Accrued Interest on Bonds, Notes and Loans	D-12		88,540.04		
Reserve for Encumbrances	D-13		367.88		
			\$ <u>1,830,265.47</u>		

The accompanying Notes to the Financial Statements are an integral part of this statement.

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PUBLIC ASSISTANCE TRUST FUND

BOROUGH OF SHIP BOTTOM
PUBLIC ASSISTANCE TRUST FUND
BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
<u>ASSETS</u>			
Cash	E-1	\$ <u> </u>	\$ <u> 14.39</u>
<u>LIABILITIES AND RESERVES</u>			
Reserve for Public Assistance	E-2	\$ <u> </u>	\$ <u> 14.39</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

PAYROLL FUND

BOROUGH OF SHIP BOTTOM

PAYROLL FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ <u>51,924.08</u>	\$ <u>27,780.11</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Interfunds Payable	\$ 2,288.92	\$ 2,288.92
Payroll Liabilities	<u>49,635.16</u>	<u>25,491.19</u>
	<u>\$ 51,924.08</u>	<u>\$ 27,780.11</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF SHIP BOTTOM
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEETS - REGULATORY BASIS

	<u>BALANCE DECEMBER 31, 2016</u>	<u>BALANCE DECEMBER 31, 2015</u>
<u>GENERAL FIXED ASSETS</u>		
Land	\$ 38,850,100.00	\$ 37,562,500.00
Buildings	2,345,400.00	2,120,400.00
Equipment & Vehicles	<u>715,582.89</u>	<u>1,396,755.00</u>
	<u>\$ 41,911,082.89</u>	<u>\$ 41,079,655.00</u>
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>		
Investment in General Fixed Assets	<u>\$ 41,911,082.89</u>	<u>\$ 41,079,655.00</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF SHIP BOTTOM

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Ship Bottom is an instrumentality of the State of New Jersey established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

Except as noted below, the financial statements of the Borough of Ship Bottom include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough of Ship Bottom, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Ship Bottom do not include the operations of any libraries, first aid organizations, volunteer fire companies, the consolidated school district or the regional school district, in as much as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes the presentation of basic financial statements into three fund types: the governmental, proprietary and fiduciary funds as well as government-wide financial reporting that must be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles, (GAAP).

The accounting policies of the Borough of Ship Bottom 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 respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Ship Bottom are organized on the basis of funds and account groups which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific governmental activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account groups:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

Trust Fund - receipts, custodianship and disbursements 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 capital facilities, other than those acquired in the Current Fund.

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

Public Assistance Trust Fund - Receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of the New Jersey statutes.

Payroll Fund - Receipt and disbursement of funds for payroll costs and payroll taxes.

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

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 accounting policies and differences in the State of New Jersey are as follows:

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

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and state grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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 and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended 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 and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - the proceeds from the sale of municipal assets can be held in a reserve until anticipated as revenue in a future budget. GAAP requires such proceeds to be recorded as revenue in the year of sale.

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

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets (Continued)

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.

No depreciation has been provided on general fixed assets or reported in the financial statements.

The Borough has developed a fixed assets accounting and reporting system based upon an inspection and historical cost analysis except for land and buildings acquired prior to December 31, 1985 which are stated at current replacement values as permitted by N.J.A.C. 5:30-5.6. Except for land and buildings, fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Assets Account Group rather than in a governmental fund.

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.

Inventories of Supplies - the costs 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. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Fixed Capital - Water - Sewer Utility

Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Water - Sewer 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. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization account in the utility capital fund represents charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

In November of 2013, GASB approved Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions (Continued)

At transition to Statement 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP, municipalities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Unrestricted Net Position area of the balance sheet.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C.5:30 6.1(c)(2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be held in accordance with GAAP. The Borough presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation (FDIC). The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Borough of Ship Bottom had the following cash and cash equivalents at December 31, 2016:

	PETTY CASH AND CHANGE FUND	CASH IN BANK	ADDITIONS	DEDUCTIONS	RECONCILED BALANCE
Current Fund	\$675.00	\$4,270,955.27		\$508,911.87	\$3,762,718.40
Animal Control Trust Fund		533.09		63.47	469.62
Trust Other Fund		425,193.95		4,438.86	420,755.09
General Capital Fund		381,465.47		39,084.46	342,381.01
Water-Sewer Operating Fund		538,855.59		2,479.30	536,376.29
Water-Sewer Capital Fund		279,339.85		72,121.00	207,218.85
Public Assistance Trust Fund		0.00			0.00
Payroll Fund		53,233.96		1,309.88	51,924.08
	<u>\$675.00</u>	<u>\$5,949,577.18</u>	<u>\$0.00</u>	<u>\$628,408.84</u>	<u>\$5,321,843.34</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2016, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on deposit in the bank, \$250,000.00 was covered by FDIC insurance and a collateral pool under NJ GUDPA covered \$5,576,648.52. An amount of \$122,928.66 was on deposit in the name of various developers for escrow and is insured by FDIC insurance or uninsured depending on the deposits of the individual developer in the escrow depository.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Investments (Continued)

8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

Other than cash equivalents that would otherwise qualify as investments, except for their maturity or the withdrawal provisions of their deposit, the Borough of Ship Bottom had investments in its' own Bond Anticipation Notes as permitted by category 4 listed above. The Borough's investment in Bond Anticipation Notes at December 31, 2016 was \$1,303,985.07.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Title 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the statutory period of usefulness. All bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds.

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 next debt of 0.677%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$	\$	\$
Regional School District Debt			
Water - Sewer Utility Debt	13,470,589.86	13,470,589.86	
General Debt	8,364,319.24		8,364,319.24
	<u>\$ 21,834,909.10</u>	<u>\$ 13,470,589.86</u>	<u>\$ 8,364,319.24</u>

Net debt of \$8,364,319.24 divided by equalized valuation basis per N.J.S.40A:2-2, as amended, of \$1,236,409,359.33 equals 0.677%.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2016</u>	<u>YEAR 2015</u>	<u>YEAR 2014</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 2,324,393.43	\$ 2,808,299.83	\$ 2,862,877.29
Water - Sewer Utility:			
Bonds, Notes and Loans	<u>4,834,504.35</u>	<u>5,245,479.33</u>	<u>4,860,456.43</u>
Total Issued	<u>7,158,897.78</u>	<u>8,053,779.16</u>	<u>7,723,333.72</u>
Less:			
Funds Temporarily Held to Pay			
Bonds, Notes and Loans,			
Accounts Receivable and			
Self-Liquidating Purpose	<u>13,470,589.86</u>	<u>6,202,820.88</u>	<u>5,327,737.70</u>
Total Deductions	<u>13,470,589.86</u>	<u>6,202,820.88</u>	<u>5,327,737.70</u>
Net Debt Issued	<u>(6,311,692.08)</u>	<u>1,850,958.28</u>	<u>2,395,596.02</u>
Authorized But Not Issued:			
General:			
Bonds, Notes and Loans	6,039,925.81	5,707,425.81	5,833,137.17
Water - Sewer Utility:			
Bonds, Notes and Loans	<u>8,636,085.51</u>	<u>861,085.51</u>	<u>467,281.27</u>
Total Authorized But Not Issued	<u>14,676,011.32</u>	<u>6,568,511.32</u>	<u>6,300,418.44</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 8,364,319.24</u>	<u>\$ 8,419,469.60</u>	<u>\$ 8,696,014.46</u>

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

Equalized Valuation Basis* - December 31, 2016	\$ <u><u>1,236,409,359.33</u></u>
3-1/2 of Equalized Valuation Basis (Municipal)	\$ 43,274,327.58
Net Debt	<u>8,364,319.24</u>
Remaining Borrowing Power	\$ <u><u>34,910,008.34</u></u>

*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Rail Road Property of the Borough of Ship Bottom for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

CALCULATION OF "SELF-LIQUIDATING PURPOSE"
WATER - SEWER UTILITY PER N.J.S.40A:2-45

Revenue from Fees, Rents, and Other Charges for Year and Fund Balance		\$ 1,895,990.07
Deductions:		
Operating and Maintenance Cost	\$ 996,827.90	
Debt Service per Water - Sewer Account	<u>624,515.02</u>	
Total Deductions		<u>1,621,342.92</u>
Excess in Revenue		<u>\$ 274,647.15</u>

LONG-TERM DEBT OBLIGATIONS:

General Capital Fund:

Serial Bonds:

Various General Improvement Bonds Series 2004
issued December 1, 2004, installment maturities to
May 1, 2019 \$ 255,000.00

The General Capital Fund bonds mature serially in installments to the year 2019. Aggregate debt service requirements during the next five fiscal years and thereafter are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2017	\$ 75,000.00	\$ 8,426.25
2018	90,000.00	5,310.00
2019	<u>90,000.00</u>	<u>1,800.00</u>
Total	<u>\$255,000.00</u>	<u>\$ 15,536.25</u>

Green Trust Loan Program:

The Borough has a low interest loan (2%) under the New Jersey Department of Environmental Protection's Green Trust Loan Program. The \$408,440.00 loan for Land Acquisition was finalized on November 16, 1996. The Borough must repay the loan in semi-annual installments over twenty years. Loan payments are due through the year 2016.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG TERM OBLIGATIONS (CONTINUED)

General Capital Fund (Continued)

Green Trust Loan Program (Continued)

The Borough has a low interest loan (2%) under the New Jersey Department of Environmental Protection's Green Trust Loan Program. The \$319,655.00 loan for Waterfront Park was finalized on February 5, 2008. The Borough must repay the loan in semi-annual installments over twenty years. Loan payments are due through the year 2027.

Debt service requirements for the two loans are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2017	\$ 16,049.09	\$ 3,828.08
2018	16,371.67	3,505.49
2019	16,700.75	3,176.43
2020	17,036.43	2,840.74
2021	17,378.86	2,498.30
2022-26	92,276.60	7,109.25
2027	<u>19,582.96</u>	<u>294.23</u>
Total	<u>\$ 195,396.36</u>	<u>\$ 23,252.52</u>

Water - Sewer Utility Capital Fund:

Serial Bonds:

Various % Water-Sewer Utility Bonds Series 2004 issued December 1, 2004, installment maturities to December 1, 2019 \$570,000.00

The Water – Sewer Utility Capital Fund bonds Mature serially in installments to the year 2019. Aggregate debt service requirements during the next five fiscal years are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2017	\$185,000.00	\$18,498.75
2018	185,000.00	11,515.00
2019	<u>200,000.00</u>	<u>4,000.00</u>
	<u>\$570,000.00</u>	<u>\$34,013.75</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG TERM OBLIGATIONS (CONTINUED)

Water - Sewer Utility Capital Fund:

New Jersey Environmental Infrastructure Loans:

The Borough received various low interest loans (variable rate) under the New Jersey Environmental Infrastructure Trust Loan Program. The respective loan balances at December 31, 2014 are enumerated below. Loan payments are due in semi-annual installments over twenty years. Loan payments are due through the year 2028.

New Jersey Environmental Infrastructure Trust - 1999	\$ 411,083.47
New Jersey Environmental Infrastructure Trust - 2008A (CW)	317,340.32
New Jersey Environmental Infrastructure Trust - 2008A (DW)	<u>713,962.56</u>
	<u>\$1,442,386.35</u>

Debt Service requirements during the next five fiscal years and thereafter are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2017	\$ 215,412.40	\$ 44,302.34
2018	227,235.63	38,513.17
2019	229,870.30	32,258.45
2020	87,112.00	25,700.00
2021	85,637.86	23,225.00
2022-26	458,020.19	76,000.00
2027-28	<u>139,097.97</u>	<u>9,750.00</u>
Total	<u>\$ 1,442,386.35</u>	<u>\$ 249,748.96</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SHORT-TERM DEBT OBLIGATIONS:

Bond Anticipation Notes:

General Capital Fund:

<u>DATE OR ORDINANCE NUMBER</u>	<u>DATE OF ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>AMOUNT</u>
04/25/95	12/31/09	12/31/16	12/31/17	0.0000%	\$ 17,940.00
09/24/96	12/31/09	12/31/16	12/31/17	0.0000%	14,353.10
04/28/98	12/31/09	12/31/16	12/31/17	0.0000%	11,040.01
02/09/99	12/31/09	12/31/16	12/31/17	0.0000%	4,470.00
02/22/00	12/31/09	12/31/16	12/31/17	0.0000%	8,054.86
04/25/00	12/31/09	12/31/16	12/31/17	0.0000%	5,360.92
08/22/00	12/31/09	12/31/16	12/31/17	0.0000%	4,200.00
07/14/05	12/31/09	12/31/16	12/31/17	0.0000%	5,512.12
03/28/06	12/31/09	12/31/16	12/31/17	0.0000%	5,892.60
06/27/06	12/31/09	12/31/16	12/31/17	0.0000%	50,895.64
07/25/06	12/31/09	12/31/16	12/31/17	0.0000%	5,275.80
10/24/06	12/31/09	12/31/16	12/31/17	0.0000%	44,520.00
09/25/12	12/31/12	12/31/16	12/31/17	0.0000%	366,645.74
10/25/11	12/31/13	12/31/16	12/31/17	0.0000%	69,539.60
2013-03	12/31/13	12/31/16	12/31/17	0.0000%	171,111.12
2013-09	12/31/13	12/31/16	12/31/17	0.0000%	155,555.56
10/24/06	09/24/14	09/22/16	09/22/17	1.4000%	11,200.00
04/24/07	09/24/14	09/22/16	09/22/17	1.4000%	36,000.00
02/25/08	09/24/14	09/22/16	09/22/17	1.4000%	192,000.00
03/25/08	09/24/14	09/22/16	09/22/17	1.4000%	12,000.00
03/24/09	09/24/14	09/22/16	09/22/17	1.4000%	4,800.00
02/22/11	09/24/14	09/22/16	09/22/17	1.4000%	60,000.00
04/27/10	09/24/14	09/22/16	09/22/17	1.5000%	40,000.00
05/17/11	09/24/14	09/22/16	09/22/17	1.5000%	113,600.00
02/16/12	09/24/14	09/22/16	09/22/17	1.5000%	151,200.00
2013-03	09/24/14	09/22/16	09/22/17	1.5000%	69,480.00
2013-09	09/24/14	09/22/16	09/22/17	1.5000%	29,600.00
2015-14	10/29/15	09/22/16	09/22/17	1.5000%	213,750.00
					<u>\$ 1,873,997.07</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SHORT-TERM DEBT OBLIGATIONS (CONTINUED):

Bond Anticipation Notes (Continued):

Water – Sewer Utility Capital Fund:

<u>DATE OR ORDINANCE NUMBER</u>	<u>DATE OF ORIGINAL ISSUE</u>	<u>DATE OF ISSUE</u>	<u>DATE OF MATURITY</u>	<u>INTEREST RATE</u>	<u>AMOUNT</u>
Various	12/20/07	12/31/16	12/31/17	0.0000%	\$ 109,757.00
Various	12/31/09	12/31/16	12/31/17	0.0000%	40,026.00
09/15/05	12/31/09	12/31/16	12/31/17	0.0000%	8,874.00
02/21/06	12/31/09	12/31/16	12/31/17	0.0000%	180,461.00
05/27/08	12/31/13	12/31/16	12/31/17	0.0000%	24,500.00
02/21/06	09/24/14	09/22/16	09/22/17	1.4000%	44,000.00
02/25/08	09/24/14	09/22/16	09/22/17	1.4000%	142,000.00
05/27/08	09/24/14	09/22/16	09/22/17	1.4000%	54,000.00
07/28/09	09/24/14	09/22/16	09/22/17	1.4000%	380,000.00
2013-04	09/24/14	09/22/16	09/22/17	1.5000%	325,000.00
2014-02	09/24/14	09/22/16	09/22/17	1.5000%	475,000.00
2015-13	10/29/15	09/22/16	09/22/17	1.5000%	350,000.00
2015-15	10/29/15	09/22/16	09/22/17	1.5000%	563,500.00
2015-17	09/22/16	09/22/16	09/22/17	1.5000%	125,000.00
					\$ 2,822,118.00

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED:

At December 31, 2016, the Borough had bonds and notes authorized but not issued as follows:

General Capital Fund	\$ 6,039,925.81
Water – Sewer Utility Capital Fund	\$ 8,636,085.51

NOTE 4: COMPENSATED ABSENCES

Under the terms of various contracts, Borough employees are allowed to accumulate unused vacation and sick pay over the life or their working careers which may be taken as time off or paid at a later date. It is estimated that the current cost of such unpaid compensation would approximate \$641,836.00. Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented and any amounts required to be paid are raised in that year's budget and no liability is accrued on December 31, 2016. The Borough has accumulated \$110,775.44 for this purpose in the Trust Other Fund and has budgeted \$30,000 in 2017 and continues to budget funds to provide for these liabilities as they arise.

NOTE 5: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2016 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2017, as introduced were as follows:

Current Fund	\$ 1,202,823
Water - Sewer Utility Fund	\$ 208,498

NOTE 6: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the County, the Local School District and the Regional School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

NOTE 7: TAXES AND WATER – SEWER CHARGES COLLECTED IN ADVANCE

Taxes and water - sewer charges collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER <u>31, 2016</u>	BALANCE DECEMBER <u>31, 2015</u>
Prepaid Taxes	\$294,715.07	\$279,160.43
Tax Overpayments	28,985.54	16,578.94
Water - Sewer Overpayments	11,303.08	17,251.51

NOTE 8: CONTINGENT LIABILITIES

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

NOTE 9: LITIGATION

The Borough is a member of the Ocean County Municipal Joint Insurance Fund, and any and all claims for damages under the New Jersey Tort Claims Act are covered by the self-insurance pool provided by the Fund. There is no anticipated or pending tort claim litigation which will result in any direct and uninsured liability of the Borough. Rather, all matters of tort claim have adequate insurance protection.

It is the opinion of the Borough officials that there is no litigation threatened, or pending that would materially affect the financial position of the Borough or adversely affect the Borough's ability to levy, collect and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

NOTE 10: RISK MANAGEMENT

The Borough 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. The Borough is a member of the Ocean County Municipal Joint Insurance Fund, and the Municipal Excess Liability Fund, public entity risk pools currently operating as a common risk management and insurance program for municipalities within the State. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2016:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Current Fund	\$ 211,155.46	\$ 202,394.05
Federal and State Grant Fund	67,962.61	
Animal Control Trust Fund		176.02
Trust Other Fund	17,832.76	
General Capital Fund	116,598.68	
Water- Sewer Operating Fund	292.28	208,982.80
Water- Sewer Capital Fund		
Payroll Fund		2,288.92
	<u>\$ 413,841.79</u>	<u>\$ 413,841.79</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

NOTE 12: PENSION PLANS

Plan Descriptions

Substantially all of the Borough's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (the "Division"): the Public Employees' Retirement System (the "PERS"), the Police and Firemen's Retirement System (the "PFRS") or the Defined Contribution Retirement System (the "DCRP"). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues publicly available financial reports that include the financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

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

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

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

NOTE 12: PENSION PLANS (CONTINUED)

Plan Descriptions (Continued)

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit. In which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:3B. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%. There was one Borough employee eligible for the DCRP for the years ended December 31, 2016, 2015 and 2014.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. During 2016 PERS provides for employee contributions of 7.20% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43: 16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by Slate of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2016, members contributed at a uniform rate of 10.00% of base salary.

NOTE 12: PENSION PLANS (CONTINUED)

Plan Descriptions (Continued)

Other Information

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

	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2016	\$ 116,670	\$ 237,288	\$ 0
2015	106,048	262,008	0
2014	88,612	245,738	0

Certain Borough employees are also covered by Federal Insurance Contribution Act.

Accounting and Financial Reporting for Pensions - GASB 68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" and is effective for fiscal years beginning after June 15, 2014. This statement requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) of the participating municipality as of December 31, 2016. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

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

Public Employees Retirement System (PERS)

At June 30, 2016, the State reported a net pension liability of \$4,108,126.00 for the Borough of Ship Bottom's proportionate share of the total net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Borough's proportion was 0.0138707769 percent, which was an increase of 0.0003002658 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of \$459,448.00 for the Borough of Ship Bottom's

NOTE 12: PENSION PLANS (CONTINUED)

Plan Descriptions (Continued)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

proportionate share of the total pension expense. The pension expense recognized in the Borough's financial statement based on the April 1, 2016 billing was \$116,670.00.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	-	\$76,399.00
Changes of assumptions		850,984.00
Net difference between projected and actual earnings on pension plan investments		156,647.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	_____	<u>250,054.00</u>
	=====	<u>\$1,334,084.00</u>

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$311,815.00
2018	311,815.00
2019	347,698.00
2020	280,185.00
2021	<u>82,571.00</u>
	<u>\$1,334,084.00</u>

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Inflation	3.04 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	2.15-4.40 Percent	1.65-4.15 Percent
Thereafter	3.15-5.40 Percent	2.65-5.15 Percent
Investment Rate of Return	7.90 Percent	7.65 percent

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

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

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

	<u>June 30, 2016</u>	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Returns	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

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

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

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2016		
	1% Decrease <u>2.98%</u>	At Current Discount Rate <u>3.98%</u>	1% Increase <u>4.98%</u>
Borough's proportionate share of the pension liability	\$5,034,029.00	\$4,108,126.00	\$3,343,713.00

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

Police and Firemen's Retirement System (PFRS)

At June 30, 2016, the State reported a net pension liability of \$5,122,782.00 for the Borough of Ship Bottom's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Borough's proportion was 0.0268172592 percent, which was a decrease of 0.0023748124 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of \$378,601.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2016 billing was \$237,288.00

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$33,581.00	
Changes of assumptions		\$709,547.00
Net difference between projected and actual earnings on pension plan investments		358,943.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>693,765.00</u>	<u>29,392.00</u>
	<u>\$727,346.00</u>	<u>\$1,097,882.00</u>

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
<u>June 30</u>	<u>Amount</u>
2017	\$74,634.00
2018	74,634.00
2019	184,106.00
2020	70,290.00
2021	<u>(30,128.00)</u>
	<u>\$370,536.00</u>

Actuarial Assumptions

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

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

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

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Actuarial Assumptions (Continued)

modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

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

Long Term Rate of Return

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

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Long Term Rate of Return (Continued)

	<u>June 30, 2016</u>	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

Discount Rate

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

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

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

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2016		
	1%	At Current	1%
	Decrease <u>4.55%</u>	Discount Rate <u>5.55%</u>	Increase <u>6.55%</u>
Township's proportionate share of the PFRS pension liability	\$6,605,452.00	\$5,122,782.00	\$3,913,754.00

Special Funding Situation

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

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$430,187.00 and \$426,415.00 respectively.

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

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

Special Funding Situation (Continued)

At December 31, 2016, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$5,122,782.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Township	<u>430,187.00</u>
	<u>\$5,552,969.00</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

NOTE 13: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

The Borough provides Post Retirement Benefits to certain employees, per the terms of their various labor agreements, which have retired from the Borough after twenty-five (25) years of service. These benefits include Health Insurance and prescription coverage.

During the year ended December 31, 2016, there were four (5) former Borough employees who received benefits under these agreements through the State of New Jersey State Health Benefits Program at a cost to the Borough of approximately \$47,705.94.

Plan Description: The Borough will contribute to the State Health Benefits Program (SHBP) a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees and their dependents. The SHBP was extended to employees, retirees and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The

NOTE 13: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

future value of benefits paid is not required to be reported in the financial statements as presented and has not been determined, but is probably material. Under current New Jersey budget and financial reporting requirements, the Borough will not have to provide any amounts in excess of their current cash costs or recognize any long-term obligations on their balance sheets. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at www.state.nj.us/treasury/pensions.

Funding Policy: Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay as you go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

NOTE 14: SCHOOL TAXES

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

	<u>LOCAL DISTRICT SCHOOL TAX</u>		<u>REGIONAL SCHOOL DISTRICT TAX</u>	
	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>	<u>BALANCE</u>
	<u>DECEMBER</u>	<u>DECEMBER</u>	<u>DECEMBER</u>	<u>DECEMBER</u>
	<u>31, 2016</u>	<u>31, 2015</u>	<u>31, 2015</u>	<u>31, 2015</u>
Balance of Tax	\$ (12,362.37)	\$ 217,619.13	\$ 1,641,832.90	\$ 1,538,311.30
Deferred	<u>238,576.00</u>	<u>238,576.00</u>	<u>1,026,065.78</u>	<u>1,026,065.78</u>
Tax Payable				
Prepaid	\$ <u>(250,938.37)</u>	\$ <u>(20,956.87)</u>	\$ <u>615,767.12</u>	\$ <u>512,245.52</u>

NOTE 15: LENGTH OF SERVICE AWARD PROGRAM

The Borough of Ship Bottom Light adopted an ordinance establishing a Length of Service Award Program to ensure retention of the Borough's volunteers pursuant to N.J.S.A. 40A:14-183 *et seq.*

Under this program, each volunteer member that performs the minimum amount of service will have an annual amount up to \$1,150.00 deposited into a tax deferred income account that will earn interest for the volunteer. The Borough's costs amounted to \$2,769.00 in 2016, \$9,813.00 in 2015 and \$20,000.00 in 2014. The accompanying financial statements do not include the Borough's Awards Program's financial statements are contained in a separate review report, as required by state regulations.

NOTE 16: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through June 21, 2017 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that except for the items set forth below, there are no other subsequent events that need to be disclosed.

The Borough's adopted capital budget shows the following projects planned for 2017 but as of June 21, 2017 no ordinances have been passed:

<u>PROJECT</u>	<u>AMOUNT OF DEBT PROPOSED</u>
General Capital Fund:	
Roof	\$ 237,500.00
Bathrooms	47,500.00
Utility Capital Fund:	
Meter Project	\$3,500,000.00
Water Tower	\$3,200,000.00

APPENDIX C
FORMS OF CONTINUING DISCLOSURE CERTIFICATES

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**FORM OF CONTINUING DISCLOSURE CERTIFICATE
FOR THE TAX-EXEMPT BONDS**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Borough of Ship Bottom, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$_____ principal amount of its General Improvement Bonds, Series 2017A (the "Series A Bonds") and \$_____ principal amount of its Water-Sewer Utility Bonds, Series 2017B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to various bond ordinances (the "Ordinances") duly adopted by the Borough Council of the Issuer (the "Council") and a resolution duly adopted by the Borough Council on August 22, 2017 (the "Resolution"). The Bonds are dated their date of delivery and shall mature with respect to the Series A Bonds on September 15 in the years 2018 through 2030, inclusive and with respect to the Series B Bonds on September 15 in the years 2018 through 2037, inclusive. The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

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

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

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

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the Repositories pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the Repositories pursuant to Section 3(c) hereof.

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

"EMMA" shall mean the Electronic Municipal Market Access System ("EMMA"), an internet based filing system created and maintained by the MSRB in accordance with the SEC Release, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on

behalf of the such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"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 established pursuant to Section 15B(b)(1) of the Exchange Act.

"National Repository" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC as a repository for purposes of the Rule.

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

"Repository" or "Repositories" shall mean each National Repository and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Exchange Act, as the same may be amended from time to time.

"SEC Release" shall mean Release No. 34-59062, of the SEC, dated December 5, 2008.

"State" shall mean the State of New Jersey.

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

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than September 30 after the end of its fiscal year, commencing with the report for the fiscal year ending December 31, 2017 provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change to MSRB. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on the MSRB's Internet Web site, or that has been filed with the SEC.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for making available or providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A, in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, stating the date it was provided.

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

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

2. The financial information and operating data set forth in Appendix A to the Official Statement dated _____, 2017 prepared in connection with the issuance of the Bonds.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue

(IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or others material events affecting the tax status of the Bonds;

7. modifications to rights of Bondholders, if material;
8. Bond Calls, if material and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes.
12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which a disclosure obligation is dependent upon materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If disclosure of a Listed Event is required, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

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

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

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

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

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

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

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or

including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer 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 Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Dated: _____, 2017

BOROUGH OF SHIP BOTTOM, IN THE
COUNTY OF OCEAN, NEW JERSEY

By: _____
Chief Financial Officer

EXHIBIT A

NOTICE TO OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Borough of Ship Bottom, in the County of Ocean, New Jersey

Name of Bond Issue: \$_____ General Improvement Bonds, Series 2017A
\$_____ Water-Sewer Utility Bonds, Series 2017B

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated _____, 2017. The Issuer anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____, 20__

BOROUGH OF SHIP BOTTOM, IN THE COUNTY OF
OCEAN, NEW JERSEY

By: _____

Name:

Title:

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE TAXABLE BONDS

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Borough of Ship Bottom, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$_____ principal amount of its General Improvement Bonds, Series 2017C (Federally Taxable) (the "Series C Bonds") and \$_____ principal amount of its Water-Sewer Utility Bonds, Series 2017D (Federally Taxable) (the "Series D Bonds" and together with the Series C Bonds, the "Bonds"). The Bonds are being issued pursuant to various bond ordinances (the "Ordinances") duly adopted by the Borough Council of the Issuer (the "Council") and a resolution duly adopted by the Borough Council on August 22, 2017 (the "Resolution"). The Bonds are dated their date of delivery and shall mature on September 15 in the years 2018 through 2035, inclusive. The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

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

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

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

"Bondholder" shall mean any person who is the registered owner of any Bond, including holders of beneficial interests in the Bonds.

"Continuing Disclosure Information" shall mean: (i) the Annual Report; (ii) any notice required to be filed with the Repositories pursuant to Section 5 hereof; and (iii) any notice of an event required to be filed with the Repositories pursuant to Section 3(c) hereof.

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

"EMMA" shall mean the Electronic Municipal Market Access System ("EMMA"), an internet based filing system created and maintained by the MSRB in accordance with the SEC Release, pursuant to which issuers of tax-exempt bonds, including the Bonds, and other filers on

behalf of the such issuers shall upload Continuing Disclosure Information to assist underwriters in complying with the Rule and to provide the general public with access to such Continuing Disclosure Information.

"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 established pursuant to Section 15B(b)(1) of the Exchange Act.

"National Repository" shall mean the MSRB, through the internet facilities of EMMA, or any other public or private repository or entity that shall hereafter be designated by the SEC as a repository for purposes of the Rule.

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

"Repository" or "Repositories" shall mean each National Repository and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Exchange Act, as the same may be amended from time to time.

"SEC Release" shall mean Release No. 34-59062, of the SEC, dated December 5, 2008.

"State" shall mean the State of New Jersey.

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

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than September 30 after the end of its fiscal year, commencing with the report for the fiscal year ending December 31, 2017 provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change to MSRB. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on the MSRB's Internet Web site, or that has been filed with the SEC.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for making available or providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A, in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, stating the date it was provided.

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

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

2. The financial information and operating data set forth in Appendix A to the Official Statement dated _____, 2017 prepared in connection with the issuance of the Bonds.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue

(IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or others material events affecting the tax status of the Bonds;

7. modifications to rights of Bondholders, if material;
8. Bond Calls, if material and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes.
12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which a disclosure obligation is dependent upon materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If disclosure of a Listed Event is required, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

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

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

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

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

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

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

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or

including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer 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 Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Dated: _____, 2017

BOROUGH OF SHIP BOTTOM, IN THE
COUNTY OF OCEAN, NEW JERSEY

By: _____
Chief Financial Officer

EXHIBIT A

NOTICE TO OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Borough of Ship Bottom, in the County of Ocean, New Jersey

Name of Bond Issue: \$_____ General Improvement Bonds, Series 2017C (Federally Taxable)
\$_____ Water-Sewer Utility Bonds, Series 2017D (Federally Taxable)

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated _____, 2017. The Issuer anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____, 20__

BOROUGH OF SHIP BOTTOM, IN THE COUNTY OF OCEAN, NEW JERSEY

By: _____
Name:
Title:

APPENDIX D
FORMS OF BOND COUNSEL'S OPINIONS

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

_____, 2017

Borough Council of the
Borough of Ship Bottom, in the
County of Ocean, New Jersey

Re: Borough of Ship Bottom, in the County of Ocean, New Jersey
\$842,000 General Improvement Bonds, Series 2017A
\$2,083,000 Water-Sewer Utility Bonds, Series 2017B

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Borough of Ship Bottom, in the County of Ocean, New Jersey (the "Borough") of its \$842,000 General Improvement Bonds, Series 2017A (the "Series A Bonds") and its \$2,083,000 Water-Sewer Utility Bonds, Series 2017B (the "Series B Bonds" and, collectively with the Series A Bonds, the "Bonds"). The Bonds are general obligations of the Borough and the full faith, credit and taxing power of the Borough is available to pay the principal of and interest on the Bonds. The Bonds are dated the date of delivery, mature on September 15 in each of the years and bear interest at the rates payable on March 15, 2018 and semiannually thereafter on the fifteenth day of September and March in each year until maturity as set forth in the table below:

Borough Council of the
 Borough of Ship Bottom, in the
 County of Ocean, New Jersey
 _____, 2017

Page

<u>Year</u>	<u>General Improvement Bonds, Series 2017A</u>	<u>Water-Sewer Utility Bonds, Series 2017B</u>	<u>Interest Rate</u>	<u>Total</u>
2018	\$38,000	\$62,000	3.00%	\$100,000
2019	39,000	61,000	4.00	100,000
2020	60,000	90,000	4.00	150,000
2021	65,000	95,000	4.00	160,000
2022	65,000	95,000	4.00	160,000
2023	70,000	100,000	4.00	170,000
2024	70,000	100,000	4.00	170,000
2025	70,000	100,000	4.00	170,000
2026	70,000	105,000	2.00	175,000
2027	70,000	105,000	2.00	175,000
2028	75,000	105,000	2.125	180,000
2029	75,000	115,000	2.25	190,000
2030	75,000	115,000	3.00	190,000
2031	-	120,000	3.00	120,000
2032	-	120,000	3.00	120,000
2033	-	120,000	3.00	120,000
2034	-	120,000	3.00	120,000
2035	-	120,000	3.00	120,000
2036	-	120,000	3.00	120,000
2037	-	115,000	3.125	115,000
TOTAL	\$842,000	\$2,083,000		\$2,925,000

The Bonds are subject to redemption prior to maturity as provided in the Resolution (as hereinafter defined).

The Bonds will be initially issued in fully registered book-entry form only in the form of one certificate in the aggregate amount of the Bonds of each series and maturity, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants and transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases may be made in the principal amount of \$1,000 or more, through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), a resolution adopted by the Borough Council on August 22, 2017

(the "Resolution") and, (i) in the case of the Series A Bonds, Bond Ordinances numbered 2010-06, 2011-06, 2012-02, 2013-03, 2013-09, 2015-14 and 2016-17 (the "General Improvement Ordinances") and, (ii) in the case of the Series B Bonds, Bond Ordinances numbered 2013-04, 2014-02, 2015-13, 2015-015, and 2015-17 as amended by 2016-09 (the "Water-Sewer Ordinances", and together with the General Improvement Ordinances, the "Ordinances"). The Series A Bonds are issued for the purpose of financing general improvements and purposes as set forth in the General Improvement Ordinances, and to pay a portion of the costs of issuing the Bonds. The Series B Bonds are issued for the purpose of financing water-sewer utility improvements as set forth in the Water-Sewer Ordinances and to pay a portion of the costs of issuing the Bonds.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including (a) copies of the Resolution and the Ordinances; (b) such matters of law, including, *inter alia*, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly authorized, issued, executed and sold by the Borough; the Ordinances and the Resolution have been duly authorized and adopted by the Borough; and the Bonds, the Ordinances and the Resolution are legal, valid and binding obligations of the Borough enforceable in accordance with their respective terms.

2. Assuming continuing compliance by the Issuer with the provisions of the Code applicable to the Bonds, and subject to certain provisions of the Code, under laws, regulations, rulings and judicial decisions existing on the date of original delivery of the Bonds, interest received by a holder of the Bonds will be excludable from gross income for federal income tax purposes and will not be treated as a tax preference item for purposes of the alternative minimum tax imposed on individuals or corporations. Interest on the Bonds is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax on such corporations.

3. Under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Bonds, interest on the Bonds and any gain from the sale thereof is excludable from gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the Borough to pay the Bonds is unlimited, and the Borough shall be required to levy *ad valorem* taxes upon all taxable real property within the

Borough Council of the
Borough of Ship Bottom, in the
County of Ocean, New Jersey
_____, 2017

Page

Borough for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

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 other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Bonds.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Bonds.

GLUCKWALRATH LLP

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

_____, 2017

Borough Council of the
Borough of Ship Bottom, in the
County of Ocean, New Jersey

Re: Borough of Ship Bottom, in the County of Ocean, New Jersey
\$405,000 General Improvement Bond, Series 2017C (Federally Taxable)
\$895,000 Water-Sewer Utility Bonds, Series 2017D (Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Borough of Ship Bottom, in the County of Ocean, New Jersey (the "Borough") of its \$405,000 General Improvement Bonds, Series 2017C (Federally Taxable) (the "Series C Bonds") and its \$895,000 Water-Sewer Utility Bonds, Series 2017D (Federally Taxable) (the "Series D Bonds" and, collectively with the Series C Bonds, the "Taxable Bonds"). The Taxable Bonds are general obligations of the Borough and the full faith, credit and taxing power of the Borough is available to pay the principal of and interest on the Taxable Bonds. The Taxable Bonds are dated the date of delivery, mature on September 15 in each of the years and bear interest at the rates payable on March 15, 2018 and semiannually thereafter on the fifteenth day of September and March in each year until maturity as set forth in the table below:

Borough Council of the
 Borough of Ship Bottom, in the
 County of Ocean, New Jersey
 _____, 2017

Page

<u>Year</u>	General Improvement Bonds, Series 2017C (Federally Taxable)	Water-Sewer Utility Bonds, Series 2017D (Federally Taxable)	<u>Interest Rate</u>	<u>Total</u>
2018	\$15,000	\$35,000	4.00%	\$50,000
2019	15,000	35,000	4.00	50,000
2020	15,000	35,000	4.00	50,000
2021	15,000	35,000	4.00	50,000
2022	20,000	40,000	4.00	60,000
2023	20,000	40,000	4.00	60,000
2024	20,000	45,000	4.00	65,000
2025	20,000	45,000	4.00	65,000
2026	20,000	50,000	4.00	70,000
2027	25,000	50,000	3.00	75,000
2028	25,000	50,000	3.10	75,000
2029	25,000	55,000	3.20	80,000
2030	25,000	55,000	3.25	80,000
2031	25,000	60,000	3.30	85,000
2032	30,000	60,000	3.35	90,000
2033	30,000	65,000	3.40	95,000
2034	30,000	70,000	3.45	100,000
2035	30,000	70,000	3.50	100,000
TOTAL	\$405,000	\$895,000		\$1,300,000

The Taxable Bonds will be issued in book-entry form only in the form of one certificate for the aggregate principal amount of Taxable Bonds of each series maturing in each year, registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Taxable Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Taxable on behalf of individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or any integral multiple thereof, except that any amount of Taxable Bonds maturing in any one year in excess of the largest principal amount thereof equaling a multiple of \$5,000 will be in denominations of \$1,000 or any integral multiple thereof, through book-entries on the books and records of DTC and its participants.

The Taxable Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962, and the acts amendatory thereof and supplemental thereto (the "Act"), a resolution adopted by the Borough

Council on August 22, 2017 (the "Resolution"), and, (i) in the case of the Series C Bonds, Bond Ordinances numbered 2006-03, 2007-08, 2008-02, 2008-04, 2009-04, 2011-03, 2012-02 and 2012-07 (the "General Improvement Ordinances") and, (ii) in the case of the Series D Bonds, Bond Ordinances numbered 2006-03, 2008-03, 2008-09, 2008-10 and 2009-15 (the "Water-Sewer Ordinances", and together with the General Improvement Ordinances, the "Ordinances"). The Series C Bonds are issued for the purpose of financing general improvements and purposes as set forth in the General Improvement Ordinances, and to pay a portion of the costs of issuing the Bonds. The Series D Bonds are issued for the purpose of financing water-sewer utility improvements as set forth in the Water-Sewer Ordinances and to pay a portion of the costs of issuing the Bonds.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Taxable Bonds, including (a) copies of the Resolution and the Ordinances; (b) such matters of law, including, *inter alia*, the Act, and (c) such other agreements, proceedings, certificates, records, approvals, resolutions and documents as to various matters with respect to the issuance of the Taxable Bonds as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the proceedings and other certifications of public officials executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Taxable Bonds have been duly authorized, issued, executed and sold by the Borough; the Resolution and the Ordinances have been duly authorized and adopted by the Borough; and the Taxable Bonds, the Resolution and the Ordinances are legal, valid and binding obligations of the Borough enforceable in accordance with their respective terms.
2. Interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes.
3. Under the laws of the State of New Jersey as enacted and construed on the date of original issuance of the Taxable Bonds, interest on the Taxable Bonds and gain from the sale thereof are excludable from gross income under the New Jersey Gross Income Tax Act.
4. The power and obligation of the City to pay the Taxable Bonds is unlimited, and the City shall be required to levy *ad valorem* taxes upon all taxable real property within the City for the payment of the principal of and interest on the Taxable Bonds without limitation as to rate or amount.

Borough Council of the Borough of Ship Bottom,
in the County of Ocean, New Jersey
_____, 2017

Page

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 other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

Other than as set forth in Paragraph 2 and 3 hereof, we express no opinion regarding other federal and other state tax consequences arising with respect to the Taxable Bonds.

We express no opinion herein as to the adequacy or accuracy of any official statement, private placement memorandum or other offering material pertaining to the offering of the Taxable Bonds.

GLUCKWALRATH LLP

APPENDIX E
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100