

OFFICIAL STATEMENT DATED JULY 18, 2019

NEW ISSUE
BOOK-ENTRY ONLY

Rating: S&P: "AA-"
(See "RATING" herein)

In the opinion of DeCotiis, FitzPatrick, Cole & Gibling, LLP, Bond Counsel, assuming continuing compliance by the Borough of Point Pleasant Beach (the "Borough") with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended ("Code"), for purposes of computing the federal alternative minimum tax. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds. Further, in the opinion of Bond Counsel, under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$8,720,000
BOROUGH OF POINT PLEASANT BEACH
COUNTY OF OCEAN, NEW JERSEY
GENERAL OBLIGATION BONDS, SERIES 2019
(BOOK-ENTRY ONLY) (CALLABLE) (BANK QUALIFIED)
Consisting of:
\$6,765,000 General Improvement Bonds
and
\$1,955,000 Water/Sewer Utility Bonds

DATED: Date of Delivery

DUE: August 1, as shown on inside front cover

The \$8,720,000 aggregate principal amount of General Obligation Bonds, Series 2019, consisting of \$6,765,000 General Improvement Bonds (the "General Improvement Bonds") and \$1,955,000 Water/Sewer Utility Bonds (the "Water/Sewer Utility Bonds" and together with the General Improvement Bonds, the "Bonds") are general obligations of the Borough of Point Pleasant Beach, in the County of Ocean, New Jersey (the "Borough") and shall be issued in fully registered book-entry-only form without coupons. The principal of the Bonds shall be paid on the respective maturity dates thereof upon presentation and surrender of the Bonds at the principal office of the Borough, as bond registrar and paying agent (the "Paying Agent"). Interest on the Bonds is payable semiannually on February 1 and August 1 ("Interest Payment Dates"), commencing February 1, 2020, in each year until maturity, or earlier redemption. The Bonds are subject to redemption prior to their stated maturity dates.

Upon initial issuance, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as herein defined) which will, in turn, remit such payments to the Beneficial Owners (as herein defined) of the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. For so long as any purchaser is a Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant to receive payment of the principal of and interest on such Bond.

The Borough is issuing the Bonds pursuant to: (i) the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, as amended and supplemented ("Local Bond Law"); (ii) various bond ordinances finally adopted by the Borough Council and published in accordance with the requirements of the Local Bond Law; and (iii) a resolution adopted by the Borough Council on June 18, 2019.

The proceeds of the General Improvement Bonds will be used to: (i) refund, on a current basis, \$6,966,831 in aggregate principal amount of outstanding bond anticipation notes of the Borough maturing August 2, 2019; (ii) finance various general improvements in the amount of \$485,169; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the General Improvement Bonds.

The proceeds of the Water/Sewer Utility Bonds, together with \$9,477 available funds of the Borough, will be used to: (i) refund, on a current basis, \$2,144,477 in aggregate principal amount of outstanding bond anticipation notes of the Borough maturing August 2, 2019; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Water/Sewer Utility Bonds.

The full faith and credit of the Borough are irrevocably pledged for the payment of the principal of and interest on the Bonds. The Bonds are general obligations of the Borough payable as to principal and interest from ad valorem taxes to be levied upon all taxable real property in the Borough without limitation as to rate or amount. See "SECURITY AND SOURCE OF PAYMENT" herein.

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

The Bonds are offered when, as and if issued and delivered to the Purchaser, subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of DeCotiis, FitzPatrick, Cole & Gibling, LLP, Teaneck, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the Borough by its Borough Attorney Steven Zabarsky, Esquire, Toms River, New Jersey. Phoenix Advisors, LLC has served as Municipal Advisor to the Borough in connection with the Bonds. It is expected that the Bonds will be available for delivery to DTC on or about August 1, 2019.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

\$8,720,000
GENERAL OBLIGATION BONDS, SERIES 2019
Consisting of:
\$6,765,000 General Improvement Bonds
\$1,955,000 Water/Sewer Utility Bonds

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

<u>Year</u>	<u>General Improvement Principal Amount</u>	<u>Water/Sewer Utility Principal Amount</u>	<u>Total Aggregate Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number**</u>
2020	\$315,000	\$75,000	\$390,000	4.00%	1.15%	730570GA0
2021	505,000	140,000	645,000	4.00	1.17	730570GB8
2022	520,000	145,000	665,000	4.00	1.18	730570GC6
2023	545,000	145,000	690,000	4.00	1.19	730570GD4
2024	565,000	145,000	710,000	5.00	1.20	730570GE2
2025	590,000	145,000	735,000	4.50	1.25	730570GF9
2026	615,000	145,000	760,000	4.00	1.33	730570GG7
2027	615,000	145,000	760,000	4.00	1.40*	730570GH5
2028	620,000	145,000	765,000	4.00	1.50*	730570GJ1
2029	625,000	145,000	770,000	2.125	2.125*	730570GK8
2030	625,000	145,000	770,000	3.00	2.00*	730570GL6
2031	625,000	145,000	770,000	3.00	2.10*	730570GM4
2032		145,000	145,000	3.00	2.15*	730570GN2
2033		145,000	145,000	3.00	2.20*	730570GP7

* Priced at the stated yield to the first optional redemption date of August 1, 2026 at a redemption price of 100%.

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

**BOROUGH OF POINT PLEASANT BEACH
416 NEW JERSEY AVENUE
POINT PLEASANT BEACH, NEW JERSEY 08742-3330**

Mayor

Stephen D. Reid

Borough Council

Thomas Vogel - President

Bob Santanello

Thomas Migut

Paul M. Kanitra

Thomas Toohey

Andy Cortes

Borough Administrator/Chief Financial Officer

Christine Riehl

Borough Clerk/Registrar

Eileen A. Farrell

Borough Solicitor

Steven Zabarsky, Esquire

Toms River, New Jersey

Borough Auditor

Suplee, Clooney & Company

Westfield, New Jersey

Bond Counsel

DeCotiis, FitzPatrick, Cole & Giblin, LLP

Teaneck, New Jersey

Municipal Advisor

Phoenix Advisors, LLC

Bordentown, New Jersey

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

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

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

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

DeCotiis, FitzPatrick, Cole & Giblin, LLP, has not participated in the preparation of the financial statements or statistical information contained in this Official Statement, nor has it verified the accuracy, completeness, or fairness thereof, and accordingly, express no opinion with respect thereto.

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOROUGH AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

OF THE

**BOROUGH OF POINT PLEASANT BEACH
IN THE COUNTY OF OCEAN, NEW JERSEY**

\$8,720,000 GENERAL OBLIGATION BONDS, SERIES 2019

Consisting of

\$6,765,000 GENERAL IMPROVEMENT BONDS

and

\$1,955,000 WATER/SEWER UTILITY BONDS

INTRODUCTION

This Official Statement (the "Official Statement") which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Point Pleasant Beach (the "Borough"), in the County of Ocean (the "County"), State of New Jersey (the "State"), to provide certain information in connection with the sale and issuance by the Borough of its \$8,720,000 General Obligation Bonds, Series 2019, consisting of \$6,765,000 General Improvement Bonds (the "General Improvement Bonds") and \$1,955,000 Water/Sewer Utility Bonds (the "Water/Sewer Utility Bonds"), and together with the General Improvement Bonds, the "Bonds"), dated the date of delivery thereof.

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

THE BONDS

General Description

The Bonds will be issued in the aggregate principal amount of \$8,720,000, will be dated their date of issuance and bear interest from that date at the rates set forth on the inside front cover page hereof. Interest on the Bonds will be payable semiannually on February 1 and August 1 ("Interest Payment Dates"), commencing on February 1, 2020, in each year until maturity, or earlier redemption. The Bonds will mature on August 1 in each of the years and in the principal amounts shown on the inside front cover page of this Official Statement. The Bonds are subject to redemption prior to maturity. See "Redemption Provisions" herein.

The Bonds will be issued in fully registered book-entry only form without coupons in the principal denominations of \$5,000 or any integral multiple of \$1,000 in excess thereof. The principal of the Bonds will be payable to the registered owners thereof at maturity upon presentation and surrender of the Bonds at the offices of the Borough, as bond registrar and paying agent ("Paying Agent"). Interest on each Bond shall be payable on each Interest Payment Date of such Bond to the registered owner of record thereof appearing on the registration books kept by the Borough for such purpose at the Borough as of the close of business on the fifteenth day of the calendar month preceding the month in which each Interest Payment Date occurs ("Record Date").

So long as The Depository Trust Company, New York, New York ("DTC"), or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to Direct Participants, which will in turn remit such payments to the Beneficial owners of the Bonds. Disbursements of such payments to the DTC Participants ("DTC Participants") is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as herein defined) of the Bonds is the responsibility of the DTC Participants and not the Borough. See "THE BONDS - Book-Entry Only System" herein.

Redemption Provisions

The Bonds maturing on or before August 1, 2026 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2027 are subject to redemption prior to maturity at the option of the Borough, as a whole or in part on any date on or after August 1, 2026, and if in part such maturity or maturities, or portions thereof, as decided by the Borough shall be redeemed, at a redemption price equal to one hundred percent (100%) of the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption.

Notice of redemption shall be given by mailing first class mail in a sealed envelope with postage pre-paid not less than thirty (30) days nor more than sixty (60) days prior to the redemption date to the owner of every Bond of which all or a portion is to be redeemed at his or her last address, if any, appearing on the registration books of the Borough. So long as the Bonds are issued in book-entry-only form, all notices of redemption will be sent only to DTC or any successor, and will not be sent to the beneficial owners of the Bonds. Failure of an owner of the Bonds to receive such notice or of DTC to advise any participant or any failure of a participant to notify any beneficial owner of the Bonds shall not affect the validity of any proceedings for the redemption of Bonds. Such notice shall specify: (i) the series and maturity of the Bonds to be redeemed; (ii) the redemption date and the place or places where amounts that are due and payable upon such redemption will be payable; (iii) if less than all of the Bonds are to be redeemed, the letters and numbers or other distinguishing marks of the Bonds to be redeemed; (iv) in the case of a Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed; (v) that on the redemption date there shall become due and payable with respect to each Bond or portion thereof to be redeemed the redemption price; and (vi) that from and after the redemption date interest on such Bond or portion thereof to be redeemed shall cease to accrue and be payable.

BOOK-ENTRY ONLY SYSTEM

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities

brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the 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 nor its nominee, the Borough as Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

Discontinuation of Book-Entry Only System

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

In the event that the book-entry only system for the Bonds is discontinued upon receipt of the Bond certificates from DTC and the Participant information, the Borough will authenticate (or cause to be authenticated) and deliver definitive Bonds to the holders thereof, and the principal of and interest on the Bonds will be payable and the Bonds may thereafter be transferred or exchanged in the manner described in the bond certificates so provided.

AUTHORIZATION AND PURPOSE OF THE BONDS

The Bonds have been authorized and are issued pursuant to the laws of the State, including the Local Bond Law, Chapter 2 of Title 40A of the New Jersey Statutes, as amended (the "Local Bond Law"), and various bond ordinances of the Borough. The bond ordinances were published in full or by summary after their final adoption along with the statement that the twenty (20) day period of limitation within which a suit, action or proceeding questioning the validity of such bond ordinances could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the Borough.

The proceeds of the General Improvement Bonds will be used to: (i) refund, on a current basis, \$6,966,831 in aggregate principal amount of outstanding bond anticipation notes of the Borough maturing August 2, 2019; (ii) finance various general improvements in the amount of \$485,169; and (iii) pay certain costs and expenses incidental to the issuance and delivery of the General Improvement Bonds. The ordinances to be funded by the General Improvement Bonds are included in the table below.

General Improvement Bonds

<u>Ordinance No.</u>	<u>Purpose</u>	Amount Funded by the General Improvement Bonds
2007-17/2010-48	Various Capital Improvements	\$545,124
2008-55	Various Capital Improvements	429,303
2009-35	Purchase of Fire Truck	438,435
2010-55	Acquisition of Metered Parking Equipment	354,699
2012-17	Various Capital Improvements	379,730
2013-19	Various Public Improvements	2,477,202
2014-12	Acquisition of Real Property for Municipal Purpose	440,556
2014-14	Acquisition of a New Pumper Ladder Fire Truck	624,526
2014-20	Various Public Improvements and Acquisition of Equipment	587,256
2018-09	Various Public Improvements and Acquisition of Equipment	<u>1,175,169</u>
General Improvement Total:		<u>\$7,452,000</u>

The proceeds of the Water/Sewer Utility Bonds, together with \$9,477 available funds of the Borough, will be used to: (i) refund, on a current basis, \$2,144,477 in aggregate principal amount of outstanding bond anticipation notes of the Borough maturing August 2, 2019; and (ii) pay certain costs and expenses incidental to the issuance and delivery of the Water/Sewer Utility Bonds. The ordinances to be funded by the Water/Sewer Utility Bonds are included in the table below.

Water/Sewer Utility Bonds

<u>Ordinance No.</u>	<u>Purpose</u>	Amount Funded by the Water/Sewer Utility Bonds
2007-11	Phase I of Sanitary Sewer Upgrade	\$14,000
2007-18	Various Water and Sewer Utility Improvements	194,580
2008-56	Sewer System Evaluation Study – Phase I	227,580
2009-33	Phase II Sanitary Sewer System Evaluation	293,790
2011-22	Improvements to the Sanitary Sewer System	814,340
2012-18	Various Water and Sewer Utility Improvements	74,855
2014-19	Various Water and Sewer Utility Improvements	163,725
2015-14	Various Water and Sewer Utility Improvements	<u>352,130</u>
Water/Sewer Utility Total:		<u>\$2,135,000</u>
Grand Total:		<u>\$9,587,000</u>

SECURITY AND SOURCE OF PAYMENT

The Bonds are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Borough and, to the extent that other monies are not available, the Borough is required by law to levy ad valorem taxes upon all the real property taxable within the Borough for the payment of the principal of and interest on the Bonds without limitation as to rate or amount.

NO DEFAULT

The Borough has never defaulted in the payment of any bonds or notes, nor are any payments of principal or of interest on the Borough's indebtedness past due.

CERTAIN STATUTORY PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

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

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

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. An annual, independent audit of the local unit's accounts for the previous year must be performed by a licensed Registered Municipal Accountant. The audit, conforming to the Division of Local Government Services "Requirements of Audit," includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director within six months after the close of the fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its completion.

The chief financial officer of every local unit must file annually with the Director a verified statement of financial condition of the local unit and all constituent boards, agencies or commissions.

The annual audit report is filed with the Borough Clerk and is available for review during business hours.

Debt Limits

The authorized bonded indebtedness of a municipality in the State of New Jersey is limited by statute, subject to the exceptions noted below, to an amount equal to 3-1/2% of its equalized valuation basis. The equalized valuation basis of the municipality is set by statute as the average for the last three years of the equalized value of all taxable real property and improvements and certain class II railroad property within its boundaries as annually determined by the State Board of Taxation.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit.

Exceptions to Debt Limits-Extensions of Credit

The debt limit of the Borough may be exceeded with the approval of the Local Finance Board, in the Division of Local Government Services, Department of Community Affairs, State of New Jersey, a State regulatory agency (the "Board"). If all or any part of a proposed debt authorization would exceed its debt limit, the Borough must apply to the Board for an extension of credit. If the Board determines that a proposed debt authorization would not materially impair the ability of the Borough to meet its obligations or to provide essential services, or makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued without the approval of the Board to fund certain bonds and notes, for self-liquidating purposes and, in each fiscal year, in an amount not exceeding two-thirds of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of obligations issued for utility or assessment purposes).

Short-Term Financing

The Borough may issue bond anticipation notes to temporarily finance capital improvements. Bond anticipation notes, which are general obligations of the Borough, may be issued for a period not exceeding one year. Generally, bond anticipation notes may not be outstanding longer than 10 years. Additionally, beginning in the third year, the amount of outstanding notes that may be renewed is decreased by not less than the minimum amount required for the first year principal payment of bonds in anticipation of which such notes are issued.

School Debt Subject to Voter Approval

State Law permits the school district, upon approval of the voters, to authorize school district debt, including, debt in excess of its independent debt limit by using the available borrowing capacity of the Borough. If such debt is in excess of the school district debt limit and the remaining borrowing capacity of the Borough, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters.

MUNICIPAL BUDGET

Pursuant to the Local Budget Law (N.J.S.A. 40A:4-1 et seq.) the Borough is required to have a balanced budget in which debt service is included in full for each fiscal year.

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

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. Local budgets, by law and regulation, must be in balance on a "cash basis". No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval thereof (N.J.S.A. 40A:4-10).

The principal sources of Borough revenues are real estate taxes and miscellaneous revenues.

In any year, the municipality may authorize, by resolution, the issuance of tax anticipation notes which may be issued in anticipation of the collection of taxes for such year. Tax anticipation notes, are limited in amount by law and must be paid off in full by a municipality within one hundred and twenty (120) days after the close of the fiscal year.

Real Estate Taxes

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

Section 41 of the Local Budget Law provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the

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

The provision requires that an additional amount (the "reserve for uncollected taxes") be added to the tax levy required to balance the budget so that when the percentage of the prior year's tax collection is applied to the combined total, the product will at least be equal to the tax levy required to balance the budget. The reserve requirement is calculated as follows:

Levy Required to Balance Budget

$$\frac{\text{Prior Year's Percentage of Current Tax Collections (or lesser \%)}}{\text{Total Taxes to be Levied}} = \text{Levy Required to Balance Budget}$$

Miscellaneous Revenues

Section 26 of the Local Budget Law provides: "no miscellaneous revenues from any source shall 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 shall determine upon application by the governing body that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and shall certify such determination, in writing, to the local unit." The exception to this is the inclusion of categorical grants-in-aid contracts for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar fiscal year.

Limitations on Municipal Appropriations and Tax Levy

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 "cost-of-living adjustment". The cost-of-living adjustment 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 cost-of-living adjustment 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 cost-of-living adjustment is 2.5% or less.

Additionally, P.L 2007, c. 62, effective April 3, 2007, imposed a 4% cap on the tax levy of a municipality, county, fire district, or solid waste collection district, with certain exclusions and allowing waivers by the Local Finance Board, and on July 13, 2010, P.L. 2010, c. 44 was approved, effective for budget years following enactment, reducing the tax levy cap to 2% and limiting the exclusions to amounts required to be raised by taxation for capital expenditures, including debt service as defined by law, certain pension contributions and health care costs in excess of 2% and extraordinary costs directly related to a declared emergency. Voter approval may be requested to increase the amount to be raised by taxation by more than the allowable adjusted tax levy.

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

Deferral of Current Expense

Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. With minor exceptions, however, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, revaluation of real property, codification of ordinances, master plan preparations and contractually required severance liabilities, which may be amortized over five years.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited until the last two months of the year and, although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval by the governing body.

Fiscal Year

The Borough's fiscal year is the calendar year. Chapter 75 of the Pamphlet Laws of 1991 of New Jersey required municipalities with populations in excess of 35,000 or which received Municipal Revitalization Aid from the State in 1990 or 1991 to change their fiscal year from the calendar year to the State fiscal year (July 1 to June 30), unless an exemption is granted. Municipalities not meeting the criteria for a mandatory change have the option to choose to change to the State fiscal year. The Borough did not meet the criteria to change to the State fiscal year and does not presently intend to optionally make such a change in the future.

Budget Process

Primary responsibility for the Borough's budget process lies with the Borough Council. As prescribed by the Local Budget Law, adoption should occur by the end of March, however, extensions may be granted by the Division to any local governmental unit. In the first quarter in which the budget formulation is taking place, the Borough operates under a temporary budget which may not exceed 26.25% of the previous fiscal year's adopted budget. In addition to the temporary budget, the Borough may approve emergency temporary appropriations for any purpose for which appropriations may lawfully be made.

TAX MATTERS

The Borough has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Internal Revenue Code of 1986, as amended ("Code"). Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the opinion of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Bond Counsel, to be delivered at the time of original issuance of the Bonds, assuming continuing compliance by the Borough with certain covenants described herein, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax. No opinion is expressed regarding other federal tax consequences or other federal taxes arising with respect to the Bonds.

The Code imposes certain significant ongoing requirements that must be met after the issuance and delivery of the Bonds in order to assure that the interest on the Bonds will be and remain excludable from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and

expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Bonds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issuance, regardless of the date on which such noncompliance occurs or is discovered. The Borough has covenanted that it shall do and perform all acts permitted by law that are necessary or desirable to assure that interest on the Bonds will be and will remain excluded from gross income for federal income tax purposes. The Borough will deliver its Arbitrage and Tax Certificate concurrently with the issuance of the Bonds, which will contain provisions relating to compliance with the requirements of the Code, including certain covenants in that regard by the Borough. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Borough in connection with the Bonds, and Bond Counsel has assumed compliance by the Borough with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In the opinion of Bond Counsel, under current law interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

The opinions of Bond Counsel are limited to and based upon the laws and judicial decisions of the State and the federal laws and judicial decisions of the United States of America as of the date of the opinions, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for their opinions or to any laws or judicial decisions hereafter enacted or rendered. Bond Counsel assumes no obligation to update its opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action taken after the date of the opinions or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

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

Branch Profits Tax. Section 884 of the Code imposes on foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year, unless modified, reduced or eliminated by income tax treaty in certain instances. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation for purposes of the branch profits tax.

S Corporation Tax. Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with passive investment income in excess of 25 percent of gross receipts for a taxable year. The U.S. Department of Treasury has issued regulations indicating that interest on tax-exempt obligations, such as the Bonds, held by an S corporation would be included in the calculation of excess net passive income.

Other Federal Tax Consequences. Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in other collateral federal income tax consequences to certain taxpayers, including property and casualty insurance companies, individual recipients of Social Security and Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry tax-exempt obligations. Owners of the Bonds should consult their own tax advisors as to the applicability and the effect on their federal income taxes of the alternative minimum tax, the branch profits tax and the tax on S corporations, as well as the applicability and the effect of any other federal income tax consequences.

Possible Government Action. Legislation affecting municipal obligations is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service ("IRS") has established an expanded audit program for tax-exempt obligations. There can be no assurance that legislation enacted or proposed or an audit

initiated or concluded by the IRS after the issue date of the Bonds involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the tax-exempt status or market price of the Bonds.

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

LITIGATION

To the knowledge of the Borough Attorney, Steven Zabarsky, Esquire, Citta, Holzapfel & Zabarsky, Toms River, New Jersey (the "Borough Attorney"), there is no litigation of any nature now pending or threatened that seeks to restrain or enjoin the issuance or the delivery of the Bonds, the levy or the collection of any taxes to pay the principal of or the interest on the Bonds or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of the taxes, affecting the validity of the Bonds or the levy or the collection of taxes or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers of the Borough to their respective offices.

Additionally, there is at present no single action pending or threatened against the Borough which would impose an undue financial burden on the Borough. In New Jersey's courts of general jurisdiction, unliquidated money damages are pleaded generally without specifying a dollar amount. The Borough is a party-defendant in certain law suits, none of a kind unusual for a Borough of its size, and none of which, in the opinion of the Borough Attorney, would adversely impair the Borough's ability to pay its Bondholders. All of the Borough's tort actions are being defended by either an insurance company or insurance underwriters. Pending municipal real estate tax appeals are limited in number. The Borough would fund the ultimate liability arising from tax appeals from amounts currently reserved, succeeding years' budgets, or after obtaining the approval of the Local Finance Board, the issuance of tax appeal refunding bonds or notes. Such resolution would not in any way endanger the Borough's ability to pay its Bondholders.

THE FEDERAL BANKRUPTCY ACT

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 *et seq.*, as amended by Public Law 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 creditor's 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 thru 52:27-45.11, which provides that any county, municipality, or other political subdivision of the 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.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, sale, issuance and delivery of the Bonds are subject to the approval of DeCotiis, FitzPatrick, Cole & Giblin, LLP, Teaneck, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be substantially in the form provided in Appendix C. Certain legal matters will be passed on for the Borough by the Borough Attorney.

CONTINUING DISCLOSURE

The Borough has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Borough each fiscal year, commencing with the fiscal year ending December 31, 2019 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices will be provided to the Municipal Securities Rulemaking Board (the "MSRB") and will be in an electronic format as prescribed by the MSRB and shall be accompanied by such identifying information as is prescribed by the MSRB. The specific nature of the information to be contained in the Annual Report or the event notices is set forth in "APPENDIX D – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Purchaser in complying with S.E.C. Rule 15c2-12(b)(5)(the "Rule").

In the event that the Borough fails to comply with the above-described undertaking and covenants, the Borough shall not be liable for any monetary damages, the remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

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

The Borough has previously entered into continuing disclosure undertakings under the Rule. The Borough appointed Phoenix Advisors, LLC, Bordentown, New Jersey in May of 2015 to act as Continuing Disclosure Agent to assist in the filing of certain information on the MSRB's Electronic Municipal Market Access system as required under its obligations.

MUNICIPAL ADVISOR

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

FINANCIAL STATEMENTS

Certain unaudited financial data of the Township for the Township's fiscal year ending December 31, 2018 and certain audited financial data of the Township for the Township's fiscal year ending December 31, 2017 are presented in Appendix "B" to this Official Statement (the "Financial Statements"). The Financial Statements have been prepared by Suplee, Clooney & Company, Westfield, New Jersey, an independent auditor, as stated in its report appearing in Appendix "B" to this Official Statement. The Auditor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the audited financial statements appearing in Appendix "B" hereto) and, accordingly, will express no opinion with respect thereto. See "APPENDIX B - Financial Statements of the Borough of Point Pleasant Beach".

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC ("Rating Agency"), has assigned its rating of "AA-" to the Bonds based upon the creditworthiness of the Borough, at the time of delivery of the Bonds.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Borough forwarded to the Rating Agency certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be raised, lowered or withdrawn entirely, if in the Rating Agency's judgment, circumstances so warrant. Any downward change in, or withdrawal of such rating, may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased from the Borough at a public sale by Roosevelt & Cross Inc. and Associates, as underwriter ("Purchaser"), at a purchase price of \$9,589,619.56. The Purchaser has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement. The Purchaser is obligated to purchase all of the Bonds if any of the Bonds are purchased.

The Purchaser intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Purchaser reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at yields higher than the public offering yields set forth on the inside front cover page of this Official Statement, and such yields may be changed, from time to time, by the Purchaser without prior notice.

PREPARATION OF OFFICIAL STATEMENT

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

DeCotiis, FitzPatrick, Cole & Giblin, LLP, Teaneck, New Jersey has not participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement including information additional to that contained herein may be directed to Christine Riehl, Administrator/Chief Financial Officer, Borough of Point Pleasant Beach, 416 New Jersey Avenue, Point Pleasant Beach, New Jersey, 08742-3330, telephone (732) 892-8770, or to the Borough's Municipal Advisor, Phoenix Advisors, LLC, at (609) 291-0130.

MISCELLANEOUS

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

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

This Official Statement has been duly executed and delivered on behalf of the Borough by the Administrator/Chief Financial Officer.

BOROUGH OF POINT PLEASANT BEACH

By: /s/ Christine Riehl
Christine Riehl
Administrator/Chief Financial Officer

Dated: July 18, 2019

APPENDIX A

**ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING
TO THE BOROUGH OF POINT PLEASANT BEACH, IN THE COUNTY OF OCEAN, NEW JERSEY**

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INFORMATION REGARDING THE BOROUGH¹

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

General Information

The Borough is a shore community that was incorporated in 1886. The Borough comprises an area of 1.5 square miles from the Manasquan Inlet to the Manasquan River leading to Barnegat Bay. The Borough is located on the northeast border of the County, approximately 65 miles from New York City, 45 miles from the City of Trenton, and 70 miles from the City of Philadelphia.

While the population of the Borough increases during the May to October resort season, the Borough is a year-round residential community. Small businesses offer a variety of novelty items, clothing, and crafts. Restaurants lead the way to a mile-long boardwalk dedicated to family entertainment. A multi-million dollar aquarium opened in the summer of 1991 and operates year-round.

The Borough is accessible to an efficient system of highways, railroads and airlines. Routes 34, 35 and 70 are the major roadways serving the Borough, providing access to the Garden State Parkway, connecting northern New Jersey with the New York Metropolitan region.

The following means of public transportation link the Borough to the New York - New Jersey Metropolitan area:

- New Jersey Coast Line, a subsidiary of New Jersey Transit, to Newark and New York, as well as to other points in New Jersey;
- Newark Airport, within a one-hour drive of the Borough, with major airlines providing foreign and domestic service; and
- Robert J. Miller Airpark, a County-owned and operated facility located in Berkeley Township, providing charter air passenger and freight service plus tie-down space for corporate aircraft, including small jets.

Form of Government

The Borough is governed by a Mayor-Council form of government consisting of an elected Mayor and six (6) Council Members elected at large.

The executive powers are implemented through a professional staff comprised of a Borough Administrator, Borough Clerk, Chief Financial Officer, Tax Collector, Public Works Director, and a Construction and Code Enforcement official.

¹ Source: The Borough, unless otherwise indicated.

Office of the Borough Administrator

The Borough Administrator serves as the Borough's chief administrative officer. The Administrator is chosen by the Council on the basis of qualifications and training. This full-time salaried officer carries out the policies established by the Council. The duties of the Administrator include preparation of the annual municipal budget, overseeing the daily operations of the Borough, attendance at Council meetings, and making recommendations and reports to the Council.

Office of the Borough Clerk

The Borough Clerk's duties include service as secretary to the governing body, secretary to the municipality and elected officials.

Office of the Chief Financial Officer

The Chief Financial Officer handles all of the financial matters of the Borough, including the development of financial policy and annual operating and capital budgets. Additional duties include payroll, payment of bills and municipal debt service.

Retirement Systems

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

Pension Information²

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

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

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough</u>				
2018	2,439	2,353	86	3.5%
2017	2,452	2,353	99	4.0%
2016	2,463	2,360	103	4.2%
2015	2,449	2,332	117	4.8%
2014	2,487	2,342	145	5.8%
<u>County</u>				
2018	266,971	255,456	11,515	4.3%
2017	268,234	255,361	12,873	4.8%
2016	267,872	253,889	13,983	5.2%
2015	265,397	248,986	16,411	6.2%
2014	264,480	244,949	19,531	7.4%
<u>State</u>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%

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

Income (as of 2017)

	<u>Borough</u>	<u>County</u>	<u>State</u>
Median Household Income	\$92,143	\$65,771	\$76,475
Median Family Income	126,250	82,380	94,337
Per Capita Income	54,251	33,312	39,069

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

Population

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2017 Estimate	4,524	-3.02%	595,470	3.28%	9,005,644	2.43%
2010	4,665	-12.21	576,567	12.85	8,791,894	4.49
2000	5,314	3.95	510,916	17.94	8,414,350	8.85
1990	5,112	-5.60	433,203	25.19	7,730,188	4.96
1980	5,415	10.92	346,038	65.99	7,365,001	2.75

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2018 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Jenkinson's	\$95,170,200	4.75%
Chef's International, Inc.	12,483,800	0.62%
1106 Ocean Ave Inc.	12,088,500	0.60%
Cameron & Dalton, LLC	11,366,200	0.57%
Tower Beacon Gardens	9,158,400	0.46%
Senkle Corp	8,080,200	0.40%
Risden's Beach Corp.	7,384,500	0.37%
Lammers, William	5,768,100	0.29%
Lombardi Residential	5,638,100	0.28%
DL Real Estate Holdings LLC	5,312,000	0.26%
Total	<u>\$172,450,000</u>	<u>8.60%</u>

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

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2018U	\$30,931,756	\$30,520,132	98.67%
2017	30,217,293	29,792,797	98.60%
2016	30,128,045	29,672,370	98.49%
2015	29,570,751	29,179,615	98.68%
2014	29,051,282	28,613,337	98.49%

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

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>
2018U	\$0	\$394,423	\$394,423	1.28%
2017	0	404,659	404,659	1.34%
2016	179,226	391,618	570,844	1.89%
2015	169,350	334,023	503,373	1.70%
2014	159,552	382,325	541,877	1.87%

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2018U	\$0
2017	0
2016	0
2015	0
2014	0

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

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

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

<u>Year</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2019	\$0.427	\$0.010	--	--	--
2018	0.419	0.010	0.668	0.438	1.535
2017	0.414	0.010	0.653	0.434	1.518
2016	0.407	0.010	0.659	0.442	1.506
2015	0.400	0.009	0.440	0.657	1.499

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>
2018	\$2,005,614,200	\$2,127,521,163	94.27%	\$0	\$2,127,521,163
2017	1,986,911,500	2,101,439,979	94.55	0	2,101,439,979
2016	1,974,515,000	2,056,358,050	96.02	0	2,056,358,050
2015	1,950,340,300	2,062,324,522	94.57	0	2,062,324,522
2014	1,928,509,200	2,034,721,671	94.78	363,997	2,035,085,668

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2018	\$75,781,100	\$1,583,146,300	\$0	\$333,976,700	\$0	\$12,710,100	\$2,005,614,200
2017	87,996,100	1,549,023,200	0	337,182,100	0	12,710,100	1,986,911,500
2016	87,840,600	1,535,585,500	0	338,309,800	0	12,779,100	1,974,515,000
2015	95,046,200	1,504,470,600	0	338,044,400	0	12,779,100	1,950,340,300
2014	94,330,400	1,485,734,900	0	335,788,000	0	12,655,900	1,928,509,200

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

Financial Operations

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

Summary of Current Fund Budget

<u>Anticipated Revenues</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Fund Balance Utilized	\$1,200,000	\$1,300,000	\$1,120,000	\$1,070,000	\$1,070,000
Miscellaneous Revenues	4,917,772	5,362,649	5,234,106	4,959,623	5,123,598
Receipts from Delinquent Taxes	365,000	355,000	356,000	350,000	375,000
Amount to be Raised by Taxation	<u>7,791,939</u>	<u>8,032,920</u>	<u>8,223,857</u>	<u>8,415,443</u>	<u>8,559,398</u>
Total Revenue:	<u>\$14,274,711</u>	<u>\$15,050,568</u>	<u>\$14,933,963</u>	<u>\$14,795,066</u>	<u>\$15,127,996</u>
<u>Appropriations</u>					
General Appropriations	\$10,778,722	\$11,120,377	\$11,197,000	\$11,412,331	\$11,548,522
Operations (Excluded from CAPS)	514,950	889,701	788,180	530,329	711,092
Deferred Charges and Statutory Expenditures	87,108	0	0	0	0
Capital Improvement Fund	113,000	85,250	101,800	86,200	105,000
Municipal Debt Service	2,146,947	2,461,603	2,296,489	2,214,612	2,167,306
Reserve for Uncollected Taxes	<u>633,985</u>	<u>493,637</u>	<u>550,494</u>	<u>551,594</u>	<u>596,076</u>
Total Appropriations:	<u>\$14,274,711</u>	<u>\$15,050,568</u>	<u>\$14,933,963</u>	<u>\$14,795,066</u>	<u>\$15,127,996</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2018U	\$3,992,677	\$1,070,000
2017	4,245,482	1,070,000
2016	3,347,622	1,120,000
2015	3,507,578	1,300,000
2014	3,487,994	1,200,000

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

Water/Sewer Utility Operating Fund

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

Fund Balance - Water/Sewer Utility Operating Fund

<u>Year</u>	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2018U	\$2,333,448	\$50,000
2017	1,685,189	45,000
2016	1,623,828	125,000
2015	1,055,142	96,000
2014	648,537	0

U: Unaudited

Source: Annual Audit Reports of the Borough and 2018 Annual Financial Statement

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Borough Indebtedness as of December 31, 2018

General Purpose Debt	
Serial Bonds	\$6,352,000
Bond Anticipation Notes	12,533,915
Bonds and Notes Authorized but Not Issued	2,767,406
Other Bonds, Notes and Loans	<u>3,883,560</u>
Total:	\$25,536,881
Local School District Debt	
Serial Bonds	\$11,265,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$11,265,000
Utility Debt	
Serial Bonds	\$1,145,000
Bond Anticipation Notes	2,144,477
Bonds and Notes Authorized but Not Issued	1,781,279
Other Bonds, Notes and Loans	<u>311,924</u>
Total:	\$5,382,680
TOTAL GROSS DEBT	<u>\$42,184,561</u>
Less: Statutory Deductions	
General Purpose Debt	\$527
Local School District Debt	11,265,000
Self-Liquidating Utility Debt	<u>5,382,680</u>
Total:	\$16,648,208
TOTAL NET DEBT	<u>\$25,536,354</u>

Source: Annual Debt Statement of the Borough

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Overlapping Debt (as of December 31, 2018)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Local School District	\$11,265,000	100.00%	\$11,265,000
Ocean County Utilities Authority (2017)	131,798,308	1.63%	2,148,312
Brick Municipal Utilities Authority	49,107,160	2.80%	1,375,000
County	486,423,834	2.05%	<u>9,988,767</u>
Net Indirect Debt			\$24,777,080
Net Direct Debt			<u>25,536,354</u>
Total Net Direct and Indirect Debt			<u>\$50,313,433</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$2,095,106,397
Permitted Debt Limitation (3 1/2%)	73,328,724
Less: Net Debt	<u>25,536,354</u>
Remaining Borrowing Power	<u>\$47,792,370</u>
Percentage of Net Debt to Average Equalized Valuation	1.219%
Gross Debt Per Capita based on 2010 population of 4,665	\$9,043
Net Debt Per Capita based on 2010 population of 4,665	\$5,474

Source: Annual Debt Statement of the Borough

³ Borough's share represents all of the Local School District debt, its share of County debt is based on the Borough's share of total equalized valuation in the County, and its share of utilities authority debt is based on the Borough's portion of total flow from each respective authority.

APPENDIX B

**FINANCIAL STATEMENTS OF THE BOROUGH OF POINT PLEASANT BEACH,
IN THE COUNTY OF OCEAN, NEW JERSEY**

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SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Point Pleasant Beach
County of Ocean
Point Pleasant Beach, New Jersey 08742

We have compiled the accompanying balance sheets - regulatory basis of the individual funds from the 2018 Annual Financial Statement (AFS) of the Borough of Point Pleasant Beach, County of Ocean, New Jersey as of December 31, 2018 and the related statements of operations and changes in fund balances - regulatory basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements - regulatory basis have been prepared on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements and schedules information that is the representation of management of the Borough of Point Pleasant Beach. We have not audited or reviewed the accompanying financial statements - regulatory basis and, accordingly, do not express an opinion or any other form of assurance on them.

Management of the Borough of Point Pleasant Beach has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Borough of Point Pleasant Beach's financial position - regulatory basis and the results of its operations and changes in its fund balance - regulatory basis. Accordingly, these financial statements are not designed for those who are not informed about such matters.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Warren M. Korecky
Warren M. Korecky, C.P.A., R.M.A.

February 17, 2019



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Committee
Borough of Point Pleasant Beach
County of Ocean
Point Pleasant Beach, New Jersey 07083

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Borough of Point Pleasant Beach, as of December 31, 2017 and 2016, the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

SUPLEE, CLOONEY & COMPANY

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Borough of Point Pleasant Beach as of December 31, 2017 and 2016, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2017.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets of the various individual funds and account group as of December 31, 2017 and 2016, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

SUPLEE, CLOONEY & COMPANY

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018 on our consideration of the Borough of Point Pleasant Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Point Pleasant Beach's internal control over financial reporting and compliance.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Warren M. Korecky
Warren M. Korecky, C.P.A., R.M.A.

June 22, 2018

BOROUGH OF POINT PLEASANT BEACH

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>A S S E T S</u>	BALANCE DECEMBER 31, 2018 <u>Unaudited</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
Current Fund:			
Cash - Treasurer	\$ 6,370,326.91	\$ 8,383,085.89	\$ 5,237,406.65
Change Funds	50.00	550.00	550.00
	<u>6,370,376.91</u>	<u>8,383,635.89</u>	<u>5,237,956.65</u>
Receivables and Other Assets with Full Reserves:			
Taxes Receivable	394,422.92	404,659.43	391,618.17
Tax Title Liens Receivable			179,225.88
Foreclosed Property	650,600.00	650,600.00	
Revenue Accounts Receivable	20,360.60	16,546.97	25,656.80
Interfund Receivable	196,950.18		260,180.26
	<u>1,262,333.70</u>	<u>1,071,806.40</u>	<u>856,681.11</u>
Deferred Charges:			
Community Disaster Loan	800,000.00	800,000.00	800,000.00
	<u>8,432,710.61</u>	<u>10,255,442.29</u>	<u>6,894,637.76</u>
Grant Fund:			
Interfunds Receivable		173,569.44	
Grants Receivable	417,328.65	540,189.92	729,606.95
	<u>417,328.65</u>	<u>713,759.36</u>	<u>729,606.95</u>
	<u>\$ 8,850,039.26</u>	<u>\$ 10,969,201.65</u>	<u>\$ 7,624,244.71</u>

See Accountant's report
The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF POINT PLEASANT BEACH

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018 <u>Unaudited</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	\$ 205,376.54	\$ 222,339.53	\$ 525,145.82
Encumbrances	204,007.88	290,738.01	97,763.22
Reserve for Accounts Payable		8,283.07	
Due to State of New Jersey Ch. 20, P.L.1971	1,405.18	2,683.26	6,406.56
Interfunds Payable	550,618.74	273,057.14	
Prepaid Licenses	29,080.00	29,320.00	29,160.00
Prepaid Taxes	404,559.49	2,424,598.29	405,131.41
Tax Overpayments	46,241.94	28,551.71	44,774.06
County Taxes Payable	41,553.52	52,943.36	45,109.32
Local School Taxes Payable	654,132.01	610,860.74	484,938.26
Municipal Open Space Taxes Payable	3,186.13	2,236.93	1,017.81
Reserve for:			
Retroactive Payroll			105,000.00
Insurance Reimbursement	92,595.15	92,595.15	92,595.15
Sale of Municipal Assets	139,326.61	93,870.61	45,347.11
Due State of New Jersey Marriage License Fees	225.00	100.00	250.00
Due State of New Jersey State Training Fees	4,322.00	4,647.00	6,667.00
Tax Appeals	78.02	78.02	78.02
Hurricane Emergency	951.41	951.41	951.41
Public Defender Costs	300.00	300.00	
	2,377,959.62	4,138,154.23	1,890,335.15
Reserve for Receivables and Other Assets	1,262,333.70	1,071,806.40	856,681.11
Community Disaster Loan Payable	800,000.00	800,000.00	800,000.00
Fund Balance	3,992,417.29	4,245,481.66	3,347,621.50
	8,432,710.61	10,255,442.29	6,894,637.76
Grant Fund:			
Interfunds Payable	196,950.18		251,382.00
Reserve for:			
Grants Appropriated	202,265.77	666,144.66	434,429.58
Grants Unappropriated	18,112.70	47,614.70	37,678.65
Encumbrances Payable			6,116.72
	417,328.65	713,759.36	729,606.95
	\$ 8,850,039.26	\$ 10,969,201.65	\$ 7,624,244.71

See Accountant's report

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

BOROUGH OF POINT PLEASANT BEACH

CURRENT FUND

STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER 31, <u>2018</u> <u>Unaudited</u>	YEAR ENDED DECEMBER 31, <u>2017</u>	YEAR ENDED DECEMBER 31, <u>2016</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	\$ 1,070,000.00	\$ 1,120,000.00	\$ 1,300,000.00
Miscellaneous Revenue Anticipated	5,148,350.79	5,669,091.89	5,953,113.32
Receipts from Delinquent Taxes	401,335.86	390,390.01	332,144.40
Receipts from Current Taxes	30,520,132.33	29,792,797.40	29,672,369.67
Non-Budget Revenue	375,475.26	750,841.96	151,054.57
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	156,738.73	266,899.98	311,974.29
Interfunds Returned		260,180.26	63,756.95
Grants Appropriated Cancelled		9,809.00	30,664.02
Tax Overpayments Cancelled		4,187.56	
<u>Total Income</u>	<u>37,672,032.97</u>	<u>38,264,198.06</u>	<u>37,815,077.22</u>
<u>EXPENDITURES</u>			
Budget and Emergency Authorizations:			
Operations Within "CAPS"	10,068,563.93	9,899,962.00	9,808,881.00
Deferred Charges and Statutory Expenditures	1,343,737.37	1,297,038.00	1,311,496.00
Other Operations Excluded from "CAPS"	530,328.70	788,179.61	989,700.56
Capital Improvements	86,200.00	101,800.00	85,250.00
Municipal Debt Service	<u>2,214,207.51</u>	<u>2,290,334.42</u>	<u>2,452,799.34</u>
Total Budget and Emergency Authorizations:	14,243,037.51	14,377,314.03	14,648,126.90
County Taxes	8,770,692.96	8,614,721.29	8,712,158.08
Due County for Added Taxes	41,553.52	52,943.36	45,109.32
Local District School Taxes	13,397,257.00	12,981,456.00	13,013,803.00
Municipal Open Space Taxes	201,510.20	199,885.12	198,468.81
Refund of Prior Year Revenue		1,790.10	
Refund of Prior Year Tax Revenue			4,560.83
Grants Receivable Cancelled		18,228.00	44,008.61
Tax Overpayments Cancelled	4,095.97		
Interfunds Advanced	<u>196,950.18</u>		<u>8,798.26</u>
<u>Total Expenditures</u>	<u>36,855,097.34</u>	<u>36,246,337.90</u>	<u>36,675,033.81</u>
Excess in Revenues	816,935.63	2,017,860.16	1,140,043.41
Fund Balance, January 1	<u>4,245,481.66</u>	<u>3,347,621.50</u>	<u>3,507,578.09</u>
	5,062,417.29	5,365,481.66	4,647,621.50
Decreased by:			
Utilization as Anticipated Revenue	<u>1,070,000.00</u>	<u>1,120,000.00</u>	<u>1,300,000.00</u>
Fund Balance, December 31	\$ <u>3,992,417.29</u>	\$ <u>4,245,481.66</u>	\$ <u>3,347,621.50</u>

See Accountant's report
The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF POINT PLEASANT BEACH

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018 <u>Unaudited</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>ASSETS</u>			
Animal Control Trust Fund:			
Cash	\$ 969.67	\$ 2,556.27	\$ 574.87
	<u>969.67</u>	<u>2,556.27</u>	<u>574.87</u>
Trust - Other Funds:			
Cash	\$ 2,068,409.52	\$ 1,532,563.68	\$ 1,811,782.71
	<u>2,068,409.52</u>	<u>1,532,563.68</u>	<u>1,811,782.71</u>
Total Assets	\$ <u>2,069,379.19</u>	\$ <u>1,535,119.95</u>	\$ <u>1,812,357.58</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Animal Control Trust Fund:			
Due State Department of Health Reserve for Expenditures	\$ 10.80	\$ 5.40	\$
	<u>958.87</u>	<u>2,550.87</u>	<u>574.87</u>
	<u>969.67</u>	<u>2,556.27</u>	<u>574.87</u>
Trust - Other Funds:			
Interfunds Payable	\$ 22,000.00	\$	\$
Miscellaneous Reserves	<u>2,046,409.52</u>	<u>1,532,563.68</u>	<u>1,811,782.71</u>
	<u>2,068,409.52</u>	<u>1,532,563.68</u>	<u>1,811,782.71</u>
	\$ <u>2,069,379.19</u>	\$ <u>1,535,119.95</u>	\$ <u>1,812,357.58</u>

See Accountant's report
The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF POINT PLEASANT BEACH

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2018</u> Unaudited	BALANCE DECEMBER <u>31, 2017</u>	BALANCE DECEMBER <u>31, 2016</u>
<u>A S S E T S</u>			
Cash	\$ 699,207.20	\$ 795,904.27	\$ 1,961,157.13
Deferred Charges to Future Taxation:			
Funded	10,235,559.77	8,462,801.45	9,619,074.85
Unfunded	15,301,307.93	17,187,199.93	16,181,124.93
Interfunds Receivable	572,618.74	99,487.70	
Grants Receivable	794,610.36	668,790.15	836,275.21
Infrastructure Trust Loan Receivable	<u>1,668,820.00</u>	<u>26,559.00</u>	<u>26,559.00</u>
	\$ <u>29,272,124.00</u>	\$ <u>27,240,742.50</u>	\$ <u>28,624,191.12</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Interfunds Payable	\$	\$	\$ 8,798.26
Improvement Authorizations:			
Funded	732,606.60	767,813.51	362,261.91
Unfunded	3,132,819.74	3,571,139.98	6,314,739.83
Due to New Jersey Department of Transportation for Excess Reimbursement on Ordinance 15-15	15,057.63	15,057.63	15,057.63
Serial Bonds Payable	6,352,000.00	7,490,000.00	8,560,000.00
Green Trust Loan Payable			2,031.72
Infrastructure Trust Loan Payable	3,883,559.77	972,801.45	1,057,043.13
Bond Anticipation Notes	12,533,915.00	10,685,332.00	10,741,452.00
Capital Improvement Fund	41,100.00	30,725.00	37,625.00
Contracts Payable	1,576,705.61	2,931,654.35	617,813.91
Miscellaneous Reserves	252,018.05	150,243.96	150,243.96
Fund Balance	<u>752,341.60</u>	<u>625,974.62</u>	<u>757,123.77</u>
	\$ <u>29,272,124.00</u>	\$ <u>27,240,742.50</u>	\$ <u>28,624,191.12</u>

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BOROUGH OF POINT PLEASANT BEACH

GENERAL CAPITAL FUND

STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018 <u>Unaudited</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
Balance, December 31, 2017	\$ 625,974.62	\$ 757,123.77	\$ 792,123.77
Increased by:			
Premium on Sale of Bond Anticipation Notes	126,366.98	81,718.00	
	<u>\$ 752,341.60</u>	<u>\$ 838,841.77</u>	<u>\$ 792,123.77</u>
Decreased by:			
Grants Receivable Cancelled		212,867.15	
Appropriation to Finance			
Improvement Authorizations			35,000.00
Balance, December 31, 2018	<u>\$ 752,341.60</u>	<u>\$ 625,974.62</u>	<u>\$ 757,123.77</u>

See Accountant's report
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BOROUGH OF POINT PLEASANT BEACH

WATER/SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018 <u>Unaudited</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>ASSETS</u>			
<u>OPERATING FUND:</u>			
Cash	\$ 2,617,534.45	\$ 2,064,920.25	\$ 1,571,249.61
Change Fund	50.00	100.00	100.00
	<u>2,617,584.45</u>	<u>2,065,020.25</u>	<u>1,571,349.61</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	261,210.94	282,929.52	323,242.91
	<u>261,210.94</u>	<u>282,929.52</u>	<u>323,242.91</u>
Deferred Charges:			
Emergency Appropriation			335,000.00
Community Disaster Loan	100,000.00	100,000.00	100,000.00
	<u>100,000.00</u>	<u>100,000.00</u>	<u>435,000.00</u>
<u>TOTAL OPERATING FUND</u>	<u>2,978,795.39</u>	<u>2,447,949.77</u>	<u>2,329,592.52</u>
<u>CAPITAL FUND:</u>			
Cash	\$ 253,618.20	\$ 358,081.87	\$ 370,227.35
Infrastructure Loan Receivable	5,608.00	5,608.00	5,608.00
Interfunds Receivable	78,295.00		
Fixed Capital	11,709,415.57	11,709,415.57	11,709,415.57
Fixed Capital Authorized and Uncompleted	4,591,893.13	4,591,893.13	3,045,243.13
	<u>16,638,829.90</u>	<u>16,664,998.57</u>	<u>15,130,494.05</u>
<u>TOTAL CAPITAL FUND</u>	<u>16,638,829.90</u>	<u>16,664,998.57</u>	<u>15,130,494.05</u>
	\$ <u><u>19,617,625.29</u></u>	\$ <u><u>19,112,948.34</u></u>	\$ <u><u>17,460,086.57</u></u>

See Accountant's report
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BOROUGH OF POINT PLEASANT BEACH

WATER/SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018 <u>Unaudited</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
<u>OPERATING FUND:</u>			
Liabilities:			
Appropriation Reserves	\$ 76,015.36	\$ 272,122.31	\$ 139,305.78
Accounts Payable			10,000.00
Water/Sewer Utility Overpayments	17,771.02	22,677.25	12,717.80
Encumbrances Payable	81,789.71	55,637.38	59,385.53
Accrued Interest on Bonds and Notes	27,193.19	26,272.19	57,991.17
Reserve for Grants Appropriated	3,121.79	3,121.79	3,121.79
Interfunds Payable	78,295.00		
	<u>284,186.07</u>	<u>379,830.92</u>	<u>282,522.07</u>
Reserve for Receivables	261,210.94	282,929.52	323,242.91
Community Disaster Loan Payable	100,000.00	100,000.00	100,000.00
Fund Balance	<u>2,333,398.38</u>	<u>1,685,189.33</u>	<u>1,623,827.54</u>
<u>TOTAL OPERATING FUND</u>	<u>2,978,795.39</u>	<u>2,447,949.77</u>	<u>2,329,592.52</u>
<u>CAPITAL FUND:</u>			
Contracts Payable	\$ 5,497.10	\$ 21,712.60	\$ 50,479.21
Reserve For Amortization	10,596,024.61	10,149,123.51	9,708,748.10
Reserve for Deferred Amortization	322,603.80	244,308.80	166,013.80
Reserve for Water Meters	56,214.00	56,214.00	
Capital Improvement Fund	40,430.00	40,430.00	40,430.00
Improvement Authorizations:			
Funded	60,579.13	60,452.13	52,216.06
Unfunded	1,956,079.90	1,966,160.07	473,339.01
Serial Bonds Payable	1,145,000.00	1,562,000.00	1,966,000.00
Infrastructure Loan Payable	311,924.36	341,825.46	372,200.87
Bond Anticipation Notes	2,144,477.00	2,222,772.00	2,301,067.00
	<u>16,638,829.90</u>	<u>16,664,998.57</u>	<u>15,130,494.05</u>
<u>TOTAL CAPITAL FUND</u>	<u>16,638,829.90</u>	<u>16,664,998.57</u>	<u>15,130,494.05</u>
	\$ <u>19,617,625.29</u>	\$ <u>19,112,948.34</u>	\$ <u>17,460,086.57</u>

See Accountant's report
The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF POINT PLEASANT BEACH

WATER/SEWER UTILITY OPERATING FUND

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

	YEAR ENDED DECEMBER 31, 2018 <u>Unaudited</u>	YEAR ENDED DECEMBER 31, 2017	YEAR ENDED DECEMBER 31, 2016
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	\$ 45,000.00	\$ 125,000.00	\$ 96,000.00
Water/Sewer Rents	3,770,173.57	3,723,352.47	3,942,064.05
Miscellaneous	151,983.86	134,119.29	139,132.32
Other Credits to Income:			
Canceled Accrued Interest		19,981.07	
Unexpended Balance of Appropriation Reserves	<u>216,043.02</u>	<u>27,264.77</u>	<u>9,488.57</u>
<u>TOTAL INCOME</u>	\$ <u>4,183,200.45</u>	\$ <u>4,029,717.60</u>	\$ <u>4,186,684.94</u>
<u>EXPENDITURES</u>			
Operating	\$ 2,772,384.00	\$ 2,808,393.73	\$ 3,008,746.00
Capital Improvements	25,000.00	25,000.00	96,000.00
Debt Service	611,607.40	593,962.08	611,252.99
Deferred Charges and Statutory Expenditures	<u>81,000.00</u>	<u>416,000.00</u>	<u>91,000.00</u>
<u>TOTAL EXPENDITURES</u>	\$ <u>3,489,991.40</u>	\$ <u>3,843,355.81</u>	\$ <u>3,806,998.99</u>
Excess in Revenue	\$ 693,209.05	\$ 186,361.79	\$ 379,685.95
Add:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Year:			
Emergency Appropriations			<u>335,000.00</u>
Statutory Excess to Fund Balance	693,209.05	186,361.79	714,685.95
Fund Balance, January 1	\$ <u>1,685,189.33</u>	\$ <u>1,623,827.54</u>	\$ <u>1,055,141.59</u>
	2,378,398.38	1,810,189.33	1,769,827.54
Decreased By:			
Utilized as Anticipated Revenue	45,000.00	125,000.00	96,000.00
Payment to Current Fund as Anticipated Revenue			<u>50,000.00</u>
Fund Balance, December 31	\$ <u><u>2,333,398.38</u></u>	\$ <u><u>1,685,189.33</u></u>	\$ <u><u>1,673,827.54</u></u>

See Accountant's report
The accompanying Notes to Financial Statements are an integral part of this statement.

BOROUGH OF POINT PLEASANT BEACH

PUBLIC ASSISTANCE TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER 31, 2018 <u>Unaudited</u>	BALANCE DECEMBER 31, 2017	BALANCE DECEMBER 31, 2016
<u>ASSETS</u>			
Cash - Public Assistance Trust Fund I	\$ <u>14,867.95</u> \$	<u>14,628.24</u> \$	<u>14,498.84</u>
	\$ <u><u>14,867.95</u></u> \$	<u><u>14,628.24</u></u> \$	<u><u>14,498.84</u></u>
<u>LIABILITIES</u>			
Reserve for Public Assistance Trust Fund 1	\$ <u>14,867.95</u> \$	<u>14,628.24</u> \$	<u>14,498.84</u>
	\$ <u><u>14,867.95</u></u> \$	<u><u>14,628.24</u></u> \$	<u><u>14,498.84</u></u>

See Accountant's report

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

BOROUGH OF POINT PLEASANT BEACH

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Except as noted below, the financial statements of the Borough of Point Pleasant Beach include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough of Point Pleasant Beach, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Point Pleasant Beach do not include the operations of the municipal library, parking authority, volunteer fire departments and first aid squads or the local school district, inasmuch as their activities are administered by separate boards.

B. Description of Funds

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

The accounting policies of the Borough of Point Pleasant Beach conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Point Pleasant Beach are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account groups.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

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

Trust Fund - Receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created

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

Water/Sewer Utility Operating and Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned Water/Sewer utility

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

General Fixed Asset Account Group - Utilized to account for property, land, buildings and equipment that has been acquired by other governmental funds

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant accounting policies and differences in the State of New Jersey are as follows:

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances, at December 31st, are reported as a cash liability in the financial statements and constitute part of the Borough's statutory Appropriation Reserve balance.

Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis, interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

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

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C 5:30.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit. 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.

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

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

Inventories of Supplies - The cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Fixed Capital - Water/Sewer Utility

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

Property and equipment purchased by the Water/Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - The Governmental Accounting Standards Board (GASB) approved Statement No. 68 Accounting and financial reporting for pensions administered by state and local government employers. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities.

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

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

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

D. Basic Financial Statements

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

A. Deposits

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

The Borough of Point Pleasant Beach had the following cash and cash equivalents at December 31, 2017:

<u>Fund</u>	<u>Cash in Bank</u>	<u>Reconciling Items</u>	<u>Change Funds</u>	<u>Total</u>
Checking Accounts	\$12,794,543.18	\$342,078.84		\$13,136,622.02
New Jersey Cash Management Fund	15,118.45			15,118.45
Change Funds			\$650.00	650.00
	<u>\$12,809,661.63</u>	<u>\$342,078.84</u>	<u>\$650.00</u>	<u>\$13,152,390.47</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2017, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on deposit in the bank of \$12,794,543.18, \$500,000.00 was covered by Federal Depository Insurance, \$12,294,543.18 was covered under the provisions of NJGUDPA and \$15,118.45 was on deposit with the New Jersey Cash Management Fund. The New Jersey Cash Management Fund is an investment pool and is not insured by the FDIC or GUDPA.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

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

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

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2017, the Borough had \$15,118.45 on deposit with the New Jersey Cash Management Fund. Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices of the Investment Council of the New Jersey Cash Management Fund, the Borough is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risks for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: GOVERNMENTAL DEBT

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

Long-Term Debt

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2017</u>	<u>YEAR 2016</u>	<u>YEAR 2015</u>
Issued:			
General:			
Bonds, Notes and Loans	\$19,328,133.45	\$20,360,526.85	\$22,632,228.81
Water/Sewer Utility:			
Bonds, Notes and Loans	<u>4,126,597.46</u>	<u>4,639,267.87</u>	<u>4,786,670.59</u>
Net Debt Issued	\$23,454,730.91	\$24,999,794.72	\$27,418,899.40
Less: Cash on Hands to Pay Notes	13.26	13.26	135,462.82
Less: Reserve to Pay Bonds	<u>243.96</u>	<u>243.96</u>	<u>1,156,643.72</u>
	<u>\$23,454,473.69</u>	<u>\$24,999,537.50</u>	<u>\$26,126,792.86</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	\$6,501,881.19	\$5,439,686.19	\$3,702,133.47
Water/Sewer Utility:			
Bonds and Notes and Loans	<u>1,781,278.93</u>	<u>370,227.35</u>	<u>776,850.93</u>
Total Authorized but not Issued	<u>\$8,283,160.12</u>	<u>\$5,809,913.54</u>	<u>\$4,478,984.40</u>
Net Bonds and Notes Issued and and Authorized but not issued	<u>\$31,737,633.81</u>	<u>\$30,809,451.04</u>	<u>\$30,605,777.26</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long Term Debt (Continued)

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 1.237%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Local School District Debt	\$11,685,000.00	\$11,685,000.00	-0-
Water Sewer Utility Debt	5,907,876.39	5,907,876.39	-0-
General Debt	<u>25,650,014.64</u>	<u>257.22</u>	<u>25,649,757.42</u>
	<u>\$43,242,891.03</u>	<u>\$17,593,133.61</u>	<u>\$25,649,757.42</u>

NET DEBT \$25,649,757.42 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.A. 40A:2-2, \$2,051,134,747.67 EQUALS 1.237%.

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

Equalized Valuation Basis* - December 31, 2017	\$2,073,374,183.67
3-1/2 of Equalized Valuation Basis	72,568,096.43
Net Debt	<u>25,649,757.42</u>
Remaining Borrowing Power	<u>\$46,918,339.01</u>

*Equalized Valuation Basis is the average of the equalized valuation of Real Estate, including improvements, and the assessed valuation of Class II Railroad Property of the Borough for the last three (3) preceding years.

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

Surplus Anticipated and Total Cash Receipts from Fees, Rents, or Other Charges for the Year		\$	3,860,534.14
Deductions:			
Operating and Maintenance Cost	\$	3,158,669.12	
Debt Service		<u>593,962.08</u>	
Total Deductions			<u>3,752,631.20</u>
Excess in Revenue - Self Liquidating	\$		<u>107,902.94</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long Term Debt (Continued)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING AS OF DECEMBER 31, 2017

CALENDAR YEAR	<u>PUBLIC IMPROVEMENT</u>		<u>WATER/SEWER UTILITY</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2018	\$1,138,000.00	\$214,258.83	\$417,000.00	\$27,836.42	\$1,797,095.25
2019	1,170,000.00	192,301.25	425,000.00	20,596.00	1,807,897.25
2020	1,160,000.00	169,305.75	425,000.00	13,042.00	1,767,347.75
2021	325,000.00	146,251.25	295,000.00	5,487.00	771,738.25
2022	350,000.00	136,501.25			486,501.25
2023	350,000.00	125,563.75			475,563.75
2024	350,000.00	114,188.75			464,188.75
2025	350,000.00	101,938.75			451,938.75
2026	350,000.00	89,688.75			439,688.75
2027	350,000.00	77,001.25			427,001.25
2028	400,000.00	63,876.25			463,876.25
2029	400,000.00	48,376.25			448,376.25
2030	400,000.00	32,376.25			432,376.25
2031	397,000.00	16,376.25			413,376.25
	<u>\$7,490,000.00</u>	<u>\$1,528,004.58</u>	<u>\$1,562,000.00</u>	<u>\$66,961.42</u>	<u>\$10,646,966.00</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long Term Debt (Continued)

The Public Improvement Bond issues are comprised of the following:

<u>ISSUE</u>	OUTSTANDING BALANCE DECEMBER <u>31, 2017</u>
\$6,177,000.00 in General Improvement Bonds dated August 3, 2011, due in remaining annual installments ranging between \$250,000.00 and \$400,000.00 beginning August 1, 2018 and ending August 1, 2031 with interest from 3.00% to 4.125%	\$4,887,000.00
\$2,603,000.00 in General Refunding Bonds dated May 23, 2017, due in remaining annual installments ranging between \$845,000.00 and \$888,000.00 beginning August 15, 2018 and ending August 15, 2020 with interest of 1.610%	<u>2,603,000.00</u>
	<u><u>\$7,490,000.00</u></u>

The Water/Sewer Utility Bonds are comprised of the following issues:

<u>ISSUE</u>	OUTSTANDING BALANCE DECEMBER <u>31, 2017</u>
\$1,705,000.00 in Water/Sewer Refunding Bonds dated July 9, 2015, due in remaining annual installments ranging between \$275,000.00 and \$295,000.00 beginning October 1, 2018 and ending October 1, 2021 with interest rate of 1.86%	\$1,135,000.00
\$427,000.00 in Water/Sewer Refunding Bonds dated May 23, 2018, due in remaining annual installments ranging between \$140,000.00 and \$145,000.00 beginning August 15, 2018 and ending August 15, 2020 with interest rate of 1.61%	<u>\$427,000.00</u>
	<u><u>\$1,562,000.00</u></u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long Term Debt (Continued)

New Jersey Infrastructure Trust Loan

The Borough has also entered into two agreements with the New Jersey Environmental Infrastructure Trust Fund. The first loan has been recorded in the Water Sewer Utility Capital Fund and is dated November 8, 2007 for Sanitary Sewer System Rehabilitation. The agreement provides for an interest bearing loan from the Trust not to exceed \$300,000.00 at interest from 3.50% to 5.00% and an interest free loan not to exceed \$294,392.00. The second loan has been recorded in the General Capital Fund and is dated May 10, 2011 for the Lake of the Lilies Dredging Project. This agreement provides for an interest bearing loan from the Trust not to exceed \$415,000.00 at interest from 3.50% to 5.00% and an interest free loan not to exceed \$1,263,420.00. On July 9, 2012 the Fund Loan was reduced by \$98,099.00 based upon final project costs.

Following are the maturities and debt schedule for the outstanding principal and interest on the loans:

<u>Water/Sewer Utility Capital Fund Loan Dated November 8, 2007</u>			
<u>Calendar</u>	<u>Trust Loan</u>		<u>Fund Loan</u>
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2018	\$15,000.00	\$8,562.50	\$14,901.10
2019	15,000.00	7,812.50	14,426.80
2020	15,000.00	7,212.50	14,047.36
2021	20,000.00	6,612.50	16,829.94
2022	20,000.00	5,612.50	16,197.54
2023	20,000.00	4,612.50	15,565.14
2024	20,000.00	3,762.50	15,027.58
2025	20,000.00	2,862.50	14,458.42
2026	20,000.00	1,962.50	13,889.26
2027	25,000.00	1,062.50	16,482.32
	<u>\$190,000.00</u>	<u>\$50,075.00</u>	<u>\$151,825.46</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long Term Debt (Continued)

New Jersey Infrastructure Trust Loan (Continued)

Current Fund Loan Dated May 10, 2010				
Calendar	Trust Loan		Fund Loan	
Year	Principal	Interest	Principal	Total
2018	\$20,000.00	\$12,025.00	\$64,241.68	\$96,266.68
2019	20,000.00	11,025.00	64,241.68	95,266.68
2020	20,000.00	10,225.00	64,241.68	94,466.68
2021	25,000.00	9,225.00	64,241.68	98,466.68
2022	25,000.00	8,475.00	64,241.68	97,716.68
2023	25,000.00	7,475.00	64,241.68	96,716.68
2024	25,000.00	6,475.00	64,241.68	95,716.68
2025	25,000.00	5,475.00	64,241.68	94,716.68
2026	25,000.00	4,475.00	64,241.68	93,716.68
2027	30,000.00	3,600.00	64,241.68	97,841.68
2028	30,000.00	2,400.00	30,384.65	62,784.65
2029	30,000.00	1,200.00		31,200.00
	<u>\$300,000.00</u>	<u>\$82,075.00</u>	<u>\$672,801.45</u>	<u>\$1,054,876.45</u>

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2017, the Borough has authorized but not issued bonds and notes as follows:

General Capital Fund \$6,501,881.19

Water/Sewer Utility Capital Fund \$ 1,781,278.93

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Short-Term Debt

BOND ANTICIPATION NOTES

Outstanding Bond Anticipation Notes are summarized as follows:

General Capital Fund:

<u>Ordinance Number</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
07-17	12/11/09	08/04/17	08/03/18	2.25%	\$522,958.00
08-55	08/12/10	08/04/17	08/03/18	2.25%	474,933.00
09-35	08/12/10	08/04/17	08/03/18	2.25%	472,185.00
10-55	08/12/11	08/04/17	08/03/18	2.25%	369,441.00
12-17	04/25/13	04/21/17	04/20/18	1.42%	170,086.00
12-17	08/10/12	08/04/17	08/03/18	2.25%	403,795.00
13-15	04/25/13	04/21/17	04/20/18	1.42%	480,250.00
13-19	08/09/13	08/04/17	08/03/18	2.25%	2,670,964.00
13-34	04/25/14	04/21/17	04/20/18	1.42%	831,077.00
13-35	04/25/14	04/21/17	04/20/18	1.42%	465,789.00
13-45	04/25/14	04/21/17	04/20/18	1.42%	410,210.00
14-12	08/08/14	08/04/17	08/03/18	2.25%	446,278.00
14-14	08/07/15	08/04/17	08/03/18	2.25%	661,263.00
14-20	08/08/14	08/04/17	08/03/18	2.25%	467,128.00
15-15	04/22/16	04/21/17	04/20/18	1.42%	1,200,000.00
16-16	04/21/17	04/21/17	04/20/18	1.42%	638,975.00
					\$10,685,332.00

Water/Sewer Capital Fund:

<u>Ordinance Number</u>	<u>Date of Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
04-16	08/14/09	08/04/17	08/03/18	2.25%	\$9,235.00
07-11	08/14/09	08/04/17	08/03/18	2.25%	14,315.00
07-18	08/14/09	08/04/17	08/03/18	2.25%	203,425.00
08-56	08/14/09	08/04/17	08/03/18	2.25%	237,925.00
09-33	12/21/11	08/04/17	08/03/18	2.25%	306,032.00
11-22	12/21/11	08/04/17	08/03/18	2.25%	848,272.00
12-18	08/10/12	08/04/17	08/03/18	2.25%	77,850.00
14-19	08/08/14	08/04/17	08/03/18	2.25%	173,588.00
15-14	08/05/16	08/04/17	08/03/18	2.25%	352,130.00
					\$2,222,772.00

NOTE 4: FUND BALANCES APPROPRIATED

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

Current Fund	\$1,070,000.00
Water/Sewer Operating Fund	45,000.00

NOTE 5: PROPERTY TAXES

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

Taxes Collected in Advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, <u>2017</u>	BALANCE DECEMBER 31, <u>2016</u>
Prepaid Taxes	<u>\$2,424,598.29</u>	<u>\$405,131.41</u>

NOTE 6: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Police, Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, Police and Fireman's Retirement System and Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

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

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

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

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, In which case, benefits would begin the first day of the month after the member attains normal retirement age.

NOTE 6: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:36. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

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

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan members and employer contributions may be amended by State of New Jersey legislation. As of July 1, 2017 PERS provides for employee contributions of 7.34% % of employees' annual compensation. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions *may* be amended by Slate of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and noncontributory death benefits. During 2017, members contributed at a uniform rate of 10.00% of base salary.

Certain portions of the costs are contributed by the employees. The Town's share of regular pension costs, which is based upon the annual billings received from the State, amounted to \$1,028,738.00 for 2017, \$1,036,196.00 for 2016, and \$904,660.88 for 2015.

All contributions were equal to the required contributions for each of the three years, respectively.

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

NOTE 6: PENSION PLANS (CONTINUED)

Pension Contribution Deferral

The State of New Jersey has enacted Public Law 2012, C.19, which authorizes the State Department of Treasury, Division of Pensions and Benefits to provide non-state contributing employers the option of paying an amount that represents a fifty percent (50%) reduction of the normal and accrued liability payment of the required contributions to the Police and Fire Retirement System (PFRS) and the Public Employees Retirement System (PERS) which would have been due April 1, 2009. If the deferral is elected, the amount deferred must be repaid, with interest, over a period of fifteen years, beginning in April, 2012; however, the contributing employer is permitted to pay off the obligation at any time by contacting the Division of Pension and Benefits for a payoff amount. The Borough has elected to defer a portion of its pension contributions as follows:

<u>Retirement System</u>	<u>Original Amount Deferred</u>	<u>Balance December 31, 2016</u>	<u>2017 Payments</u>	<u>Balance December 31, 2017</u>
PFRS	\$ 252,284.00	\$ 183,473.00	\$ 17,930.00	\$ 165,543.00
PERS	<u>95,978.00</u>	<u>69,453.00</u>	<u>6,963.00</u>	<u>62,490.00</u>
Total	\$ <u>348,262.00</u>	\$ <u>252,926.00</u>	\$ <u>24,893.00</u>	\$ <u>228,033.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB #68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 “Accounting and Financial Reporting for Public Employees Pensions” which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen’s Retirement System (PFRS) of the participating municipality as of December 31, 2017. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year’s budget and no liability is accrued at December 31, 2017.

Public Employees Retirement System (PERS)

At June 30, 2017, the State reported a net pension liability of \$9,346,809.00 for the Borough of Point Pleasant Beach’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Borough’s proportion of the net pension liability was based on a projection of the Borough’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Borough’s proportion was 0.0401522809 percent, which was a decrease of 0.0014242544 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State recognized an actuarially determined pension expense of \$748,760.00 for the Borough of Point Pleasant Beach’s proportionate share of the total pension expense. The pension expense recognized in the Borough’s financial statement based on the April 1, 2017 billing was \$369,360.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

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

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	-	\$220,085.00
Changes of assumptions	\$1,876,156.00	1,883,060.00
Net difference between projected and actual earnings on pension plan investments		63,645.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>\$323,629.00</u>	<u>446,486.00</u>
	<u>\$2,199,785.00</u>	<u>\$2,613,276.00</u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2018	\$304,325.00
2019	407,115.00
2020	258,476.00
2021	(326,319.00)
2022	<u>(230,106.00)</u>
	<u>\$413,491.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. These actuarial valuations used the following assumptions:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Inflation	2.25 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	1.65-4.15 Percent	1.65-4.15 Percent
Thereafter	2.65-5.15 Percent	2.65-5.15 Percent
Investment Rate of Return	7.00 Percent	7.65 percent

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

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017 and 7.65 at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and 3.98% as of June 30, 2017 and 2016, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.65%, and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and 2016, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2017		
	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Borough's proportionate share of the pension liability	\$11,595,351.00	\$9,346,809.00	\$7,473,495.00

Pension Plan Fiduciary Net Position

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

NOTE 6: PENSION PLANS (CONTINUED)

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

Police and Firemen's Retirement System (PFRS)

At June 30, 2017, the State reported a net pension liability of \$11,408,005.00 for the Borough of Point Pleasant Beach's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Borough's proportion was 0.0738952950 percent, which was an decrease of 0.0002651240 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State recognized an actuarially determined pension expense of \$1,114,680.00. The pension expense recognized in the Borough's financial statement based on the April 1, 2017 billing was \$604,660.00.

At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$66,955.00	\$74,008.00
Changes of assumptions	1,868,298.00	1,406,734.00
Net difference between projected and actual earnings on pension plan investments		217,691.00
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	<u>326,735.00</u>	<u>405,672.00</u>
	<u>\$2,261,988.00</u>	<u>\$2,104,105.00</u>

NOTE 6: PENSION PLANS (CONTINUED)

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

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

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

Year Ended	<u>Amount</u>
<u>June 30</u>	
2018	\$225,985.00
2019	460,341.00
2020	(23,486.00)
2021	(585,811.00)
2022	<u>(234,912.00)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. This actuarial valuation used the following assumptions:

	<u>2016</u>	<u>2017</u>
Inflation	3.08 Percent	2.25 Percent
Salary Increases (based on age)		
Through 2026	2.10-8.98 Percent Based on Age	2.10-8.98 Percent Based on Age
Thereafter	3.10-9.98 Percent Based on Age	3.10-9.98 Percent Based on Age
Investment Rate of Return	7.65 Percent	7.00 Percent

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

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00 percent at June 30, 2017 and 7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>June 30,2017</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed market equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts venture capital	8.25%	13.08%
	<u>100.00%</u>	

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.14% and 5.55% as of June 30, 2017 and June 30, 2016 respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00 and 7.65% and a municipal bond rate of 3.58% and 2.85% as of June 30, 2017 and June 30, 2016 respectively based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the participating employers as of June 30, 2017 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2017		
	1% Decrease <u>5.14%</u>	At Current Discount Rate <u>6.14%</u>	1% Increase <u>7.14%</u>
Borough's proportionate share of the PFRS pension liability	\$15,030,986.00	\$11,408,005.00	\$8,431,314.00

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Special Funding Situation

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

At June 30, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,277,793.00 and \$\$1,189,638.00 respectively.

At June 30, 2017, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$11,408,005.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>1,277,793.00</u>
	<u>\$12,685,798.00</u>

Pension Plan Fiduciary Net Position

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

NOTE 7: COMPENSATED ABSENCES

Under the terms of various contracts Borough employees are allowed to accumulate unused vacation and sick pay over the life of their working careers which may be taken as time off or paid at a later date. It is estimated that the current cost of such unpaid compensation would approximate \$1,176,699.06 Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented and any amounts required to be paid are raised in that year's budget and no liability is accrued on December 31, 2017. The Borough has accumulated \$37,462.68 for this purpose in the Trust Other Fund, has appropriated \$35,000.00 in the 2017 budget and continues to budget funds to provide for these liabilities as they arise.

NOTE 8: SCHOOL TAXES

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

	<u>Local District School Tax</u>	
	<u>Balance</u>	<u>Balance</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Balance of Tax	6,590,187.74	6,464,265.26
Deferred	<u>5,979,327.00</u>	<u>5,979,327.00</u>
Tax Payable	<u><u>\$610,860.74</u></u>	<u><u>\$484,938.26</u></u>

NOTE 9: LITIGATION

The Borough Attorney's letter did not indicate any litigation or claims that are either not covered by the Borough's insurance carrier or would have a material financial impact on the Borough.

NOTE 10: CONTINGENT LIABILITIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2017, the Borough does not believe that any material liabilities will result from such audits.

NOTE 10: CONTINGENT LIABILITIES (CONTINUED)

During 2013, the Borough received approval on grant awards from the U.S. Department of Homeland Security for Disaster Grants-Public Assistance totaling \$6,910,242.00 to provide assistance in funding the Borough's expenses related to the cleanup from the effects of Superstorm Sandy. These grants are subject to an extensive review by representatives from the Federal Emergency Management Agency upon close out. As of the date of this audit, the final close out of these grants is still pending. The results of these procedures could result in changes to the grant awards that could be material to the financial statements.

NOTE 11: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough participates in a self-insurance program through the Ocean County Joint Insurance Fund covering each of those risks of loss. The Fund is operated in accordance with regulations of the New Jersey Department of Insurance and the Division of Local Government Services of the Department of Community Affairs. The Fund is also a member of the Municipal Excess Liability Joint Insurance Fund which provides excess insurance coverage for each of the various risks noted above. The Borough's contribution to the Fund for claim payments is based on actuarial assumption determined by the Fund's actuary. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough.

New Jersey Unemployment Compensation Insurance - The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Borough is required to remit an employer's match to the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State.

NOTE 12: LENGTH OF SERVICE AWARDS PROGRAM

On July 15, 2003, the Borough of Point Pleasant Beach adopted an ordinance establishing a Length of Service Awards Program for the members of the Point Pleasant Beach Volunteer Fire Department and First Aid Squad pursuant to N.J.S.A. 40A:14-183 et seq.

Under this program, each volunteer that performs the minimum amount of service will have an annual amount of \$1,000.00 deposited into a tax deferred income account that will earn interest for the volunteer. The cost will be provided for annually in the budget of the Borough and is anticipated to be \$51,000.00 per year. The Plan is administrated by VALIC.

The accompanying financial statements do not include the Borough's Length of Service Awards Program's activities. The Borough's Length of Service Awards Program's financial statements are required to be contained in a separate review report.

NOTE 13: DEFERRED COMPENSATION PLAN

The Borough offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all Borough employees, permits them to defer a portion of their salaries until future years. The Borough does not make any contribution to the plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

In accordance with the requirements of the Small Business Job Protection Act of 1996 and the funding requirements of Internal Revenue Code Section 457(g), the Borough's Plan was amended to require that all amounts of compensation deferred under the Plan are held for the exclusive benefits of plan participants and beneficiaries. All assets and income under the Plan are held in trust, in annuity contracts or custodial accounts.

All assets of the plan are held by independent administrators, the Equitable Life Assurance Company and VALIC.

The accompanying financial statements do not include the Borough's Deferred Compensation Plan activities.

NOTE 14: GASB 45: OTHER POST-EMPLOYMENT BENEFITS

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

Former Borough employees who received benefits under this plan totaled 30 in 2017, 27 in 2016 and 26 in 2015.

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

NOTE 14: GASB 45: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The future value of benefits paid is not required to be reported in the financial statements as presented and has not been determined, but is probably material. Under current New Jersey budget and financial reporting requirements, the Borough will not have to provide any amounts in excess of their current cash costs or recognized any long-term obligations on their balance sheets. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to:

State of New Jersey Division of Pensions and Benefits
P.O. Box 295, Trenton, New Jersey 08625-0295

or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

Funding Policy. Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Borough on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Township's annual contributions to SHBP for retirees were \$510,801.98 for 2017, \$420,160.55 for 2016 and \$390,807.39 for 2015, which equaled the required contributions for that year.

NOTE 15: TAX APPEALS

There are several tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2017 and prior. Any reduction in assessed valuation will result in a refund of prior year's taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51. The Borough has appropriated \$100,000.00 in the 2017 budget for these appeals in the event that the tax reductions are granted.

NOTE 16: COMMUNITY DISASTER LOAN PROGRAM

The Borough was approved for participation in the Federal Emergency Management Agency (FEMA)'s Community Disaster Loan Program (CDL) in the amount of \$3,382,583.00. The CDL program offers low interest loans in amounts of up to 25% of the Borough's operating budget for the fiscal year of the disaster. The loan term is for five (5) years and may be extended for an additional five (5) years if FEMA finds the Government's fiscal situation warrants the extension.

For Budget Year 2013, the Borough made a drawdown \$800,000.00 to fund current operations and \$100,000.00 to fund utility operations.

The program includes provisions for loan forgiveness if the Borough incurs a cumulative operating deficit and a revenue loss equal to the amount of the loan for the three (3) full years after the disaster.

NOTE 16: COMMUNITY DISASTER LOAN PROGRAM (CONTINUED)

In March of 2017 it was determined that the Borough did not qualify for loan forgiveness and as a result the total loan amount becomes due effective June 30, 2018. The Borough has been granted a five year extension of time to pay off the loan. Based upon the December 31, 2017 schedule from FEMA the Borough owes \$900,000.00 in principal and \$103,961.00 in interest.

Following are the maturities and debt schedule for the outstanding principal and interest on the loans:

CALENDAR YEAR	PRINCIPAL	INTEREST	TOTAL
2019	\$126,153.84	\$74,638.36	\$200,792.20
2020	189,184.51	11,607.69	200,792.20
2021	192,022.28	8,769.92	200,792.20
2022	194,902.61	5,889.59	200,792.20
2023	197,736.76	3,055.44	200,792.20
	<u>\$900,000.00</u>	<u>\$103,961.00</u>	<u>\$1,003,961.00</u>

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2017:

Fund	Interfund Receivable	Interfund Payable
Current Fund		\$273,057.14
General Capital Fund	99,487.70	
Grant Fund	173,569.44	
	<u>\$273,057.14</u>	<u>\$273,057.14</u>

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

NOTE 18: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through June 22, 2018 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that there were no subsequent events that needed to be disclosed.

APPENDIX C

PROPOSED 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 in facts or law*

___ __, 2019

Borough Council of the
Borough of Point Pleasant Beach, in the
County of Ocean, New Jersey

Re: Borough of Point Pleasant Beach, in the County of Ocean, New Jersey
\$8,720,000 General Obligation Bonds, Series 2019

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Borough of Point Pleasant Beach, in the County of Ocean, New Jersey (the "Borough"), of its General Obligation Bonds, Series 2019 in the aggregate principal amount of \$8,720,000 (the "Bonds"), consisting of \$6,765,000 General Improvement Bonds and \$1,955,000 Water/ Sewer Utility Bonds. The Bonds are general obligations of the Borough and the full faith, credit and taxing power of the Borough is available to pay the principal of and interest on the Bonds. The Bonds are dated August __, 2019 and mature on August 1 in the years and in the principal amounts and bear interest at the rates, payable on February 1, 2020 and semiannually thereafter on the first days of August and February in each year until maturity or earlier redemption, as follows:

Year	General Improvement Bonds	Water /Sewer Utility Bonds	Combined Bonds	Interest Rate
2020	\$315,000	\$75,000	\$390,000	4.00%
2021	505,000	140,000	645,000	4.00%
2022	520,000	145,000	665,000	4.00%
2023	545,000	145,000	690,000	4.00%
2024	565,000	145,000	710,000	5.00%
2025	590,000	145,000	735,000	4.50%
2026	615,000	145,000	760,000	4.00%
2027	615,000	145,000	760,000	4.00%
2028	620,000	145,000	765,000	4.00%
2029	625,000	145,000	770,000	2.125%
2030	625,000	145,000	770,000	3.00%
2031	625,000	145,000	770,000	3.00%
2032		145,000	145,000	3.00%
2033		145,000	145,000	3.00%

The Bonds will be initially issued in book-entry form only in the form of one certificate for the principal amount of Bonds of each series maturing in each year, registered in the name of

and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. DTC will be responsible for maintaining the book-entry system for recording the interests of its participants or the transfers of such interests among such participants. Such participants shall be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of individual purchasers. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or multiples of \$1,000 in excess thereof through book-entries on the books and records of DTC and its participants.

The Bonds are issued under the provisions of the Local Bond Law, Chapter 169 of the Laws of 1960 of the State of New Jersey, effective January 1, 1962 and the acts amendatory thereof and supplemental thereto (the "Act"), and ordinances of the Issuer numbered 2007-17 as amended by 2010-48, 2007-11, 2007-18, 2008-55, 2008-56, 2009-33, 2009-35, 2010-55, 2011-22, 2012-17, 2012-18, 2013-19, 2014-12, 2014-14, 2014-19, 2014-20, 2015-14 and 2018-09 (collectively, the "Ordinances") and a resolution adopted by the Borough Council of the Borough on June 18, 2019 (the "Resolution"). The Bonds are issued for the purpose of financing and refinancing previously authorized projects as described in the Ordinances.

The Bonds are subject to redemption prior to maturity as described in the Resolution.

In our capacity as Bond Counsel and as a basis for the opinions set forth below, we have examined the proceedings relating to the authorization and issuance of the Bonds, including: (a) copies of the Ordinances; (b) such matters of law, including, inter alia, the Act and the Internal Revenue Code of 1986, as amended (the "Code"); and (c) such other agreements, proceedings, certificates, records, approvals, resolutions, and documents as to various matters with respect to the issuance of the Bonds, as we have deemed necessary. We have further assumed and relied upon the genuineness, accuracy and completeness of all of the documents and other instruments which we have examined. As to questions of fact material to our opinion, we have relied on 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, we are of the opinion that:

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

2. The Issuer has covenanted to comply with any continuing requirements that may be necessary to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds under the Code. Failure to comply with certain requirements of the Code could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In our opinion, assuming continuing compliance by the Issuer with its covenants, under current law, interest on the Bonds is not includable in gross income for federal income tax purposes and is not an item of tax

preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

3. Under current law, interest on the Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act.

4. The power and obligation of the Issuer to pay the Bonds is unlimited, and, unless paid from other sources, the Issuer shall be obligated to levy ad valorem taxes upon all the taxable property within the Borough for the payment of the principal of and interest on the Bonds, without limitation as to rate or amount.

For purposes of this opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws now or hereafter enacted by any state or by the federal government affecting the enforcement of creditors' rights generally, and by equitable principles, and the phrase "enforceable in accordance with their respective terms" shall not mean that specific performance would necessarily be available as a remedy in every situation.

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

The opinions expressed herein are limited to and based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States of America as of the date hereof, and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions or to any laws or judicial decisions hereafter enacted or rendered.

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

DECOTIIS, FITZPATRICK, COLE & GIBLIN, LLP

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Borough of Point Pleasant Beach, in the County of Ocean, New Jersey (the "Issuer"), in connection with the issuance by the Issuer of \$8,720,000 aggregate principal amount of General Obligation Bonds, Series 2019, consisting of \$6,765,000 principal amount of General Improvement Bonds and \$1,955,000 principal amount of Water/Sewer Utility Bonds (the "Bonds"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

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

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

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

"EMMA" means the MSRB's Electronic Municipal Markets Access System.

"Financial Obligation" means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b); provided, however that the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board.

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

“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. Provision of Annual Reports.

(a) Not later than nine (9) months after the end of the Issuer’s fiscal year, beginning with the fiscal year ending December 31, 2019, the Issuer shall, or shall cause the Dissemination Agent to, provide to the MSRB, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information which has been made available to the public on the MSRB’s website or filed with the Securities and Exchange Commission; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a timely notice to the MSRB in substantially the form attached as Exhibit A.

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

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

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

(b) The financial information and operating data consisting of information concerning the Issuer’s debt, overlapping indebtedness, tax rate, levy and collection data, property valuation

and fund balance of the type contained in the Official Statement dated July 18, 2019, pertaining to the sale of the Bonds.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer will provide, in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events, to the MSRB through EMMA, notice of any of the following events with respect to the Bonds (each, a “Listed Event”):

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
7. Modifications to rights of holders of the Bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the 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.
14. Appointment of a successor or additional trustee, or the change of name of a trustee, if material.

15. Incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect holders of the Bonds, if material.

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the Issuer shall promptly file, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, in an electronic format as prescribed by the MSRB and accompanied by such identifying information as is prescribed by the MSRB, a notice of such occurrence with the MSRB through EMMA. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Resolution.

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

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

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

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

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

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

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

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

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Dated: _____, 2019

BOROUGH OF POINT PLEASANT BEACH, IN
THE COUNTY OF OCEAN, NEW JERSEY

By: _____
Chief Financial Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Borough of Point Pleasant Beach, in the County of Ocean, New Jersey

Name of Bond Issue: \$8,720,000 aggregate principal amount of General Obligation Bonds, Series 2019, consisting of: \$6,765,000 General Improvement Bonds and \$1,955,000 Water/Sewer Utility Bonds

Dated Date: _____, 2019

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Certificate dated _____, 2019. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

BOROUGH OF POINT PLEASANT
BEACH, IN THE COUNTY OF OCEAN,
NEW JERSEY

By:

Name: _____

Title: _____

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