

OFFICIAL STATEMENT DATED JANUARY 23, 2018

**NEW ISSUE
BOOK-ENTRY ONLY**

Rating: NOT RATED

In the opinion of GluckWalrath LLP, Bond Counsel, assuming continuing compliance by the Township with certain covenants described herein and with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") applicable to the Tax-Exempt Notes, under statutes and court decisions existing on the date of original delivery of the Tax-Exempt Notes, interest on the Tax-Exempt Notes is excluded from gross income of the holders of the Tax-Exempt Notes for federal income tax purposes under Section 103 of the Code. Interest received by a holder of the Taxable Notes is not excludable from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Tax-Exempt Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals or corporations. No other opinion is expressed regarding other federal tax consequences arising with respect to the Notes. Further, in the opinion of Bond Counsel, under the laws of the State of New Jersey, as enacted and construed on the date of original delivery of the Notes, interest on the Notes and any gain from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$7,851,000
TOWNSHIP OF LITTLE EGG HARBOR
IN THE COUNTY OF OCEAN,
NEW JERSEY
BOND ANTICIPATION NOTES, Series 2018A
(Tax Exempt)
(Not-Bank Qualified)
Dated: February 2, 2018
Maturing: February 1, 2019
Interest Rate: 2.50%
Reoffered to Yield: 1.45%
CUSIP: 537089CZ5

\$1,169,000
TOWNSHIP OF LITTLE EGG HARBOR
IN THE COUNTY OF OCEAN,
NEW JERSEY
BOND ANTICIPATION NOTES, Series 2018B
(Federally Taxable)
Dated: February 2, 2018
Maturing: February 1, 2019
Interest Rate: 1.2459%
Not Reoffered
CUSIP: N/A

The \$9,020,000 Bond Anticipation Notes of the Township consisting of \$7,851,000 Bond Anticipation Notes, Series 2018A (Tax-Exempt) (the "Tax-Exempt Notes") and \$1,169,000 Bond Anticipation Notes, Series 2018B (Federally Taxable) (the "Taxable Notes", and together with the Tax-Exempt Notes, the "Notes"), dated the date of delivery, are general obligations of the Township, payable from ad valorem taxes levied upon all the taxable property within the Township for the payment of the Notes and the interest thereon without limitation as to rate or amount.

The Notes of each series will be issued in fully registered book-entry only form and, when issued, and the Notes may, 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 Notes. Individual purchases of the Notes may be made in book-entry only form in denominations of \$5,000 or any integral multiple thereof, except that any amount 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 Notes of each series will bear interest at the rates per annum and reoffering yields, as shown on the cover page, commencing from their date of delivery. Interest on the Notes will be payable at maturity, as shown above. Principal of and interest on the Notes will be payable by the Township or a duly designated paying agent at the date of maturity.

While DTC is acting as securities depository for the Tax-Exempt Notes, the principal of and interest on the Tax-Exempt Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Tax-Exempt Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

Principal and interest on the Taxable Notes is payable on the maturity date, as shown above, by the Township, directly to the purchaser of the Taxable Notes.

The Notes 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 Township Committee on the dates set forth herein and by a resolution adopted by the Township on January 11, 2018.

The Tax-Exempt Notes, along with other available funds of the Township in the amount of \$114,000, are being issued to: (i) refund, on a current basis, \$3,025,000 outstanding tax-exempt bond anticipation notes of the Township, dated February 2, 2017 and maturing February 2, 2018; (ii) temporarily finance various improvements; and (iii) pay the costs associated with the issuance of the Tax-Exempt Notes.

The Taxable Notes, along with other available funds of the Township in the amount of \$160,000, are being issued to: (i) refund, on a current basis, \$1,329,000 outstanding taxable bond anticipation notes of the Township, dated February 2, 2017 and maturing February 2, 2018; and (ii) pay the costs associated with the issuance of the Taxable Notes.

The Notes are not subject to optional redemption prior to their stated maturities.

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

This 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 Notes 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 Township in connection with the issuance of the Notes. Certain legal matters will be passed upon for the Township by the Township Attorney, Jean Cipriani, Esq., Toms River, New Jersey. It is anticipated that the Tax-Exempt Notes will be available for delivery through DTC on or about February 2, 2018. It is expected that the Taxable Notes will be available for delivery on or about February 2, 2018.

**TOWNSHIP OF LITTLE EGG HARBOR
IN THE COUNTY OF OCEAN, NEW JERSEY
665 RADIO ROAD
LITTLE EGG HARBOR, NEW JERSEY 08087
(609) 296-7241**

MAYOR
Ray Gormley

TOWNSHIP COMMITTEE
Barbara Jo Crea – Deputy Mayor
John Kehm, Jr.
David Schlick
Lisa Stevens

TOWNSHIP ADMINISTRATOR/CHIEF FINANCIAL OFFICER
Garrett Loesch

TAX COLLECTOR
Dayna Wilson

TOWNSHIP CLERK
Diana McCracken

TOWNSHIP ATTORNEY
Jean Cipriani, Esq.
Toms River, New Jersey

AUDITOR
Holman Frenia Allison, P.C.
Toms River, 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 Township to give any information or to make any representations with respect to the Notes other than those contained in this document, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Township 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 Township. 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 Notes in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than as contained in this document. If given or made, such other information or representations must not be relied upon as having been authorized by the Township or the Underwriters.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
THE NOTES	1
General Description	1
Optional Redemption	1
Authorization for the Issuance of the Notes	2
Payment of Notes	3
SECURITY FOR THE NOTES	3
The Township	3
BOOK-ENTRY-ONLY SYSTEM	3
Discontinuance of Book-Entry Only System	5
MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES.....	6
Local Bond Law (N.J.S.A. 40A:2-1 et seq.)	6
Debt Limits	6
Exceptions to Debt Limits - Extensions of Credit.....	6
Short Term Financing	6
The Local Budget Law (N.J.S.A. 40A:4-1 et seq.)	7
Appropriation "CAP"	8
Tax Appeals	9
The Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)	9
School Debt Subject to Voter Approval.....	9
TAX MATTERS	10
Tax-Exempt Notes	10
Taxable Notes	11
Changes in Law and Post-Issuance Events	13
LEGALITY FOR INVESTMENT	13
CONTINUING DISCLOSURE.....	13
LITIGATION	14
MUNICIPAL BANKRUPTCY	14
CERTAIN REFERENCES.....	15
CERTIFICATION OF OFFICIAL STATEMENT	15
RATING.....	15
UNDERWRITING	15
MUNICIPAL ADVISOR	16
APPROVAL OF LEGAL PROCEEDINGS.....	16
FINANCIAL STATEMENTS.....	16
ADDITIONAL INFORMATION	16
MISCELLANEOUS.....	17
APPENDIX A: GENERAL INFORMATION REGARDING THE TOWNSHIP	
APPENDIX B: FINANCIAL STATEMENTS OF THE TOWNSHIP	
APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE	
APPENDIX D: FORM OF BOND COUNSEL OPINION	

**OFFICIAL STATEMENT
OF THE
TOWNSHIP OF LITTLE EGG HARBOR
IN THE COUNTY OF OCEAN, STATE OF NEW JERSEY
RELATING TO**

**\$9,020,000
BOND ANTICIPATION NOTES
consisting of:
\$7,851,000 Bond Anticipation Notes, Series 2018A (Tax-Exempt) (Not-Bank Qualified), and
\$1,169,000 Bond Anticipation Notes, Series 2018B (Federally Taxable)
(Non-Callable)**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Township of Little Egg Harbor (the “Township”), in the County of Ocean (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$9,020,000 Bond Anticipation Notes of the Township, consisting of \$7,851,000 Bond Anticipation Notes, Series 2018A (Tax-Exempt) (the “Tax-Exempt Notes”); and \$1,169,000 Bond Anticipation Notes, Series 2018B (Federally Taxable) (the “Taxable Notes”, and together with the Tax-Exempt Notes, the “Notes”) of the Township.

THE NOTES

General Description

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

The Tax-Exempt Notes may be issued as fully registered notes in book-entry only form, and when issued, may be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Tax-Exempt Notes. Principal of and interest on the Tax-Exempt Notes will be payable by the Township or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Tax-Exempt Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, except that any amount 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 made on the books and records of DTC and its participants. Under certain circumstances, such beneficial interests in the Tax-Exempt Notes are exchangeable for one or more fully registered Note certificates in authorized denominations. The Taxable Notes will be registered in the name of the purchaser thereof.

Optional Redemption

The Notes are not subject to redemption prior to maturity.

Authorization for the Issuance of the Notes

Tax-Exempt Notes

The Tax-Exempt Notes, along with other available funds of the Township in the amount of \$114,000, are being issued to: (i) refund, on a current basis, \$3,025,000 outstanding tax-exempt bond anticipation notes of the Township dated February 2, 2017 and maturing February 2, 2018 (the “Prior Tax-Exempt Notes”); (ii) temporarily finance various improvements; and (iii) pay the costs associated with the issuance of the Tax-Exempt Notes. The Tax-Exempt Notes and the improvements or purposes for which the Tax-Exempt Notes are to be issued have been authorized by bond ordinances duly adopted by the Township, which ordinances are described in the following table by ordinance number, description and amount of Prior Tax-Exempt Notes being refunded with the Tax-Exempt Notes and amount of new money:

Bond Anticipation Notes, Series 2018A (Tax-Exempt)

<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of Prior Tax-Exempt Notes Being Refunded with the Tax-Exempt Notes</u>	<u>Amount of New Money</u>
2011-15	Various Capital Improvements	\$1,100,171	\$0
2013-14	Various Capital Improvements	1,810,829	0
2016-05	Various Capital Improvements	0	3,320,250
2017-08	Various Capital Improvements	<u>0</u>	<u>1,619,750</u>
Subtotal:		<u>\$2,911,000</u>	<u>\$4,940,000</u>
Total Tax-Exempt Notes:			<u>\$7,851,000</u>

Taxable Notes

The Taxable Notes, along with other available funds of the Township in the amount of \$160,000, are being issued to: (i) refund, on a current basis, \$1,329,000 outstanding taxable bond anticipation notes of the Township dated February 2, 2017 and maturing February 2, 2018 (the “Prior Taxable Notes”); and (ii) pay the costs associated with the issuance of the Taxable Notes. The Taxable Notes and the improvements or purposes for which the Taxable Notes are to be issued have been authorized by various bond ordinances duly adopted by the Township, which bond ordinances are described in the following table by ordinance number, description and amount of Prior Taxable Notes being refunded with the Taxable Notes:

Bond Anticipation Notes, Series 2018B (Federally Taxable)

<u>Ordinance No.</u>	<u>Purpose</u>	<u>Amount of Prior Taxable Notes Being Refunded with the Taxable Notes</u>
2002-08	Improvements to Cherrywood Drive	\$27,438
2002-14/36	Construction of Recreation Facilities	37,920
2002-23	Acquisition of Land – Parker Run	45,370
2005-19	Various Road Improvements	98,945
2007-04	Road and Drainage Improvements – North Burgee Drive	143,127

2007-10	Acquisition of Garbage Truck	114,000
2008-03	Acquisition and Installation of Automatic Doors for Handicap Access	21,000
2008-04	Improvements to Lexington Drive	333,200
2009-05	Improvements to Forest Edge Drive	172,000
2009-06	Improvements to Frog Pond Road	<u>176,000</u>
Total Taxable Notes:		<u>\$1,169,000</u>
GRAND TOTAL FOR NOTES:		<u>\$2,020,000</u>

Payment of Notes

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

SECURITY FOR THE NOTES

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

The Township

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

BOOK-ENTRY-ONLY SYSTEM

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

DTC will act as securities depository for the Tax-Exempt Notes. The Tax-Exempt Notes 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 certificate will be issued in the aggregate principal amount of the Tax-Exempt Notes deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A

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

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

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

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

Redemption notices, if any, shall be sent to DTC. If less than all of the Tax-Exempt Notes 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 Tax-Exempt Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township 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 Tax-Exempt Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Tax-Exempt Notes, if any, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township 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 Township, or the Township'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 Township 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 Tax-Exempt Notes at any time by giving reasonable notice to the Township or its designated Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Tax-Exempt Note certificates are required to be printed and delivered.

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

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

NEITHER THE TOWNSHIP 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 TAX-EXEMPT NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE TAX-EXEMPT NOTEHOLDERS OR REGISTERED OWNERS OF THE TAX-EXEMPT NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

Discontinuance of Book-Entry Only System

In the event that the book-entry only system is discontinued and the Beneficial Owners become registered owners of the Tax-Exempt Notes, the following provisions apply: (i) the Tax-Exempt Notes may be exchanged for an equal aggregate principal amount of Tax-Exempt Notes in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Township or its designated paying agent; (ii) the transfer of any Tax-Exempt Notes may be registered on the books

maintained by the paying agent for such purposes only upon the surrender thereof to the Township, or its designated paying agent, together with the duly executed assignment in form satisfactory to the Township, or its designated paying agent; and (iii) for every exchange or registration of transfer of the Tax-Exempt Notes, the Township 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 Tax-Exempt Notes.

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 Township are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Township 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 Township has not exceeded its statutory debt limit.

Exceptions to Debt Limits - Extensions of Credit

The Township 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 Township 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 Township or substantially reduce the ability of the Township 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 Township, 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 Township 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 Township to levy ad valorem taxes upon all taxable property within the boundaries of the Township 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 Township 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 Township. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the Township, 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

Tax-Exempt Notes

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”) imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Tax-Exempt Notes for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Tax-Exempt Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Notes. The Township has covenanted to comply with the provisions of the Code applicable to the Tax-Exempt Notes, and has covenanted not to take any action or permit any action that would cause the interest on the Tax-Exempt Notes to be included in gross income under Section 103 of the Code or cause interest on the Tax-Exempt Notes to be treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals. GluckWalrath LLP (“Bond Counsel”) will not independently verify the accuracy of those certifications and representations.

Assuming the Township observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under statutes and court decisions existing on the date of original delivery of the Tax-Exempt Notes, interest on the Tax-Exempt Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Tax-Exempt Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals or corporations but that for taxable years that began on or before December 31, 2017, interest on the Tax-Exempt Notes will be included in "adjusted current earnings" in computing alternative minimum taxable income for purposes of the alternative minimum tax imposed by the Code on certain corporations. The corporate alternative minimum tax has been repealed for taxable years beginning on or after January 1, 2018. See “Certain Federal Tax Considerations” below.

State Taxes

In the opinion of Bond Counsel, under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Tax-Exempt Notes, interest on the Tax-Exempt Notes and any gains from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

Original Issue Premium

The initial public offering price of the Tax-Exempt Notes may be greater than the stated redemption price thereof at maturity (the “Premium Notes”). The difference between the initial public offering price for the Premium Note and the stated redemption price at maturity is “original issue premium.” For federal income tax purposes original issue premium is amortizable periodically over the term of the Premium Notes through reductions in the holder’s tax basis for the Premium Notes for determining gain or loss from sale or redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Notes rather than creating a deductible expense or loss. Purchasers of the Tax-Exempt Notes should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of the Premium Notes.

Certain Federal Tax Considerations

Ownership of the Tax-Exempt Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, foreign corporations that may be subject to the foreign branch profits tax, and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Tax-Exempt Notes. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Tax-Exempt Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Tax-Exempt Notes will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Tax-Exempt Notes should consult their own tax advisors with respect to these and other collateral federal tax consequences resulting from ownership of the Tax-Exempt Notes.

Backup Withholding

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Tax-Exempt Notes is subject to information reporting to the IRs in a manner similar to interest paid on taxable obligations. In addition, interest on the Tax-Exempt Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Section 265 Qualification

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

The Township is not designating the Tax-Exempt Notes as qualified for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations under Section 265 of the Code.

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS". Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Tax-Exempt Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Taxable Notes

The following is a general discussion of certain of the anticipated federal tax consequences of the purchase, ownership and disposition of the Taxable Notes by the original purchasers of the Taxable Notes. 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 Notes. 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 Notes will be held as "capital assets" under the Code and that the Taxable Notes 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 Notes.

As used herein, the term "U.S. Holder" means a beneficial owner of a Taxable Note 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 NOTES IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. The Township 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 Notes.

Under the Code, payments on the Taxable Notes 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 Taxable Noteholder is not subject to backup withholding. Owners of the Taxable Notes 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 Note, 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 Notes.

The Township may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Taxable Notes to be deemed to be no longer outstanding (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 Notes subsequent to any such defeasance could also be affected.

State Taxes

In the opinion of Bond Counsel, under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Taxable Notes, interest on the Taxable Notes and any gains from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Notes for federal or state income tax purposes, and thus on the value or marketability of the Notes. This impact could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of interest on the Notes from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Notes may occur. Prospective purchasers of the Notes should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Notes may affect the tax status of interest on the Notes. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of other counsel.

ALL POTENTIAL PURCHASERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

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 Township including the Notes, and such Notes 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 Township will deliver concurrently with the delivery of the Notes, a Continuing Disclosure Certificate in substantially the form annexed hereto as Appendix C (the "Continuing Disclosure Certificate"). The Township has covenanted for the benefit of the Noteholders in accordance with the provisions of the Continuing Disclosure Certificate, to provide notices of the occurrence of certain enumerated events, if material, certain financial information and operating data to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access dataport ("EMMA"), or to any other designated nationally recognized municipal securities information repository (the "National Repository") and to the appropriate State information depository if any (as defined in the Continuing Disclosure Certificate).

The Township has previously entered into continuing disclosure undertakings under the Rule in respect of its own obligations and obligations of the Little Egg Harbor Municipal Utilities Authority for which the Township is an obligated person. The Township appointed Phoenix Advisors, LLC in January of 2013 to serve as continuing disclosure agent.

LITIGATION

Upon delivery of the Notes, the Township shall furnish a certificate of Jean Cipriani, Esq. of the Law firm of Gilmore & Monahan, P.A., Toms River, New Jersey (the "Township Attorney"), dated the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or, to the Township Attorney's knowledge, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Notes. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Township wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Township or adversely affect the power of the Township 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 Township 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 bond ordinances and the Resolution of the Township and the Notes and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entireties by express reference to the complete provisions thereof. Copies of the bond ordinances and the Resolution will be furnished by the Township on request.

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

CERTIFICATION OF OFFICIAL STATEMENT

The Township hereby states that the descriptions and statements herein relating to the Township are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Notes, by certificates signed by the Township Administrator, that to his 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 Township considers to be reliable and it makes no warranty, guaranty or other representation which respect to the accuracy and completeness of such information.

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

RATING

The Notes have not been rated.

UNDERWRITING

Tax-Exempt Notes

The Tax-Exempt Notes have been purchased from the Township at a public sale by Oppenheimer & Co., Inc. (the "Tax-Exempt Notes Underwriter") at a price of \$7,914,987.00.

The Tax-Exempt Notes Underwriter may offer and sell the Tax-Exempt Notes to certain dealers (including dealers depositing the Tax-Exempt Notes into investment trusts) at a yield higher than the public offering yield stated on the cover page hereof.

Taxable Notes

The Taxable Notes have been purchased from the Township at a public sale by the Township of East Brunswick (the "Taxable Notes Underwriter" and together with the Tax-Exempt Notes Underwriter, the "Underwriters") at a price of \$1,169,000.00. The Taxable Notes are not being reoffered.

MUNICIPAL ADVISOR

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

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Notes are subject to the approval of Bond Counsel, whose approving legal opinions will be delivered with the Notes substantially in the form set forth as Appendix "D". Certain legal matters will be passed on for the Township by the Township Attorney.

FINANCIAL STATEMENTS

Appendix "B" contains certain audited financial data of the Township for the Township's fiscal year ending December 31, 2016. The audited financial data were provided by Holman Frenia Allison, P.C., Toms River, 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 Township's Administrator/Chief Financial Officer, 665 Radio Road, Little Egg Harbor, New Jersey 08087, telephone (609) 296-7241, or to its Municipal Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey, telephone (609) 291-0130.

MISCELLANEOUS

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

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

TOWNSHIP OF LITTLE EGG HARBOR, IN THE COUNTY OF OCEAN, NEW JERSEY

By: /s/ Garrett Loesch

Garrett Loesch,
Township Administrator/Chief Financial Officer

Dated: January 23, 2018

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APPENDIX A
GENERAL INFORMATION REGARDING THE TOWNSHIP

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INFORMATION REGARDING THE TOWNSHIP¹

The following material presents certain economic and demographic information of the Township of Little Egg Harbor (the “Township”), in the County of Ocean (the “County”), State of New Jersey (the “State”).

Location and Area

The Township is located along the southeastern border of the County. As reflected in data from the U.S. Department of Commerce, Bureau of Census, the Township has been experiencing fairly rapid growth.

A land area of fifty (50) square miles lies within the borders of the Township. The Township lies twenty-five (25) miles north of Atlantic City, one hundred (100) miles south of New York City, approximately sixty (60) miles southeast of Philadelphia and sixty (60) miles east of Trenton, the State Capital. The Township is bordered by the Townships of Barnegat, Bass River, Eagleswood and Stafford, the Borough of Tuckerton, and Little Egg Harbor Bay and Great Bay.

Form of Government and Administration

The Township is governed by a five (5) member committee. Committee members are elected for three (3) year terms and individually oversee various functions of local government. Ordinances are passed by simple majority vote of the committee.

An Administrator is charged with the responsibility of managing the day-to-day affairs of the Township. The Administrator reports directly to the Committee. The Treasurer’s Office is responsible for the administration of financial affairs and related internal support activities through the Township’s Chief Financial Officer.

Typical of the Boards, Committees and Commissions that make up part of the Township’s government are the following:

- Board of Health
- Community Center Recreation Commission
- Economic Development Commission
- Environmental Commission
- Planning Board
- Natural Land Trust Committee
- Senior Citizen Advisory Committee
- Zoning Board of Adjustment

¹ Source: The Township, unless otherwise indicated.

Utilities and Communication

The Atlantic Electric Company and the New Jersey Natural Gas Company service the Township's electric and natural gas needs. Water and sewer services are provided by the Little Egg Harbor Municipal Utilities Authority.

Police, Fire and First Aid Services

The Township Police Department consists of officers who are trained in modern law enforcement techniques and are equipped to attend to the routine and emergency needs of the community.

The Township's volunteer first aid squad serves the emergency health needs of the Township. The squad has modern equipment vehicles, and well-trained, dedicated volunteers.

Three strategically located volunteer fire companies provide fire protection to Township residents and businesses. The fire companies have modern equipment and vehicles and well-trained, dedicated volunteers.

Transportation

Major highway routes provide primary transportation links with other parts of the State. The Garden State Parkway traverses on a north-south axis connecting all shore points with Northern New Jersey and the metropolitan areas of New York City. Bus transportation is provided by New Jersey Transit between Atlantic City and New York via Route 9 with the local swing through the Mystic Island area. Ocean County Area Transportation provides transportation for local residents to the nearby Townships of Barnegat and Stafford.

Retirement Systems

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

Pension Information²

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

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

pension costs in 2017, which is based upon the annual billings received from the State, amounted to \$448,593 for PERS and \$1,016,075 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 Township, the County, and the State of New Jersey:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Township</u>				
2016	9,334	8,740	594	6.4%
2015	9,307	8,576	731	7.9%
2014	9,195	8,379	816	8.9%
2013	9,233	8,208	1,025	11.1%
2012	9,487	8,241	1,246	13.1%
<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>Township</u>	<u>County</u>	<u>State</u>
Median Household Income	\$60,014	\$61,994	\$72,093
Median Family Income	74,741	76,934	88,335
Per Capita Income	31,037	31,200	36,582

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

Population

The following table summarizes population increases and the decreases for the Township, the County, and the State.

<u>Year</u>	<u>Township</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	20,818	3.75%	592,497	2.76%	8,944,469	1.74%
2010	20,065	25.84	576,567	12.85	8,791,894	4.49
2000	15,945	19.59	510,916	17.94	8,414,350	8.85
1990	13,333	57.17	433,203	25.19	7,730,188	4.96
1980	8,483	185.43	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 Township and their assessed valuations are listed below:

<u>Taxpayers</u>	<u>2017 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
TBH LLC	\$11,869,100	0.52%
Mystic Partners	10,080,000	0.44%
AT&T	10,000,000	0.44%
Healthtech Properties	7,200,000	0.31%
Armstrong Tuckerton, LLC % Fameco Mgmt	7,100,000	0.31%
Sea Oaks Golf Club, LLC	6,625,000	0.29%
Andwin Realty Investors, LLC	4,150,000	0.18%
Mystic Investor Association c/o GB Ltd.	3,694,000	0.16%
Walmart Real Estate Business Trust (Vacant Land)	3,137,800	0.14%
WAWA, Inc.	<u>3,137,200</u>	<u>0.14%</u>
Total	<u>\$66,993,100</u>	<u>2.93%</u>

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

Total Assessed Valuation in the Township (2017): \$2,287,472,584

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	\$54,442,150	\$54,217,630	99.59%
2015	53,930,406	53,756,014	99.68%
2014	52,918,979	51,587,978	97.48%
2013	52,130,022	50,799,566	97.45%
2012	52,166,609	50,574,473	96.95%

Source: Annual Audit Reports of the Township

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	\$612,368	\$79,044	\$691,412	1.28%
2015	526,052	32,587	558,639	1.06%
2014	458,308	27,002	485,310	0.93%
2013	523,085	36,322	559,407	1.07%
2012	567,052	18,512	585,564	1.15%

Source: Annual Audit Reports of the Township

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2017	\$0.657	\$0.575	\$0.645	\$0.423	\$2.300
2016	0.661	0.571	0.657	0.430	2.319
2015R	0.695	0.578	0.656	0.420	2.349
2014	0.560	0.446	0.516	0.340	1.862
2013	0.548	0.420	0.500	0.336	1.804

<u>Year</u>	<u>FD #1</u>	<u>FD #2</u>	<u>FD #3</u>
2017	\$0.061	\$0.076	\$0.099
2016	0.061	0.072	0.097
2015R	0.060	0.070	0.079
2014	0.065	0.199	0.044
2013	0.042	0.049	0.063

R: Revaluation

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation 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>
2017	\$2,287,472,584	\$2,330,113,664	98.17%	\$0	\$2,330,113,664
2016	2,240,455,490	2,286,645,734	97.98	0	2,286,645,734
2015R	2,206,556,290	2,274,331,365	97.02	0	2,274,331,365
2014	2,742,471,160	2,360,739,571	116.17	4,242,303	2,364,981,874
2013	2,793,943,798	2,380,863,910	117.35	5,251,712	2,386,115,622

R: Revaluation

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

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Township 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>
2017	\$97,071,900	\$2,012,228,183	\$1,823,786	\$172,922,115	\$542,900	\$2,883,700	\$2,287,472,584
2016	111,378,200	1,972,732,883	3,459,292	149,458,515	542,900	2,883,700	2,240,455,490
2015R	112,347,900	1,941,283,983	1,740,792	147,741,815	558,100	2,883,700	2,206,556,290
2014	152,049,100	2,425,444,439	2,032,258	159,319,263	566,100	3,060,000	2,742,471,160
2013	111,911,000	2,531,443,939	2,898,296	144,064,463	566,100	3,060,000	2,793,943,798

R: Revaluation

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

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Financial Operations

The following table summarizes the Township'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	\$0	\$1,423,476	\$1,719,000	\$2,950,000	\$2,850,000
Miscellaneous Revenues	6,644,344	5,394,538	6,241,400	5,669,320	3,231,963
Receipts from Delinquent Taxes	0	268,251	175,494	56,383	40,000
Amount to be Raised by Taxation	<u>15,295,327</u>	<u>15,294,083</u>	<u>15,289,051</u>	<u>14,739,069</u>	<u>15,000,656</u>
Total Revenue:	<u>\$21,939,671</u>	<u>\$22,380,348</u>	<u>\$23,424,945</u>	<u>\$23,414,772</u>	<u>\$21,122,619</u>

Appropriations

General Appropriations	\$17,192,367	\$18,048,208	\$18,171,166	\$18,989,392	\$18,409,335
Operations (Excluded from CAPS)	428,228	544,153	493,385	666,795	526,578
Deferred Charges and Statutory Expenditures	1,954,173	994,500	1,846,306	1,737,194	0
Capital Improvement Fund	0	100,000	100,000	0	100,000
Municipal Debt Service	1,330,000	1,343,525	1,465,075	1,491,400	1,733,050
Reserve for Uncollected Taxes	<u>1,034,903</u>	<u>1,349,962</u>	<u>1,349,013</u>	<u>529,991</u>	<u>353,656</u>
Total Appropriations:	<u>\$21,939,671</u>	<u>\$22,380,348</u>	<u>\$23,424,945</u>	<u>\$23,414,772</u>	<u>\$21,122,619</u>

Source: Annual Budget Reports of the Township

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2016	\$4,595,680	\$2,850,000
2015	5,248,736	2,950,000
2014	3,906,106	1,719,000
2013	2,974,576	1,423,476
2012	615,361	0

Source: Annual Audit Reports of the Township

Township Indebtedness as of December 31, 2016

General Purpose Debt

Serial Bonds	\$5,210,000
Bond Anticipation Notes	9,354,445
Bonds and Notes Authorized but Not Issued	6,651,879
Other Bonds, Notes and Loans	<u>511,713</u>
Total:	\$21,728,037

Local School District Debt

Serial Bonds	\$21,905,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$21,905,000

Regional School District Debt

Serial Bonds	\$4,900,437
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$4,900,437

Self-Liquidating Debt

Serial Bonds	\$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>0</u>
Total:	\$0

TOTAL GROSS DEBT

\$48,533,474

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	21,905,000
Regional School District Debt	4,900,437
Self-Liquidating Debt	<u>0</u>
Total:	\$26,805,437

TOTAL NET DEBT

\$21,728,037

Source: Annual Debt Statement of the Township

Overlapping Debt (as of December 31, 2016)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Township Percentage</u>	<u>Township Share</u>
Local School District	\$21,905,000	100.00%	\$21,905,000
Regional School District	6,628,000	73.94%	4,900,437
County	468,543,847	2.38%	<u>11,142,703</u>
Net Indirect Debt			\$37,948,140
Net Direct Debt			<u>21,728,037</u>
Total Net Direct and Indirect Debt			<u>\$59,676,177</u>

Debt Limit

Average Equalized Valuation Basis (2014, 2015, 2016)	\$2,307,238,890
Permitted Debt Limitation (3 1/2%)	80,753,361
Less: Net Debt	<u>21,728,037</u>
Remaining Borrowing Power	<u>\$59,025,324</u>
Percentage of Net Debt to Average Equalized Valuation	0.942%
 Gross Debt Per Capita based on 2010 population of 20,065	 \$2,419
Net Debt Per Capita based on 2010 population of 20,065	\$1,083

Source: Annual Debt Statement of the Township.

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

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APPENDIX B
FINANCIAL STATEMENTS OF THE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Township Committee
Township of Little Egg Harbor
County of Ocean
Little Egg Harbor, New Jersey 08087

Report on the Financial Statements

We have audited the accompanying statements of assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account group of the Township of Little Egg Harbor, County of Ocean, State of New Jersey as of December 31, 2016 and 2015, and the related statements of operations and changes in fund balance--regulatory basis for the years then ended, the related statements of revenues--regulatory basis, statement of expenditures--regulatory basis, and the related notes to the financial statements for the year ended December 31, 2016, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles and practices 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As discussed in Note 1 to the financial statements, the Township of Little Egg Harbor prepares its financial statements using accounting practices that demonstrate compliance with regulatory basis of accounting and budget laws of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America” 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 Township of Little Egg Harbor, County of Ocean, State of New Jersey, as of December 31, 2016, or the results of its operations and changes in fund balance for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account group of the Township of Little Egg Harbor, County of Ocean, State of New Jersey, as of December 31, 2016 and 2015, and the results of its operations and changes in fund balance of such funds--regulatory basis for the years then ended, and the related statements of revenues--regulatory basis, statements of expenditures--regulatory basis of the various funds, and the related notes to financial statements, for the year ended December 31, 2016 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements referred to in the first paragraph as a whole. The supplemental statements and schedules presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not a required part of the above financial statements.

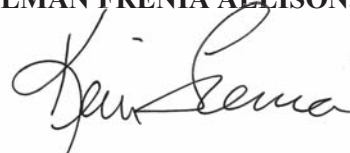
Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, on our consideration of the Township of Little Egg Harbor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Little Egg Harbor's internal control over financial reporting and compliance.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read "Kevin P. Frenia", is written over the printed name.

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
No. CR 435

June 23, 2017
Medford, New Jersey

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Honorable Mayor and Members
of the Township Committee
Township of Little Egg Harbor
County of Ocean
Little Egg Harbor, New Jersey 08087

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the Township of Little Egg Harbor (herein referred to as “the Municipality”), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Municipality’s basic financial statements, and have issued our report thereon dated June 23, 2017. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting 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, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Comments & Recommendations we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies

described in the accompanying Comments & Recommendations to be a material weakness as Finding No. 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying Comments & Recommendations section as Finding No. 2016-001.

Response to Findings

The Township of Little Egg Harbor's response to the findings identified in our audit is described in the accompanying Comments & Recommendations section. The Township of Little Egg Harbor's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read 'Kevin Frenia', is written over the printed name.

Kevin P. Frenia
Certified Public Accountant
Registered Municipal Accountant
CR 435

June 23, 2017
Medford, New Jersey

BASIC FINANCIAL STATEMENTS

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**TOWNSHIP OF LITTLE EGG HARBOR
CURRENT FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS	REFERENCE	2016	2015
Operating Fund:			
Cash:			
Treasurer	A-4	\$ 9,329,755.70	\$ 7,225,488.00
Change Fund	A	<u>1,870.00</u>	<u>1,325.00</u>
Total Cash		<u>9,331,625.70</u>	<u>7,226,813.00</u>
Other Receivables:			
Due From/(To) State of New Jersey	A	<u>206,236.51</u>	<u>169,991.00</u>
Total Other Receivables		<u>206,236.51</u>	<u>169,991.00</u>
Receivables & Other Assets With Full Reserves:			
Delinquent Property Taxes Receivable	A-5	79,043.96	32,587.00
Tax Title Liens Receivable	A-6	612,368.40	526,052.00
Property Acquired/Assessed Valuation	A-7	5,757,700.00	5,757,700.00
Revenue Accounts Receivable	A-8	13,176.33	13,441.00
Due from Trust Other	B	102,757.37	-
Due from Payroll	D	<u>4,376.62</u>	<u>7,445.00</u>
Total Receivables		<u>6,569,422.68</u>	<u>6,337,225.00</u>
Special Emergency Appropriations:			
Superstorm Sandy	A-15	-	1,257,194.00
Reassessment	A	-	480,000.00
Community Disaster Loan	A	<u>4,321,900.68</u>	<u>4,295,320.00</u>
Total Deferred Charges		<u>4,321,900.68</u>	<u>6,032,514.00</u>
Total Operating Fund Assets		<u>20,429,185.57</u>	<u>19,766,543.00</u>
Federal & State Grant Fund:			
Cash - Treasurer	A-4	501,833.69	560,427.00
Grants Receivable	A-10	2,832,513.40	3,318,478.00
Due from Current Fund	A	<u>204,889.70</u>	<u>2,597.00</u>
Total Federal & State Grant Fund Assets		<u>3,539,236.79</u>	<u>3,881,502.00</u>
Total Assets		<u>\$ 23,968,422.36</u>	<u>\$ 23,648,045.00</u>

**TOWNSHIP OF LITTLE EGG HARBOR
CURRENT FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

LIABILITIES RESERVES & FUND BALANCE	REFERENCE	2016	2015
Operating Fund:			
Appropriation Reserve:			
Encumbered	A-3/A-9	\$ 101,414.73	\$ 79,382.00
Unencumbered	A-3	2,391,002.56	1,766,684.00
Prepaid Taxes	A-4	618,861.18	544,802.00
Tax Overpayments	A	56,920.22	85,077.00
Due County for Added & Omitted Taxes	A	156,026.11	106,502.00
Due Municipal Open Space Tax Fund	B	112,229.83	52,406.00
Local School Taxes Payable	A-13	785,174.00	797,440.00
Regional School Taxes Payable	A-14	250,490.00	211,670.00
Special District Taxes Payable	A	20,840.00	15,705.00
Due Bass River - UCC Fees	A	1,953.70	5,244.00
Due to State - DCA Training Fees	A	23,781.83	28,502.00
Due General Capital Fund	C	32,260.01	34,913.00
Due to Grant Fund	A	204,889.70	2,597.00
Reserve for Insurance Proceeds	A-16	32,000.00	-
Reserve for Reassessment	A-16	100,047.00	100,047.00
Reserve for Closed Escrow Accounts	A-16	54,291.00	54,291.00
CDL - Loan Payable	A	4,250,000.00	4,250,000.00
CDL - Interest Payable	A	71,900.68	45,320.00
Total Operating Liabilities		<u>9,264,082.55</u>	<u>8,180,582.00</u>
Reserve for Receivables	A	6,569,422.68	6,337,225.00
Fund Balance	A-1	<u>4,595,680.34</u>	<u>5,248,736.00</u>
Total Operating Fund		<u>20,429,185.57</u>	<u>19,766,543.00</u>
Federal & State Grant Fund:			
Reserve for State Grants:			
Appropriated Reserves	A-11	3,471,457.36	3,875,014.00
Unappropriated Reserves	A-12	13,986.42	6,488.00
Encumbrances Payable	A-11	<u>53,793.01</u>	<u>-</u>
Total Federal & State Grant Fund		<u>3,539,236.79</u>	<u>3,881,502.00</u>
Total Liabilities Reserve & Fund Balance		<u>\$ 23,968,422.36</u>	<u>\$ 23,648,045.00</u>

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

**TOWNSHIP OF LITTLE EGG HARBOR
CURRENT FUND
STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Revenue & Other Income Realized:		
Fund Balance Utilized	\$ 2,950,000.00	\$ 1,719,000.00
Miscellaneous Revenues Anticipated	6,160,088.97	9,818,455.00
Receipts From Delinquent Taxes	42,194.74	29,004.00
Receipts From Current Taxes	54,217,629.37	53,756,015.00
Nonbudget Revenues	238,167.82	134,572.00
Other Credits to Income:		
Prior Year Accounts Payable Cancelled	15,381.00	3,188.00
Unexpended Balance of Appropriation Reserves	<u>1,212,218.03</u>	<u>1,213,495.00</u>
 Total Revenue & Other Income	 <u>64,835,679.93</u>	 <u>66,673,729.00</u>
Expenditures:		
Budget & Emergency Appropriations:		
Appropriations Within "CAPS":		
Operations:		
Salaries and Wages	9,129,400.00	8,601,900.00
Other Expenses	7,803,559.36	7,564,600.00
Deferred Charges & Statutory Expenditures	2,156,536.00	2,004,666.00
Appropriations Excluded From "CAPS":		
Operations:		
Salaries and Wages	450,000.00	450,000.00
Other Expenses	578,461.33	3,492,913.00
Capital Improvement Fund	-	100,000.00
Municipal Debt Service	1,483,275.94	1,464,719.00
Deferred Charges	1,737,194.00	1,846,306.00
County Taxes	9,789,039.36	9,324,925.00
Local District School Tax	12,789,659.00	12,755,011.00
Regional High School Tax	14,727,765.00	14,478,340.00
Special District Taxes	1,597,452.00	1,473,013.00
Municipal Open Space	57,066.22	55,706.00
Tax Overpayment Adjustment	92,157.00	-
Interfund Advances	<u>147,170.38</u>	<u>-</u>
 Total Expenditures	 <u>62,538,735.59</u>	 <u>63,612,099.00</u>
 Excess/(Deficit) in Revenue	 2,296,944.34	 3,061,630.00
Adjustments to Income before Fund Balance		
Expenditures Included Above Which Are by Statute Deferred Charges to Budget of Succeeding Years	 <u>-</u>	 <u>-</u>
 Statutory Excess to Fund Balance	 2,296,944.34	 3,061,630.00
 Fund Balance January 1,	 <u>5,248,736.00</u>	 <u>3,906,106.00</u>
 Total	 7,545,680.34	 6,967,736.00
Decreased by: Utilized as Anticipated Revenue	<u>2,950,000.00</u>	<u>1,719,000.00</u>
 Fund Balance December 31, 2016	 <u><u>\$ 4,595,680.34</u></u>	 <u><u>\$ 5,248,736.00</u></u>

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

TOWNSHIP OF LITTLE EGG HARBOR
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

	ANTICIPATED BUDGET	ADDED BY N.J.S.40A:4-87	REALIZED	EXCESS OR (DEFICIT)
Fund Balance Anticipated	\$ 2,950,000.00	\$ -	\$ 2,950,000.00	\$ -
Miscellaneous Revenues:				
Licenses:				
Alcoholic Beverages	10,565.00	-	10,564.00	(1.00)
Other	80,000.00	-	109,816.87	29,816.87
Municipal Court	200,000.00	-	255,538.93	55,538.93
Interest & Cost on Taxes	100,000.00	-	83,538.01	(16,461.99)
Payments in Lieu of Taxes	60,800.00	-	66,141.71	5,341.71
Energy Receipts Tax	1,299,939.00	-	1,299,939.00	-
Uniform Construction Code Fees	990,000.59	-	915,535.00	(74,465.59)
Garden State Trust	149,117.00	-	149,117.00	-
Tower Rental	200,000.00	-	196,375.93	(3,624.07)
SRO Reimbursement	163,076.00	-	186,987.35	23,911.35
CATV Franchise Fees	76,000.00	-	84,943.81	8,943.81
Reserve for Debt Service - General Capital Fund	484,913.00	-	484,913.00	-
FEMA Aid Received - Hurricane Sandy	1,747,952.03	-	1,747,952.03	-
Additional Revenues Offset With Appropriations:				
Clean Communities Program	-	62,885.88	62,885.88	-
Recycling Revenue and Residue	-	3,701.16	3,701.16	-
Ocean County Recycling Revenue and Residue	-	10,053.55	10,053.55	-
Body Armor Replacement	-	3,948.54	3,948.54	-
Recycling Tonnage Grant	31,822.98	-	31,822.98	-
Safe and Secure Communities	60,000.00	-	60,000.00	-
966 Grant	-	29,354.36	29,354.36	-
NJ Office of Policy and Planning for Municipal Access Plan	-	15,000.00	15,000.00	-
NJDOT Grant	-	325,000.00	325,000.00	-
Child Restraint Grant	1,250.00	-	1,250.00	-
NJ Office of Emergency Management	13,884.25	-	13,884.25	-
Bulletproof Vest Partnership Grant	-	8,800.00	8,800.00	-
Municipal Alliance on Alcoholism and Drug Abuse	-	785.61	785.61	-
Refuge Revenue Sharing Act	-	2,240.00	2,240.00	-
Total Miscellaneous	5,669,319.85	461,769.10	6,160,088.97	29,000.02
Receipts from Delinquent Taxes	56,383.00	-	42,194.74	(14,188.26)
Subtotal General Revenues	8,675,702.85	461,769.10	9,152,283.71	14,811.76
Amount to be Raised by Taxes for Support to Municipal				
Budget - Local Tax for Municipal Purposes	14,739,069.43	-	15,786,638.48	1,047,569.05
Budget Totals	23,414,772.28	461,769.10	24,938,922.19	1,062,380.81
Nonbudget Revenues	-	-	238,167.82	238,167.82
Total	\$ 23,414,772.28	\$ 461,769.10	\$ 25,177,090.01	\$ 1,300,548.63

TOWNSHIP OF LITTLE EGG HARBOR
CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016
ANALYSIS OF REALIZED REVENUE

Allocation of Current Tax Collections:

Revenue From Collections	\$ 54,217,629.37
Allocated to - School, County & Special District Taxes	<u>38,960,981.58</u>
Balance for Support of Municipal Budget Revenues	15,256,647.79
Add: Appropriation - "Reserve for Uncollected Taxes"	<u>529,990.69</u>
Amount for Support of Municipal Budget Appropriations	<u><u>\$ 15,786,638.48</u></u>

Receipts From Delinquent Taxes:

Delinquent Tax Collections	\$ 11,837.52
Tax Title Lien Collections	<u>30,357.22</u>
Total Receipts From Delinquent Taxes	<u><u>\$ 42,194.74</u></u>

Analysis of Nonbudget Revenue:

Treasurer:	
Insurance Reimbursements	\$ -
Trash Cans	11,900.00
Restitution	292.00
Senior & Vet Admin Fee	6,675.92
Recycling Receipts	
Other	<u>219,299.90</u>
Total Analysis of Nonbudget Revenue	<u><u>\$ 238,167.82</u></u>

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

TOWNSHIP OF LITTLE EGG HARBOR
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATIONS	APPROPRIATIONS		EXPENDED				CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION	PAID	ENCUMBERED	RESERVED		
General Government:							
General Administration:							
Salaries and Wages	\$ 80,000.00	\$ 80,000.00	\$ 54,230.23	\$ -	\$ 25,769.77	\$ -	
Other Expenses	20,000.00	20,000.00	1,743.40	-	18,256.60	-	
Mayor and Committee:							
Salaries and Wages	83,000.00	83,000.00	82,279.65	-	720.35	-	
Other Expenses	5,000.00	5,000.00	3,034.97	20.00	1,945.03	-	
Municipal Clerk:							
Salaries and Wages	221,000.00	221,000.00	220,683.66	-	316.34	-	
Other Expenses	65,000.00	65,000.00	52,414.10	700.64	11,885.26	-	
Financial Administration (Treasury):							
Salaries and Wages	250,000.00	250,000.00	241,650.21	-	8,349.79	-	
Other Expenses	65,000.00	65,000.00	40,002.26	1,077.45	23,920.29	-	
Audit Services:							
Other Expenses	67,500.00	67,500.00	40,807.25	-	26,692.75	-	
Revenue Administration (Tax Collection):							
Salaries and Wages	172,000.00	172,000.00	171,809.69	-	190.31	-	
Other Expenses:							
Tax Sale Costs	10,000.00	10,000.00	680.50	5,287.66	4,031.84	-	
Miscellaneous Other Expenses	25,000.00	25,000.00	14,380.95	1,458.30	9,160.75	-	
Tax Assessment Administration:							
Salaries and Wages	237,000.00	237,000.00	230,883.34	-	6,116.66	-	
Other Expenses	7,500.00	7,500.00	2,349.55	285.25	4,865.20	-	
Liquidation of Tax Title Liens & Foreclosed Property - Other Expenses	10,000.00	10,000.00	50.00	-	9,950.00	-	
Legal Services (Legal Department):							
Other Expenses	260,000.00	285,000.00	267,848.10	-	17,151.90	-	
Engineering Services:							
Other Expenses	150,000.00	150,000.00	75,820.08	3,598.00	70,581.92	-	
Economic Development Agencies:							
Salaries and Wages	1,200.00	1,200.00	200.00	-	1,000.00	-	
Other Expenses	3,500.00	3,500.00	300.00	100.00	3,100.00	-	
Land Use Administration:							
Planning Board:							
Salaries and Wages	26,000.00	26,000.00	21,000.00	-	5,000.00	-	
Other Expenses	10,000.00	10,000.00	1,933.00	-	8,067.00	-	
Zoning Board of Adjustment:							
Salaries and Wages	13,000.00	13,000.00	10,100.00	-	2,900.00	-	
Other Expenses	10,000.00	10,000.00	6,636.71	747.77	2,615.52	-	
Zoning Officer:							
Salaries and Wages	237,000.00	237,000.00	208,394.24	-	28,605.76	-	
Other Expenses	5,000.00	5,000.00	698.59	90.00	4,211.41	-	
Insurance:							
Liability Insurance	505,625.00	505,625.00	489,564.46	-	16,060.54	-	
Unemployment Insurance	35,000.00	35,000.00	34,739.55	-	260.45	-	
Group Insurance for Employees	2,553,481.36	2,553,481.36	2,169,197.99	12.99	384,270.38	-	
Health Benefit Waiver	177,500.00	177,500.00	176,904.95	-	595.05	-	

**TOWNSHIP OF LITTLE EGG HARBOR
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

OPERATIONS	APPROPRIATIONS		EXPENDED			CANCEL
	BUDGET	BUDGET AFTER MODIFICATION	PAID	ENCUMBERED	RESERVED	
Public Safety Functions:						
Police Department:						
Salaries and Wages	5,461,500.00	5,461,500.00	5,122,387.28	-	339,112.72	-
Other Expenses	163,250.00	163,250.00	147,699.01	11,872.74	3,678.25	-
Office of Emergency Management:						
Salaries and Wages	37,500.00	37,500.00	31,875.00	-	5,625.00	-
Other Expenses	15,000.00	15,000.00	615.82	-	14,384.18	-
Aid to Volunteer Fire Company	2,400.00	2,400.00	2,400.00	-	-	-
First Aid Squad Contribution	70,000.00	70,000.00	-	-	70,000.00	-
Municipal Prosecutor:						
Other Expenses	55,000.00	55,000.00	41,250.00	-	13,750.00	-
Supplemental Safe Neighborhood:						
State Share	16,000.00	16,000.00	-	-	16,000.00	-
Local Share	46,000.00	46,000.00	-	-	46,000.00	-
Public Works Functions:						
Streets & Roads Maintenance:						
Salaries and Wages	250,000.00	250,000.00	247,127.33	-	2,872.67	-
Other Expenses	224,000.00	224,000.00	136,625.30	8,535.02	78,839.68	-
Solid Waste Sanitation:						
Salaries and Wages	195,000.00	195,000.00	181,098.95	-	13,901.05	-
Other Expenses	175,000.00	175,000.00	161,595.73	9,862.88	3,541.39	-
Bulk Property Maintenance Pick-Up	50,000.00	50,000.00	-	-	50,000.00	-
Solid Waste Recycling:						
Salaries and Wages	322,000.00	322,000.00	250,663.10	-	71,336.90	-
Other Expenses	36,000.00	36,000.00	25,744.68	5,740.10	4,515.22	-
Buildings & Grounds:						
Salaries and Wages	325,000.00	325,000.00	266,405.56	-	58,594.44	-
Other Expenses	125,000.00	125,000.00	110,367.03	6,985.64	7,647.33	-
Contracted Custodial Services	38,000.00	38,000.00	-	-	38,000.00	-
Vehicle Maintenance:						
Salaries and Wages	195,000.00	195,000.00	181,264.27	-	13,735.73	-
Other Expenses	145,000.00	145,000.00	115,785.38	7,580.39	21,634.23	-
Municipal Services Act:						
Other Expenses	55,000.00	55,000.00	32,775.59	-	22,224.41	-
County Mosquito Control Agency:						
Salaries and Wages	12,000.00	12,000.00	1,075.73	-	10,924.27	-
Other Expenses	60,000.00	60,000.00	8,869.21	-	51,130.79	-
Health & Human Services:						
Public Health Services (Board of Health):						
Salaries and Wages	15,000.00	15,000.00	300.00	-	14,700.00	-
Other Expenses	10,000.00	10,000.00	1,600.00	-	8,400.00	-
Environmental Health Services:						
Salaries and Wages	1,200.00	1,200.00	700.00	-	500.00	-
Other Expenses	200.00	200.00	135.54	-	64.46	-
Animal Control Services:						
Other Expenses	60,000.00	60,000.00	45,985.00	1,159.00	12,856.00	-
Contributions to Social Service Agencies - Statutory:						
Long Beach Island Community Center	1,500.00	1,500.00	-	-	1,500.00	-
Providence House	5,000.00	5,000.00	280.00	-	4,720.00	-

**TOWNSHIP OF LITTLE EGG HARBOR
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

OPERATIONS	APPROPRIATIONS		EXPENDED			CANCEL
	BUDGET	BUDGET AFTER MODIFICATION	PAID	ENCUMBERED	RESERVED	
Park & Recreation Functions:						
Recreation Services & Programs:						
Salaries and Wages	170,000.00	170,000.00	137,961.75	-	32,038.25	-
Other Expenses	50,000.00	50,000.00	23,761.56	1,145.88	25,092.56	-
Senior Center/Community Activities:						
Salaries and Wages		-	-	-	-	-
Other Expenses	5,000.00	5,000.00	2,813.85	-	2,186.15	-
Utility Expenses & Bulk Purchases:						
Electricity	185,000.00	200,000.00	186,900.44	-	13,099.56	-
Street Lighting	395,000.00	395,000.00	374,046.79	983.11	19,970.10	-
Telephone	190,000.00	190,000.00	149,963.05	16,910.37	23,126.58	-
Fuel Oil/Natural Gas	40,000.00	40,000.00	29,798.82	3,980.61	6,220.57	-
Gasoline	300,000.00	260,000.00	138,743.39	4,947.25	116,309.36	-
Landfill/Solid Waste Disposal Costs:						
Sanitary Landfill	750,000.00	750,000.00	708,117.02	3,699.43	38,183.55	-
Uniform Construction Code Enforcement Functions:						
Construction Code Official:						
Salaries and Wages	525,000.00	525,000.00	460,665.78	-	64,334.22	-
Other Expenses	15,000.00	15,000.00	8,492.25	739.98	5,767.77	-
Municipal Court:						
Salaries and Wages	300,000.00	300,000.00	236,416.15	-	63,583.85	-
Other Expenses	20,000.00	20,000.00	11,719.76	3,719.27	4,560.97	-
Public Defender:						
Other Expenses	42,500.00	42,500.00	34,787.50	175.00	7,537.50	-
Other Common Operating Functions (Unclassified):						
Purchase of Fleet Vehicles		-		-	-	-
Municipal Alliance Council	25,000.00	25,000.00	15,850.00	-	9,150.00	-
Celebration of Public Events:						
Other Expenses	8,000.00	8,000.00	6,283.80	-	1,716.20	-
Relocation Assistance:						
Other Expenses	500.00	500.00	-	-	500.00	-
Schedule "C":						
Other Expenses	250,000.00	250,000.00	114,063.16	-	135,936.84	-
Accumulated Sick & Vacation Fund	100,000.00	100,000.00	100,000.00	-	-	-
Reserve for Disputed Contracts	49,000.00	49,000.00	35,700.00	-	13,300.00	-
Total Operations Within "CAPS"	16,932,959.36	16,932,959.36	14,511,048.01	101,414.73	2,320,496.62	-
Detail:						
Salaries and Wages	9,129,400.00	9,129,400.00	8,359,171.92	-	770,228.08	-
Other Expenses	7,803,559.36	7,803,559.36	6,151,876.09	101,414.73	1,550,268.54	-
Deferred Charges & Statutory Expenditures - Municipal Within "CAPS":						
Statutory Expenditures:						
Social Security System (O.A.S.I.)	685,000.00	685,000.00	669,832.29	-	15,167.71	-
Defined Contribution Retirement Program	3,000.00	3,000.00	1,963.78	-	1,036.22	-
Consolidated Police & Firemen's Pension	1,036,175.00	1,036,175.00	1,036,175.00	-	-	-
Public Employees Retirement System	432,361.00	432,361.00	432,361.00	-	-	-
Total Deferred Charges & Statutory Expenditures Within "CAPS"	2,156,536.00	2,156,536.00	2,140,332.07	-	16,203.93	-
Total General Appropriations for Municipal Purposes Within "CAPS"	19,089,495.36	19,089,495.36	16,651,380.08	101,414.73	2,336,700.55	-

TOWNSHIP OF LITTLE EGG HARBOR
CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATIONS	APPROPRIATIONS		PAID	EXPENDED		CANCEL
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED	
Operations Excluded From "CAPS":						
Public & Private Programs Offset by Revenues:						
Clean Communities Program Grant	-	62,885.88	62,885.88	-	-	-
Recycling Revenue and Residue	-	10,053.55	10,053.55	-	-	-
Ocean County Recycling Revenue Share	-	3,701.16	3,701.16	-	-	-
Bulletproof Vest	-	8,800.00	8,800.00	-	-	-
Body Armor Replacement	-	3,948.54	3,948.54	-	-	-
Recycling Tonnage Grant	31,822.98	31,822.98	31,822.98	-	-	-
Safe & Secure Communities	60,000.00	60,000.00	60,000.00	-	-	-
National Wildlife Refuge	-	2,240.00	2,240.00	-	-	-
NJDOT Grant	-	325,000.00	325,000.00	-	-	-
NJOEM Grant	13,884.25	13,884.25	13,884.25	-	-	-
OEM Reimbursement Grant	-	29,354.36	29,354.36	-	-	-
Alcohol Education Rehab Enforcement	-	785.61	785.61	-	-	-
Environmental Protection	-	15,000.00	15,000.00	-	-	-
Child Restraint Grant	1,250.00	1,250.00	1,250.00	-	-	-
Police Dispatch/911:						
Salaries and Wages	450,000.00	450,000.00	395,801.64	-	54,198.36	-
Other Expenses	4,500.00	4,500.00	4,396.35	-	103.65	-
Supplemental Aid to Fire Districts	5,235.00	5,235.00	5,235.00	-	-	-
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Total Operations Excluded from "CAPS"	566,692.23	1,028,461.33	974,159.32	-	54,302.01	-
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Detail:						
Salaries and Wages	450,000.00	450,000.00	395,801.64	-	54,198.36	-
Other Expenses	116,692.23	578,461.33	578,357.68	-	103.65	-
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Municipal Debt Service - Excluded From "CAPS":						
Payment of Bond Principal	830,000.00	830,000.00	830,000.00	-	-	-
Payment of Bond Anticipation Notes & Capital Notes	245,000.00	245,000.00	245,000.00	-	-	-
Interest on Bonds	184,000.00	184,000.00	183,887.50	-	-	112.50
Interest on Notes	100,300.00	175,392.00	100,270.05	-	-	29.95
Interest on Special Emergency Notes	54,000.00	54,000.00	54,000.00	-	-	-
Green Acres Trust Loan Program: Principal & Interest	78,100.00	78,100.00	70,118.39	-	-	7,981.61
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Total Municipal Debt Service Excluded From "CAPS"	1,491,400.00	1,566,492.00	1,483,275.94	-	-	83,216.06
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Deferred Charges - Excluded from "CAPS":						
Reassessment Special Emergency - Appropriations - 5 Years	480,000.00	480,000.00	480,000.00	-	-	-
Special Emergency Authorizations - 5 Years	1,257,194.00	1,257,194.00	1,257,194.00	-	-	-
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Total Deferred Charges - Municipal - Excluded from CAPS:	1,737,194.00	1,737,194.00	1,737,194.00	-	-	-
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Total General Appropriations Excluded From "CAPS"	3,795,286.23	4,332,147.33	4,194,629.26	-	54,302.01	83,216.06
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Subtotal General Appropriations	22,884,781.59	23,421,642.69	20,846,009.34	101,414.73	2,391,002.56	83,216.06
Reserve For Uncollected Taxes	529,990.69	529,990.69	529,990.69	-	-	-
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Total General Appropriations	\$ 23,414,772.28	\$ 23,951,633.38	\$ 21,376,000.03	\$ 101,414.73	\$ 2,391,002.56	\$ 83,216.06

Adopted Budget	\$ 23,414,772.28
Added by N.J.S.40A:4-87	536,861.10
Total	\$ 23,951,633.38
Federal & State Grants	\$ 568,726.33
Reserve for Uncollected Taxes	529,990.69
Refunds	(478,431.00)
Deferred Charges	1,737,194.00
Disbursed	19,018,520.01
Total	\$ 21,376,000.03

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

**TOWNSHIP OF LITTLE EGG HARBOR
TRUST FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS	REFERENCE	2016	2015
Assessment Fund:			
Cash	B-1	<u>\$ 54,096.41</u>	<u>\$ 54,096.41</u>
Total Assessment Fund		<u>54,096.41</u>	<u>54,096.41</u>
Other Funds:			
Cash - Treasurer	B-1	3,906,618.01	4,004,284.00
Cash - Collector	B-2	2,297,094.93	2,310,241.00
CDBG Receivable	B	3,600.00	3,600.00
Due from Current Fund	A	<u>112,229.83</u>	<u>52,406.00</u>
Total Other Funds		<u>6,319,542.77</u>	<u>6,370,531.00</u>
Total Assets		<u><u>\$ 6,373,639.18</u></u>	<u><u>\$ 6,424,627.41</u></u>
LIABILITIES, RESERVES & FUND BALANCE			
Assessment Fund:			
Fund Balance	B	<u>\$ 54,096.41</u>	<u>\$ 54,096.41</u>
Total Assessment Fund		<u>54,096.41</u>	<u>54,096.41</u>
Other Funds:			
Reserves for:			
Deposits for Tax Title Redemptions	B-5	2,297,094.93	2,310,241.00
Escrow Deposits	B-6	1,328,428.45	1,357,570.00
Forfeited Property	B-7	23,474.19	13,048.00
Planning Board	B-8	103,800.76	164,081.00
Recreation Trust	B-9	2,057.00	2,057.00
COAH Funds	B-14	213,308.50	270,400.00
Open Space	B-10	2,214,290.58	2,155,993.00
Community Center	B-11	3,582.88	3,583.00
Federal Forfeiture Law Enforcement Funds	B-12	7,106.23	8,962.00
Sick/Vacation Funds	B-13	22,055.88	84,010.00
Police Community Activities	B	1,000.00	-
POAA Funds	B	586.00	586.00
Due to Current Fund	A	<u>102,757.37</u>	<u>-</u>
Total Other Funds		<u>6,319,542.77</u>	<u>6,370,531.00</u>
Total Liabilities, Reserves & Fund Balance		<u><u>\$ 6,373,639.18</u></u>	<u><u>\$ 6,424,627.41</u></u>

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

TOWNSHIP OF LITTLE EGG HARBOR
GENERAL CAPITAL FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015

ASSETS	REFERENCE	2016	2015
Cash & Cash Equivalents	C-2	\$ 1,562,008.97	\$ 2,209,936.98
State Road Aid Allotments Receivable	C-12	170,498.16	170,498.16
Interfund Receivable - Current	A	32,260.01	34,913.30
Deferred Charges to Future Taxation:			
Funded	C-4	5,721,712.57	6,618,527.76
Unfunded	C-5	16,006,324.00	13,006,166.00
Total Assets		<u>\$ 23,492,803.71</u>	<u>\$ 22,040,042.20</u>
LIABILITIES, RESERVES & FUND BALANCE			
Bond Anticipation Notes Payable	C-8	\$ 9,354,445.00	\$ 9,674,537.00
General Serial Bond	C-9	5,210,000.00	6,040,000.00
Green Trust Loan Payable	C-10	511,712.57	578,527.76
Capital Improvement Fund	C-6	17,644.00	192,394.00
Encumbrances Payable	C-7	420,884.93	199,793.18
Due To Ocean County - CDBG	C	3,722.00	3,722.00
Improvement Authorizations:			
Funded	C-7	98,386.19	98,771.19
Unfunded	C-7	7,698,468.79	4,596,357.60
Reserve for Receivable-State Road Aid Receivable	C	170,498.16	170,498.16
Reserve for Debt Service	C	-	484,913.24
Fund Balance	C-1	7,042.07	528.07
Total Liabilities, Reserves & Fund Balance		<u>\$ 23,492,803.71</u>	<u>\$ 22,040,042.20</u>

There were bonds and notes authorized but not issued on December 31, 2016 of \$6,651,879 and on December 31, 2015 of \$3,331,629.

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

**TOWNSHIP OF LITTLE EGG HARBOR
PAYROLL FUND
STATEMENT OF ASSETS, LIABILITIES, RESERVES
AND FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS	REFERENCE	2016	2015
Cash - Treasurer	D-1	<u>\$ 196,472.06</u>	<u>\$ 192,496.10</u>
Total		<u><u>\$ 196,472.06</u></u>	<u><u>\$ 192,496.10</u></u>
LIABILITIES			
Payroll Taxes Payable	D-2	\$ 192,095.44	\$ 185,051.79
Due to Current Fund	A	<u>4,376.62</u>	<u>7,444.31</u>
Total		<u><u>\$ 196,472.06</u></u>	<u><u>\$ 192,496.10</u></u>

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

**TOWNSHIP OF LITTLE EGG HARBOR
GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF FIXED ASSETS AND
FUND BALANCE - REGULATORY BASIS
DECEMBER 31, 2016 AND 2015**

ASSETS	2016	2015
Land and Improvements	\$ 7,789,600.00	\$ 7,789,600.00
Building	10,473,776.00	10,473,776.00
Equipment	<u>11,842,682.00</u>	<u>11,820,754.00</u>
Total	<u>\$ 30,106,058.00</u>	<u>\$ 30,084,130.00</u>
FUND BALANCE		
Investment in Fixed Assets	<u>\$ 30,106,058.00</u>	<u>\$ 30,084,130.00</u>

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

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**TOWNSHIP OF LITTLE EGG HARBOR
COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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TOWNSHIP OF LITTLE EGG HARBOR
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies

Description of Financial Reporting Entity - The Township of Little Egg Harbor was incorporated in 1798 and is located in the Ocean County, New Jersey. The population according to the 2010 census was 20,065.

The form of Government is known as a Township pursuant to N.J.S.A.40A:63-1 et seq. The government consists of five (5) Committee Members who are elected at large to three (3) year staggered terms. The Mayor is elected from and by the Members of the Committee and serves a one (1) year term. Under the statutes the Mayor is the head of the government and acts as the executive branch. The Committee acts as the legislative branch of government and has executive powers not assigned to the Mayor.

Component Units - The financial statements of the component unit of the Township of Little Egg Harbor are not presented in accordance with Governmental Accounting Standards Board Statement No. 14, as amended by GASB Statements No. 39 and 61. If the provisions of GASBS No. 14, as amended by GASB Statements No. 39 and 61, had been complied with, the financial statements of the following component unit would have been either blended or discretely presented with the financial statements of the Township, the primary government:

Little Egg Harbor Municipal Utilities Authority
823 Radio Road
Post Office Box 660
Little Egg Harbor, New Jersey 08087-0660

Annual financial reports may be inspected directly at the office of this component unit during regular business hours.

Basis of Accounting, Measurement Focus and Basis of Presentation - The financial statements of the Township of Little Egg Harbor contain all funds and account groups in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the Requirements of Audit 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. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these "Requirements". In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United State of America applicable to local government units. The more significant differences are explained in this Note.

In accordance with the "Requirements", the Township of Little Egg Harbor accounts for its financial transactions through the use of separate funds, which are described as follows:

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

Trust Fund – The various Trust Funds account for receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

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

Payroll Fund – is used for the receipt and disbursements of funds used to meet obligations to employees and payroll tax liability.

General Fixed Assets Account Group – used to account for fixed assets used in general government operations.

Budgets and Budgetary Accounting - The Township of Little Egg Harbor must adopt an annual budget for its Current Fund in accordance with *N.J.S.A.40A:4* et seq. *N.J.S.A.40A:4-5* requires the governing body to introduce and approve the annual municipal budget no later than February 10th of each year. At introduction, the governing body must fix the time and place for a public hearing on the budget and must advertise the time and place at least ten days prior to the hearing in a newspaper published and circulating in the municipality. The public hearing must not be held less than twenty-eight days after the date the budget was introduced. After the hearing has been held, the governing body may, by majority vote, adopt the budget or may amend the budget in accordance with *N.J.S.A.40A:4-9*. Amendments to adopted budgets, if any are detailed in the statements of revenues and expenditures.

An extension of the statutory dates for introduction, approval and adoption of the municipal budget may be granted by the Director of Local Government Services, with the permission of the Local Finance Board. Budgets are adopted on the same basis of accounting utilized for the preparation of the Township's financial statements. Once a budget is approved it may be amended after November 1, by a resolution adopted by the governing body.

Interfunds - Interfund receivables and payables that arise from transactions between funds are recorded by all funds affected by such transactions in the period in which the transaction is executed. Interfund receivables in the Current Fund are recorded with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves.

Inventories and Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets of assets, liabilities, reserves and fund balance.

General Fixed Assets – Property and equipment purchased by the Current and General Capital Fund are recorded as expenditures at the time of purchase and are not capitalized. All interest costs are recorded as expenditures when paid.

Accounting for governmental Fixed Assets, as promulgated by Technical Accounting Directive No. 85-2 as issued by the Division of Local Government Services, differs in certain respects from accounting principles generally accepted in the United States of America. The following is a brief description of the provisions of the Directive:

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available, except for land, which is valued at estimated market value. No depreciation has been provided for in the financial statements. Donated general fixed assets are valued at their estimated fair market value on the date received.

Expenditures for construction in progress are recorded in the General Capital Fund until such time as the construction is completed and put into operation. Fixed assets acquired through grants-in-aid or contributed capital has not been accounted for separately.

	Balance December 31, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2016</u>
General Fixed Assets				
Land & Improvements	\$ 7,789,600.00	\$ -	\$ -	\$ 7,789,600.00
Buildings	10,473,776.00	-	-	10,473,776.00
Vehicles & Equipment	11,820,754.00	120,477.00	(98,549.00)	11,842,682.00
Total General Fixed Assets	<u>\$ 30,084,130.00</u>	<u>\$ 120,477.00</u>	<u>\$ (98,549.00)</u>	<u>\$ 30,106,058.00</u>

Foreclosed property - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

Deferred Charges – The recognition of certain expenditures is deferred to future periods. These expenditures or deferred charges are generally overexpenditures of legally adopted budget appropriations or emergency appropriations made in accordance with *N.J.S.A.40A:4-46* et seq. Deferred charges are subsequently raised as items of appropriation in budgets of succeeding years.

Fund Balance – Fund Balance included in the Current Fund represent the amount available for anticipation as revenue in future year's budgets, with certain restrictions.

Revenues – are recorded when received in cash except for certain amounts, which are due from other governmental units. Revenue from Federal and State grants are realized when anticipated as such in the

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Township's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township, which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenues when received.

Property Tax Revenues – are collected in quarterly installments due February 1, May 1, August 1 and November 1. The amount of tax levied includes not only the amount required in support of the Township's annual budget, but also the amounts required in support of the budgets of the County of Ocean, Township of Little Egg Harbor School District and the Pineland's Regional School District. Unpaid property taxes are subject to tax sale in accordance with statutes.

School Taxes – The municipality is responsible for levying, collecting and remitting school taxes for the Township of Little Egg Harbor School District and its share of the Pinelands Regional School District. Operations is charged for the full amount required to be raised from taxation to operate the local school district and the Township's share of the Regional High School District for the period from July 1 to June 30, increased by the amount deferred at December 31, 2015 and decreased by the amount deferred at December 31, 2016.

County Taxes – The municipality is responsible for levying, collecting and remitting County taxes for the County of Ocean. Operations is charged for the amount due the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10th of the current year. In addition, operations is charged for the County share of Added and Omitted Taxes certified to the County Board of Taxation by October 10th of the current year and due to be paid to the County by February 15th of the following year.

Reserve for Uncollected Taxes – The inclusion of the "Reserve for Uncollected Taxes" appropriation in the Township's annual budget protects the Township from taxes not paid currently. The Reserve, the minimum amount of which is determined on the percentage of collections experienced in the immediate preceding year, with certain exceptions, is required to provide assurance that cash collected in the current year will provide sufficient cash flow to meet expected obligations.

Expenditures – are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed as required by Technical Accounting Directive No. 85-1. When an expenditure is paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal and interest payments on outstanding general capital bonds and notes are provided on the cash basis.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Appropriation Reserves – Appropriation reserves covering unexpended appropriation balances are automatically created at year-end and recorded as liabilities, except for amounts, which may be cancelled 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.

Long-Term Debt - Long-Term Debt relative to the acquisition of capital assets, is recorded as a liability in the General Capital Fund. Where an improvement is a “local improvement”, i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the Trust Fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

Compensated Absences and Post-Employment Benefits – Compensated absences for vacation, sick leave and other compensated absences are recorded and provided for in the annual budget in the year in which they are paid, on a pay-as-you-go basis. Likewise, no accrual is made for post-employment benefits, if any, which are also funded on a pay-as-you-go basis.

Impact of Recently Issued Accounting Principles Impact of Recently Issued Accounting Principles

Adopted Accounting Pronouncements

For the year ended December 31, 2016, the Township implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Township is required to measure certain investments at fair value for financial reporting purposes. In addition, the Township is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Township’s financial statements.

The Township implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the Township’s financial statements.

The Township implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Township’s financial statements.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. Implementation of this Statement did not impact the Township’s financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this Statement did not impact the Township’s financial statements.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Implementation of this Statement did not impact the Township's financial statements.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Township's financial statements.

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

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Township's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended December 31, 2017. Management does not expect this Statement to impact the Township's financial statements.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Summary of Significant Accounting Policies (continued):

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended December 31, 2017. Management has not yet determined the potential impact on the Township's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting requirements for certain asset retirement obligations and establishes the timing and pattern of recognition of a liability and corresponding deferred outflow of resources. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Township's financial statements.

Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement will be effective for the year ended December 31, 2019. Management does not expect this Statement to impact the Township's financial statements.

Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement will be effective for the year ended December 31, 2018. Management has not yet determined the potential impact on the Township's financial statements.

Subsequent Events – The Township has evaluated subsequent events occurring after December 31, 2016 through the date of June 23, 2017, which is the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be recovered. Although the Township does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local governmental agencies. The program is administered by the Commissioner of the New Jersey Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public funds owned by the Township in excess of FDIC insured amounts are protected by GUDPA.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 2. Cash and Cash Equivalents (continued):

However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Township relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2016, the Township's bank balance of \$18,160,652.42 was exposed to custodial credit risk as follows:

Insured	\$ 250,000.00
Uninsured and uncollateralized	4,437,620.55
Collateralized in the District's Name Under GUDPA	<u>13,473,031.87</u>
Total	<u><u>\$18,160,652.42</u></u>

Note: 3: Property Taxes

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

Comparison of Tax Rate Information

	2016	2015	2014
Total Tax Rate	<u>\$2.319</u>	<u>\$2.349</u>	<u>\$1.862</u>
Apportionment of Tax Rate:			
Municipal	0.661	0.695	0.560
County	0.430	0.420	0.340
Local School	0.571	0.578	0.446
Regional School	0.657	0.656	0.516

Net Valuation Taxable:

2016	<u>\$ 2,240,445,490</u>	
2015	<u>\$ 2,206,556,290</u>	
2014		<u>\$ 2,746,713,463</u>

Comparison of Tax Levies and Collection Currently

YEAR	TAX LEVY	CASH COLLECTIONS	PERCENTAGE OF COLLECTION
2016	\$ 54,442,150.23	\$ 54,217,629.37	99.59%
2015	53,930,406.00	53,756,015.00	99.68%
2014	52,918,979.00	51,587,978.00	97.48%

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note: 3: Property Taxes (continued):

Delinquent Taxes and Tax Title Liens

YEAR ENDED DECEMBER 31	AMOUNT OF TAX TITLE LIENS	AMOUNT OF DELINQUENT TAXES	TOTAL DELINQUENT	PERCENTAGE OF TAX LEVY
2016	\$ 612,368.40	\$ 79,043.96	\$ 691,412.36	1.27%
2015	526,052.00	32,587.00	558,639.00	1.04%
2014	458,308.00	27,002.00	485,310.00	0.92%

Note 4. District School Taxes

Regulations provided for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the School District.

The Township has elected to defer school taxes as follows:

	BALANCE DECEMBER <u>2016</u>	<u>2015</u>
Local School Taxes:		
Balance of Tax	\$6,021,471	\$6,033,737
Deferred	<u>5,236,297</u>	<u>5,236,297</u>
Tax Payable	<u>\$ 785,174</u>	<u>\$ 797,440</u>
Regional School Taxes:		
Balance of Tax	\$ 250,490	\$ 211,670
Deferred	<u>-0-</u>	<u>-0-</u>
Tax Payable	<u>\$ 250,490</u>	<u>\$ 211,670</u>

Note: 5. Property Acquired By Tax Title Lien Liquidation

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, for the current and previous two years was as follows:

YEAR	AMOUNT
2016	\$ 5,757,700.00
2015	5,757,700.00
2014	5,757,700.00

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations

A. Public Employees' Retirement System (PERS)

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

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

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

Contributions - The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

TOWNSHIP OF LITTLE EGG HARBOR

**NOTES TO THE FINANCIAL STATEMENTS (continued):
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6. Pension Obligations (continued):

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

Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2016, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Components of Net Pension Liability - At December 31, 2016, the Municipality reported a liability of \$14,955,258 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Municipality's proportion of the net pension liability was based on the Municipality's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Municipality's proportion measured as of June 30, 2016, was .05050%, which was an increase of .00021% from its proportion measured as of June 30, 2015.

<u>Collective Balances at December 31, 2016 & December 31, 2015</u>		
	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	4,497,904	2,142,883
Deferred Inflows of Resources	-	181,508
Net Pension Liability	14,955,258	11,289,146
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.05050%	0.05029%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2016, the Municipality reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 278,122	\$ -
Changes of Assumptions	3,097,931	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	570,258	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	<u>551,593</u>	<u>-</u>
	<u>\$ 4,497,904</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension expense as follows:

Year Ending		
<u>Dec 31,</u>	<u>PERS</u>	
2017	\$ 1,038,615	
2018	1,038,618	
2019	1,171,154	
2020	955,020	
2021	<u>294,498</u>	
	<u>\$ 4,497,905</u>	

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57

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

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

<u>PERS</u>	
Inflation	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

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

The actuarial assumptions used in the July 1, 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.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

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

<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 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 U.S.	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 3.98% as of June 30, 2016. The single blended discount rate was based on 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 municipals 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.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

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 Municipality's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	Decrease (2.98%)	Discount Rate (3.98%)	Increase (4.98%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 18,325,923	\$ 14,955,258	\$ 12,172,482

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

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

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

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010.
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1 % for each year if creditable service over 25 years but not to exceed 30 years.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

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

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2016, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Municipality contributions to PFRS amounted to \$1,016,075 for 2016.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Net Pension Liability and Pension Expense - At December 31, 2016, the Municipality's proportionate share of the PFRS net pension liability is valued to be \$23,805,550. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The Municipality's proportion of the net pension liability was based on the Municipality's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Municipality's proportion measured as of June 30, 2016, was .12462%, which was a decrease of .00285% from its proportion measured as of June 30, 2015.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

Collective Balances at December 31, 2016 & December 31, 2015		
	<u>12/31/16</u>	<u>12/31/15</u>
Actuarial Valuation Date (including roll Forward)	June 30, 2016	June 30, 2015
Deferred Outflows of Resources	5,946,164	5,196,408
Deferred Inflows of Resources	484,407	552,676
Net Pension Liability	23,805,550	21,232,756
Municipality's Portion of the Plan's Total		
Net Pension Liability	0.12462%	0.12747%

Pension Expense and Deferred Outflows/Inflows of Resources - At December 31, 2016, the Municipality had deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 156,049
Changes of Assumptions	3,297,264	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,668,007	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions	<u>980,893</u>	<u>328,358</u>
	<u>\$ 5,946,164</u>	<u>\$ 484,407</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense as follows:

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

Year Ending			
	<u>Dec 31,</u>	<u>PFRS</u>	
	2017	\$	1,393,761
	2018		1,393,759
	2019		1,786,492
	2020		941,141
	2021		(53,400)
			<u>\$ 5,461,753</u>
		<u>Deferred</u>	<u>Deferred</u>
		<u>Outflows of</u>	<u>Inflows of</u>
		<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience			
Year of Pension Plan Deferral:			
	June 30, 2014	-	-
	June 30, 2015	-	5.53
	June 30, 2016	-	5.58
Changes of Assumptions			
Year of Pension Plan Deferral:			
	June 30, 2014	6.17	-
	June 30, 2015	5.53	-
	June 30, 2016	5.58	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments			
Year of Pension Plan Deferral:			
	June 30, 2014	-	5.00
	June 30, 2015	-	5.00
	June 30, 2016	5.00	-
Changes in Proportion and Differences between Municipality Contributions and Proportionate Share of Contributions			
Year of Pension Plan Deferral:			
	June 30, 2014	6.17	6.17
	June 30, 2015	5.53	5.53
	June 30, 2016	5.58	5.58

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

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

Additionally, the State's proportionate share of the net pension liability attributable to the Municipality is \$1,999,076 as of December 31, 2016. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The State's proportion of the net pension liability associated with the Municipality was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2016 was .12462%, which was a decrease of .00285% from its proportion measured as of June 30, 2015, which is the same proportion as the Municipality's.

Municipality's Proportionate Share of the Net Pension Liability	\$ 23,805,550
State's Proportionate Share of the Net Pension Liability Associated with the Municipality	<u>1,999,076</u>
Total Net Pension Liability	<u><u>\$ 25,804,626</u></u>

For the year ended December 31, 2016, the Municipality's total allocated pension expense was \$2,254,405.

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

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

<u>PFRS</u>	
Inflation	3.08%
Salary Increases:	
Through 2026	2.10% - 8.98% Based on Age
Thereafter	3.10% - 9.98% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2010 - June 30, 2013

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

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

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

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 6. Pension Obligations (continued):

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

<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 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%
Total	100.00%	

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

Sensitivity of the Municipality's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55%) or 1-percentage-point higher (6.55%) than the current rate:

	Decrease (4.55%)	Discount Rate (5.55%)	Increase (6.55%)
Municipality's proportionate share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability associated with the Municipality	\$ 33,273,173	\$ 25,804,626	\$ 19,714,475

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 7: Fund Balance Appropriated

The following schedule details the amount of fund balance available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets.

YEAR	BALANCE DECEMBER 31,	UTILIZED IN BUDGET OF SUCCEEDING YEAR	PERCENTAGE OF FUND BALANCE USED
CURRENT FUND:			
2016	\$ 4,595,680.34	\$ 2,850,000.00	62.01%
2015	5,248,736.00	2,950,000.00	56.20%
2014	3,906,106.00	1,719,000.00	44.01%
2013	2,974,576.00	1,423,476.00	47.85%
2012	615,361.00	-	0.00%

Note 8. Accrued Sick and Vacation Benefits

The Township has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material. At December 31, 2016, the Township has estimated this liability to be approximately \$1,813,648.45. The realization of this liability may be affected by conditions, which could preclude an employee from receiving full payment of the accrual.

Note 9. Deferred Compensation

The Township has contracted with Valic Annuity Life Insurance Company for a deferred compensation program. The Division of Local Government Services has approved the plan and contract. The investment fund balance of the program as of December 31, 2016 is \$2,277,211. The assets of this program have not been included in the financial statements.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 10. Interfund Receivables and Payables

The following interfund balances were recorded on the various balance sheets as of December 31, 2016:

Fund	Interfund Receivable	Interfund Payable
Current Fund	\$ 107,133.99	\$ 349,379.54
Federal and State Grant Fund	204,889.70	-
General Capital Fund	32,260.01	-
Trust - Other Fund	112,229.83	102,757.37
Payroll Fund	-	4,376.62
	<u>\$ 456,513.53</u>	<u>\$ 456,513.53</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

The summary of interfund transfers follows:

Fund	Interfund Transfer In	Interfund Transfer Out
Current Fund	\$ 202,293.67	\$ 9,167.29
Federal and State Grant Fund	-	202,293.67
General Capital Fund	9,167.29	-
	<u>\$ 211,460.96</u>	<u>\$ 211,460.96</u>

Note 11. Long-Term Debt

During the fiscal year ended December 31, 2016 the following changes occurred in long-term debt:

	December 31, 2015	Accrued/ Increases	Retired/ Decreases	December 31, 2016	Due Within One Year
Bond Anticipation Notes	\$ 9,674,537.00	\$ 9,354,445.00	\$ (9,674,537.00)	\$ 9,354,445.00	\$ 9,354,445.00
General Capital Serial Bonds	6,040,000.00	-	(830,000.00)	5,210,000.00	840,000.00
Community Disaster Loan	4,250,000.00	-	-	4,250,000.00	-
Green Trust Loan Payable	578,527.76	-	(66,815.19)	511,712.57	68,158.00
	<u>\$ 20,543,064.76</u>	<u>\$ 9,354,445.00</u>	<u>\$ (10,571,352.19)</u>	<u>\$ 19,326,157.57</u>	<u>\$ 10,262,603.00</u>
Total	<u>\$ 20,543,064.76</u>	<u>\$ 9,354,445.00</u>	<u>\$ (10,571,352.19)</u>	<u>\$ 19,326,157.57</u>	<u>\$ 10,262,603.00</u>

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11. Long-Term Debt (continued):

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments with the statutory period of usefulness. Bonds issued by the Township are general obligations bonds backed by the full faith and credit of the Township. Bond anticipation notes are issued to temporarily finance capital projects prior to the issuance of serial bonds. The terms of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on.

Summary of Municipal Debt	<u>Year 2016</u>	<u>Year 2015</u>	<u>Year 2014</u>
Issued & Outstanding			
General:			
Bonds, Loans & Notes	\$ 15,076,157.57	\$ 16,293,065.00	\$ 17,409,753.00
Authorized But Not Issued			
General - Bonds & Notes	<u>6,651,879.00</u>	<u>3,331,629.00</u>	<u>3,331,629.00</u>
Total Issued & Authorized but Not Issued	21,728,036.57	19,624,694.00	20,741,382.00
Less: Deduction to Pay Bonds & Notes	<u>-</u>	<u>484,913.00</u>	<u>28,020.00</u>
Total	<u><u>\$ 21,728,036.57</u></u>	<u><u>\$ 19,139,781.00</u></u>	<u><u>\$ 20,713,362.00</u></u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.942%

	GROSS DEBT	DEDUCTIONS	NET DEBT
Local School District Debt	\$ 21,905,000.00	\$ 21,905,000.00	\$ -
Regional School District Debt	4,900,437.14	4,900,437.14	-
General Debt	<u>21,728,036.57</u>	<u>-</u>	<u>21,728,036.57</u>
Total	<u><u>\$ 48,533,473.71</u></u>	<u><u>\$ 26,805,437.14</u></u>	<u><u>\$ 21,728,036.57</u></u>

Net Debt, \$21,728,036.57 divided by Equalized Valuation Basis per N.J.S.A.40A:2-2, as amended, \$2,307,238,890 equals 0.942%.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11. Long-Term Debt (continued):

Borrowing Power Under 40A:2-6:

3 1/2% of Equalized Valuation Bases (Municipal)	\$ 80,753,361.15
Net Debt	<u>21,728,036.57</u>
Remaining Borrowing Power	<u><u>\$ 59,025,324.58</u></u>

As of December 31, 2016, the Township's Capital Debt is as follows:

During 2012, the Township of Little Egg Harbor issued \$5,260,000 of General Obligation Refunding Bonds dated November 2, 2012. Bonds were issued to refund the 2003 General Improvement Bonds. Payments are due each November 15th with various interest rates (2.00% to 4.00%). Net present value savings of this issue is \$200,228.97.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 840,000.00	\$ 162,637.50	\$ 1,002,637.50
2018	845,000.00	140,237.50	985,237.50
2019	845,000.00	107,187.50	952,187.50
2020	830,000.00	84,287.50	914,287.50
2021	820,000.00	57,500.00	877,500.00
2022-2023	1,030,000.00	43,650.00	1,073,650.00
Total	<u>\$ 5,210,000.00</u>	<u>\$ 595,500.00</u>	<u>\$ 5,805,500.00</u>

Green Acres Assistance Loan

Schedule of loan repayment as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 68,158.26	\$ 9,895.54	\$ 78,053.80
2018	69,528.06	8,525.73	78,053.79
2019	70,925.08	7,127.71	78,052.79
2020	72,351.78	5,702.00	78,053.78
2021	73,805.56	4,248.23	78,053.79
2022-2026	156,953.83	6,609.35	163,563.18
Total	<u>\$ 511,722.57</u>	<u>\$ 42,108.56</u>	<u>\$ 553,831.13</u>

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 11. Long-Term Debt (continued):

Bond Anticipation Notes (See Exhibit C-8) – Notes mature February 3, 2017 @ 1.19%-1.00%.

<u>December 31,</u> <u>2015</u>	<u>Issued</u>	<u>Retired</u>	<u>December 31,</u> <u>2016</u>
\$ 9,674,537.00	\$ 9,354,445.00	\$ 9,674,537.00	\$ 9,354,445.00

Note 12. Risk Management

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omission, injuries to employees; and natural disaster. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed.

Note 13. Pending Litigation

State and Federal Grants - The Township receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2016, the Township estimates that no material liabilities will result from such audits.

Pending Litigation - The Township is a defendant in several legal proceedings that are in various stages of litigation. No liability has been recorded in these financial statements to cover any potential liability associated with this litigation.

Note 14. Post-Retirement Health Benefits – GASB 45

The Township of Little Egg Harbor provides post-employment medical, prescription drug, dental, and vision benefits to eligible retired employees and their spouses until Medicare age is attained by either the retired employee or the spouse in the case of spousal coverage. The Township of Little Egg Harbor pays 100% of the insurance cost for the retiree.

The Township of Little Egg Harbor's annual Other Post-Employment Benefit cost is calculated based on the Annual Required Contribution. The actuarial cost method used to determine the Plan's funding requirements is the "Unit Credit" method. Under this method, an actuarial accrued liability is determined as the present value of the earned benefits, which is allocated to service before the current plan year. The Plan is currently unfunded. The unfunded actuarial liability is amortized over thirty years. The following table shows the changes in the Township of Little Egg Harbor's annual Other Post-Employment Benefit cost for the year, the amount actually contributed to the Plan and changes in their net Other Post-Employment Benefit obligation to the plan:

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 14. Post-Retirement Health Benefits – GASB 45 (continued):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Required Contribution (ARC)	\$ 1,420,000	\$ 1,250,000	\$ 1,250,000
Interest on the Net OPEB Obligation	-	-	-
Adjustment to the ARC	-	-	-
Annual OPEB Cost	1,420,000	1,250,000	1,250,000
Contributions Made	(860,000)	(610,000)	(610,000)
Increase in Net OPEB Obligation	560,000	640,000	640,000
Net OPEB, Beginning of Year	8,330,000	7,690,000	7,050,000
Net OPEB, End of Year	<u>\$ 8,890,000</u>	<u>\$ 8,330,000</u>	<u>\$ 7,690,000</u>
Percentage of Annual OPEB Cost Contributed	60.6%	48.8%	48.8%

The funded status of the plan as of June 30, 2016 was as follows:

Actuarial Accrued Liability (AAL)	\$ 15,770,000
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability	<u><u>\$ 15,770,000</u></u>
Funded Ration	0.0%
Covered Payroll	N/A
UAAL as a Percentage of Covered Payroll	N/A

Actuarial assumptions were used to value the post-retirement medical liabilities. Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphases on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

Two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that being partially funded. We assumed a discount rate of 4.5 percent for purposes of developing the liabilities and

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 14. Post-Retirement Health Benefits – GASB 45 (continued):

Annual Required Contribution on the basis that the Plan would not be funded. We based medical claims cost for retirees on an annual average claims cost of approximately \$22,700 per covered retiree for family coverage and \$10,500 for single coverage. The average claims cost was based on an equitable blending of the Traditional and Direct Access benefit costs. We assumed health care costs would increase annually at a rate of 9.5% the first year, decrease by 0.5% per year through year 10 to 5% thereafter.

The Township of Little Egg Harbor currently has twelve eligible retired employees receiving retirement benefits. The net Other Post-Employment Benefit obligation to the Township of Little Egg Harbor to provide benefits to the retiree for the year ended December 31, 2016, was \$8,890,000.

Note 15. Hurricane Sandy and FEMA Aid

On October 29th of 2012, Hurricane Sandy made landfall on the New Jersey coast and caused significant damage to coastal towns including Little Egg Harbor Township. The extensive damage caused the Township to issue a Special Emergency in their 2012 budget in the amount of \$12 million in order to pay for all storm related costs. In addition, the Township issued a \$3 million special emergency note on December 19, 2012 and an additional \$9 million special emergency note on January 11, 2013 to provide necessary cash flow related to storm costs. The total cost of the storm is estimated to be \$6 million with the anticipation of seventy-five percent to be reimbursed by the federal government through FEMA aid. As of December 2016, \$6.4 million in FEMA aid has been received by the Township. In addition, during 2013, \$6 million of the \$12 million special emergency was cancelled by the Township.

Note 16. Community Disaster Loan

On April 5, 2013, the Township submitted a formal request for a FEMA Community Disaster Loan (CDL) in the amount of \$4,319,506.00 in relation to Hurricane Sandy losses and expenditures. On March 28, 2013, the Township approved a resolution to amend the 2013 Budget by \$1,750,000.00, the amount of the CDL that was awarded in 2013. During 2014, an additional \$1,500,000.00 was received. During 2015, an additional \$1,000,000.00 was received.

The interest rate on the loan is the U.S. Treasury rate for 5-year maturities on the date the Promissory Note is executed, in this case June 13, 2013 when the interest rate was 0.625%. The term of the loan is usually 5 years, but may be extended. Interest accrues on the funds as they are disbursed. When applicable, the Assistance Administrator of the Disaster Assistance Directorate may cancel repayment of all or part of the loan if the revenues of the applicant in the three fiscal years following the financial year of the disaster are insufficient to meet the operating budget because of disaster related revenue losses and un-reimbursed disaster related operating expenses. As of December 31, 2016 the Current Fund has recorded a loan payable in the amount of \$4,250,000.00 with \$71,900.68 of accrued interest. The loan comes to maturity on May 1, 2018.

TOWNSHIP OF LITTLE EGG HARBOR

NOTES TO THE FINANCIAL STATEMENTS (continued): FOR THE YEAR ENDED DECEMBER 31, 2016

Note 17. Accounts Receivable

Accounts receivable at December 31, 2016 consisted of intergovernmental grants, taxes, rents and other accounts receivable. All receivables are considered collectible in full due to the stable condition of state programs and the current fiscal year guarantee of federal funds. Accounts receivable as of fiscal year end for the Township's individual major and fiduciary funds, in the aggregate, are as follows:

	Current Fund	State & Federal Grant Fund	Trust Other Fund	General Capital Fund	Total
Fedral & State Aid	\$ 206,236.51	\$ 2,832,513.40	\$ 3,600.00	\$ 170,498.16	\$ 3,212,848.07
Taxes	6,449,112.36	-	-	-	6,449,112.36
Other	13,176.33	-	-	-	13,176.33
Total	<u>\$ 6,668,525.20</u>	<u>\$ 2,832,513.40</u>	<u>\$ 3,600.00</u>	<u>\$ 170,498.16</u>	<u>\$ 9,675,136.76</u>

Note 18. Subsequent Events

The Township has evaluated subsequent events through June 23, 2017, the date the financial statements were available to be issued and has noted the following:

2017 Bond Issue – In February of 2017 the Township of Little Egg Harbor issued \$4,500,000 in General Improvement Bonds. Bonds were issued to permanently finance a portion of the Bond Anticipation Notes outstanding to the Township. Payments are due each February 1st, beginning in 2018, with various interest rates (2.00% to 3.00%).

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Township of Little Egg Harbor, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of its Bond Anticipation Notes, Series 2018A (Tax-Exempt) in the aggregate principal amount of \$_____ (the "Tax-Exempt Notes") and its Bond Anticipation Notes, Series 2018B (Federally Taxable) in the aggregate principal amount of \$_____ (the "Taxable Notes", and together with the Tax-Exempt Notes, the "Notes"). The Notes are being issued pursuant to various bond ordinances duly adopted by the Issuer. 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 Noteholders and Beneficial Owners of the Notes 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:

"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 Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Continuing Disclosure Information" shall mean: (i) any notice required to be filed with the MSRB pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the MSRB 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.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"Noteholder" shall mean any person who is the registered owner of any Note, including holders of beneficial interests in the Notes.

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

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

"State" shall mean the State of New Jersey.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on the credit enhancements reflecting financial difficulties;
5. substitution of the 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 Notes, or other material events affecting the tax-exempt status of the Notes;
7. modifications to rights of Noteholders, if material;
8. Note calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Notes, 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 the 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 4. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. 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 6. 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, 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 Notes, 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 Notes, 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 Noteholders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the same manner as for a Listed Event under Section 3(a), and shall include a narrative explanation of the reason for the amendment or waiver.

SECTION 7. 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 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 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 Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Noteholder or Beneficial Owner of the Notes 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 Notes, 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 9. 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 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 shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Noteholders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: _____, 2018

TOWNSHIP OF LITTLE EGG HARBOR, IN THE
COUNTY OF OCEAN, NEW JERSEY

By: _____
Garrett Loesch, Chief Financial Officer

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APPENDIX D
FORM OF BOND COUNSEL OPINION

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

February __, 2018

Township Committee of the
Township of Little Egg Harbor, in the
County of Ocean, New Jersey

Re: Township of Little Egg Harbor, in the County of Ocean, New Jersey
\$7,851,000 Bond Anticipation Notes, Series 2018A (Tax-Exempt)
\$1,169,000 Bond Anticipation Notes, Series 2018B (Federally Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Township of Little Egg Harbor, in the County of Ocean, New Jersey (the "Issuer") of its Bond Anticipation Notes, Series 2018A (Tax-Exempt) in the aggregate principal amount of \$7,851,000 (the "Tax-Exempt Notes") and its Bond Anticipation Notes, Series 2018B (Federally Taxable) in the aggregate principal amount of \$1,169,000 (the "Taxable Notes", and together with the Tax-Exempt Notes, the "Notes"). The Notes are general obligations of the Issuer and the full faith, credit and taxing power of the Issuer are available to pay the principal of and the interest on the Notes. The Notes are each dated their date of delivery, are issued in registered form, mature on February 1, 2019 and are not subject to redemption prior to maturity. The Tax-Exempt Notes bear interest at a rate of 2.50% per annum payable at maturity and the Taxable Notes bear interest at a rate of 1.25% per annum payable at maturity.

The Notes will be initially issued in fully registered form in the form of one certificate for the aggregate amount of Notes of each series. The Notes of each series are registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, Jersey City, New Jersey ("DTC"), which will act as securities depository for the Notes. 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 Notes 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 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 Notes 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"). The Tax-Exempt Notes are issued pursuant to bond ordinances of the Township numbered 2011-15, 2013-14, 2016-05 and 2017-08 collectively, the "Tax-Exempt Ordinances") and the Taxable Notes are issued pursuant to bond ordinances of the Township numbered 2002-08, 2002-14, as amended by 2002-36, 2002-23, 2005-19, 2007-04, 2007-10, 2008-03, 2008-04, 2009-05 and 2009-06 (collectively, the "Taxable Ordinances", and together with the Tax-Exempt Ordinances, the "Ordinances"). The Notes are issued for the purpose of providing funds to finance and refinance various capital improvements as described in the Ordinances (collectively, the "Project"). The Project was authorized by the Ordinances.

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 Notes, including (a) a copies of 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 Notes as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied upon the forms of the proceedings and other certifications of public officials to be executed and furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming that the Notes and other documents and certificates are executed and delivered as instructed by us, we are of the opinion that:

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

2. Assuming continuing compliance by the Township with certain covenants and with the provisions of the Code applicable to the Tax-Exempt Notes, under statutes and court decisions existing on the date of original delivery of the Tax-Exempt Notes, interest on the Tax-

Township Committee of the
Township of Little Egg Harbor, in the
County of Ocean, New Jersey
February __, 2018
Page

Exempt Notes is excluded from gross income of the holders of the Tax-Exempt Notes for federal income tax purposes under Section 103 of the Code. In addition, interest on the Tax-Exempt Notes is not treated as a preference item for purposes of the alternative minimum tax imposed by the Code on individuals or corporations, but for the taxable years that began on or before December 31, 2017, interest on the Tax-Exempt Notes will be included in "adjusted current earnings" in computing alternative minimum taxable income for purposes of the alternative maximum tax imposed by the Code on certain corporations.

3. Under the laws of the State of New Jersey as enacted and construed on the date of original issuance of the Notes, interest on the Notes and gain from the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act.

4. Interest on the Taxable Notes is includable in gross income for federal income tax purposes.

5. The power and obligation of the Issuer to pay the Notes is unlimited, and the Issuer shall have the power and be obligated to levy ad valorem taxes upon all the taxable real property within the Township for the payment of the Notes and interest thereon, without limitation of 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 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, 3 and 4 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Notes.

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 Notes.

GLUCKWALRATH LLP

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