

OFFICIAL STATEMENT DATED SEPTEMBER 17, 2020

NEW ISSUE
(BOOK-ENTRY ONLY)

RATING: Moody's: "Aa2"
See "RATING" herein

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey ("Bond Counsel"), under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, interest on the Series 2020A Bonds (as hereinafter defined) (i) is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) will not be treated as a preference item under Section 57 of the Code for purposes of calculating the Federal alternative minimum tax. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds (as hereinafter defined) and any gain on the sale thereof are not includable in gross income under the New Jersey Gross Income Tax Act, as amended. See "TAX MATTERS" herein.

CITY OF LONG BRANCH
IN THE COUNTY OF MONMOUTH
STATE OF NEW JERSEY

\$18,130,000 REDEVELOPMENT AREA BONDS, SERIES 2020A (TAX-EXEMPT)
AND
\$1,820,000 REDEVELOPMENT AREA BONDS, SERIES 2020B (FEDERALLY TAXABLE)

Dated: Date of Delivery

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

The (i) \$18,130,000 aggregate principal amount of Redevelopment Area Bonds, Series 2020A (Tax-Exempt) (the "Series 2020A Bonds") and (ii) \$1,820,000 aggregate principal amount of Redevelopment Area Bonds, Series 2020B (Federally Taxable) (the "Series 2020B Bonds", and together with the Series 2020A Bonds, the "Bonds") are general obligations of the City of Long Branch, in the County of Monmouth, State of New Jersey (the "City") and the full faith and credit of the City are pledged to the payment of principal of and interest on the Bonds. Additionally, unless paid from other sources, the City is obligated to levy *ad valorem* taxes upon all taxable property within the City without limitation as to rate or amount for the payment of the principal of the Bonds and the interest thereon.

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

The Bonds shall bear interest from their date of delivery and will be payable semi-annually on the fifteenth day of March and September of each year, commencing September 15, 2021, until maturity or prior redemption, at such rates of interest as shown on the inside front cover hereof. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the City or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer, mailed, delivered or transmitted by the City to the registered owner thereof as of the Record Dates (as defined herein). While DTC is acting as securities depository for the Bonds, principal and interest on the Bonds will be payable by wire transfer to DTC or its nominee, Cede & Co., which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such payments to the Beneficial Owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are authorized by, and are issued pursuant to, (i) the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the "Local Bond Law"), (ii) the Local Redevelopment and Housing Law of the State of New Jersey, N.J.S.A. 40A:12A-1 *et seq.*, as amended and supplemented (the "Redevelopment Law"), (iii) a bond ordinance of the City duly adopted on the date set forth herein, approved by the Mayor, and published as required by law, and (iv) a resolution duly adopted by the City Council of the City on August 26, 2020.

The proceeds of the Series 2020A Bonds will be used to currently refund the City's \$18,130,000 Redevelopment Area Bond Anticipation Notes, Series 2020B, dated February 5, 2020 and maturing on October 1, 2020. The proceeds of the Series 2020B Bonds will be used to currently refund the City's \$1,820,000 Redevelopment Area Bond Anticipation Notes, Series 2020C, dated February 5, 2020 and maturing on October 1, 2020.

The Series 2020A Bonds are subject to optional redemption prior to their stated maturities as set forth herein. The Series 2020B Bonds are not subject to optional redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS – Redemption" herein.

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

The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the City by Louis N. Rainone, Esq., City Attorney to the City. NW Financial Group, LLC, Hoboken, New Jersey serves as Municipal Advisor to the City in connection with the sale and issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through DTC on or about September 30, 2020.

BAIRD

(Underwriter for the Series 2020A Bonds)

ROOSEVELT & CROSS, INC. AND ASSOCIATES

(Underwriter for the Series 2020B Bonds)

**CITY OF LONG BRANCH
IN THE COUNTY OF MONMOUTH, STATE OF NEW JERSEY**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

\$18,130,000 REDEVELOPMENT AREA BONDS, SERIES 2020A (TAX-EXEMPT)

<u>Maturity (September 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2021	\$405,000	5.000%	0.200%	542620PE3
2022	410,000	5.000	0.210	542620PF0
2023	410,000	5.000	0.220	542620PG8
2024	410,000	5.000	0.260	542620PH6
2025	410,000	5.000	0.340	542620PJ2
2026	430,000	5.000	0.460	542620PK9
2027	440,000	5.000	0.620	542620PL7
2028	450,000	5.000	0.760	542620PM5
2029	465,000	5.000	0.890	542620PN3
2030	480,000	5.000	1.000	542620PP8
2031	495,000	4.000	1.100	542620PQ6
2032	510,000	4.000	1.200	542620PR4
2033	525,000	3.000	1.400	542620PS2
2034	540,000	3.000	1.500	542620PT0
2035	550,000	2.000	1.850	542620PU7
2036	800,000	2.000	1.900	542620PV5
2037	800,000	2.000	1.950	542620PW3
2038	800,000	2.000	2.000	542620PX1
2039	800,000	2.000	2.040	542620PY9
2040	800,000	2.000	2.080	542620PZ6
2041	800,000	2.125	2.125	542620QA0
2042	800,000	2.125	2.150	542620QB8
2043	800,000	2.125	2.170	542620QC6
2044	800,000	2.125	2.190	542620QD4
2045	800,000	2.125	2.210	542620QE2
2046	800,000	2.125	2.230	542620QF9
2047	800,000	2.250	2.250	542620QG7
2048	800,000	2.250	2.270	542620QH5
2049	800,000	2.250	2.280	542620QJ1

\$1,820,000 REDEVELOPMENT AREA BONDS, SERIES 2020B (FEDERALLY TAXABLE)

<u>Maturity (September 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2021	\$105,000	4.000%	0.500%	542620QK8
2022	105,000	4.000	0.750	542620QL6
2023	110,000	4.000	1.000	542620QM4
2024	110,000	4.000	1.120	542620QN2
2025	115,000	4.000	1.250	542620QP7
2026	115,000	1.375	1.375	542620QQ5
2027	120,000	1.500	1.500	542620QR3
2028	120,000	1.625	1.625	542620QS1
2029	125,000	1.750	1.750	542620QT9
2030	125,000	1.875	1.875	542620QU6
2031	130,000	2.000	2.000	542620QV4
2032	130,000	2.000	2.100	542620QW2
2033	135,000	2.125	2.200	542620QX0
2034	135,000	2.250	2.300	542620QY8
2035	140,000	2.375	2.400	542620QZ5

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

**CITY OF LONG BRANCH
IN THE COUNTY OF MONMOUTH
STATE OF NEW JERSEY**

MAYOR

John Pallone

COUNCIL MEMBERS

Rose Widdis
Dr. Mary Jane Celli
Bill Dangler
Mario Vieira
Dr. Anita Voogt

BUSINESS ADMINISTRATOR

George Jackson

CHIEF FINANCIAL OFFICER

Michael Martin

DEPUTY CLERK

Mary Moss

CITY ATTORNEY

Rainone Coughlin Minchello
Iselin, New Jersey

CITY AUDITOR

Suplee, Clooney & Company
Westfield, New Jersey

MUNICIPAL ADVISOR

NW Financial Group, LLC
Hoboken, New Jersey

BOND COUNSEL

Wilentz, Goldman & Spitzer, P.A.
Woodbridge, New Jersey

No dealer, broker, salesperson or other person has been authorized by the City of Long Branch, in the County of Monmouth, State of New Jersey (the "City") 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 information or representations must not be relied upon as having been authorized by the City. 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.

The information contained herein has been provided by the City, The Depository Trust Company ("DTC") and other sources deemed reliable by the City; however, no representation or warranty is made as to its accuracy or completeness, and, as to information from sources other than the City, such information is not to be construed as a representation or warranty by the City.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners 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 hereunder shall, under any circumstance, create an implication that there has been no change in the information herein since the date hereof, or the date as of which such information is given, if earlier. The City has not confirmed the accuracy or completeness of information relating to DTC, which information has been provided by DTC.

References in this Official Statement to statutes, laws, rules, regulations, resolutions, ordinances, 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 may not be reproduced or used, in whole or part, for any other purpose. This Official Statement should be read in its entirety.

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

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The prices at which the Bonds are offered to the public by the Underwriter and the yields resulting therefrom may vary from the initial public offering prices or yields on the inside front cover page hereof. In addition, the Underwriter may allow concessions or discounts from such initial public offering prices to dealers and others.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

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OFFICIAL STATEMENT
OF THE
CITY OF LONG BRANCH
IN THE COUNTY OF MONMOUTH, STATE OF NEW JERSEY
RELATING TO
\$18,130,000 REDEVELOPMENT AREA BONDS, SERIES 2020A
(TAX-EXEMPT)
AND
\$1,820,000 REDEVELOPMENT AREA BONDS, SERIES 2020B
(FEDERALLY TAXABLE)

INTRODUCTION

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the City of Long Branch (the "City"), in the County of Monmouth (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of (i) \$18,130,000 aggregate principal amount of Redevelopment Area Bonds, Series 2020A (Tax-Exempt) (the "Series 2020A Bonds") and (ii) \$1,820,000 aggregate principal amount of Redevelopment Area Bonds, Series 2020B (Federally Taxable) (the "Series 2020B Bonds" and together with the Series 2020A Bonds, the "Bonds") of the City. This Official Statement, which includes the cover page, the inside front cover page and appendices attached hereto, has been authorized by the City Council of the City to be distributed in connection with the marketing and sale of the Bonds and executed by and on behalf of the City by its Chief Financial Officer.

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

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

DESCRIPTION OF THE BONDS

General Description

The Bonds are dated their date of delivery and shall bear interest at the respective rates shown on the inside front cover page hereof from such date, and shall be payable semi-annually on the fifteenth day of March and September of each year (each an "Interest Payment Date"), commencing September 15, 2021, until maturity or prior redemption, at such rates of interest as shown on the inside front cover hereof. Interest on the Bonds is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year and will be paid by check, draft or wire transfer mailed, transmitted or delivered to the registered owners of the Bonds as of each respective March 1 and September 1 preceding each Interest Payment Date (the "Record Dates"), at the address shown on the registration books for the Bonds kept for that purpose by the City's Chief Financial Officer, as Registrar and Paying Agent for the Bonds.

The Bonds of each series will mature on September 15 in each of the years in the respective principal amounts set forth on the inside front cover page hereof.

The Bonds, when issued, will be registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds (the "Securities Depository"). Purchases of beneficial interests in the Bonds will be made in book-entry only form, without certificates, in the principal amount of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. Under certain circumstances, such beneficial interests in the Bonds are exchangeable for one or more fully registered Bond certificates of like series, maturity and tenor in authorized denominations.

So long as 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 directly by the City as Paying Agent, or some other paying agent as may be designated by the City, to Cede & Co. Disbursement of such payments to DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of the DTC Participants (as hereinafter defined) and Indirect Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

Redemption

The Series 2020A Bonds maturing prior to September 15, 2031 are not subject to redemption prior to their stated maturities. The Series 2020A Bonds maturing on or after September 15, 2031 are subject to redemption at the option of the City, in whole or in part, on any date on or after September 15, 2030, upon notice as required herein, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed (the "Redemption Price"), plus accrued interest to the date fixed for redemption.

Notice of Redemption ("Notice of Redemption") shall be given by first class mail, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption, in a sealed envelope with postage prepaid to the owners of the Series 2020A Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed bond registrar. So long as The Depository Trust Company (or any successor thereto) acts as Securities Depository for the Series 2020A Bonds, Notices of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the Series 2020A Bonds. Any failure of the Securities Depository to advise any of its Participants or any failure of any Participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Series 2020A Bonds prior to maturity, such Series 2020A Bonds shall be redeemed by the City in inverse order of maturity and within any maturity shall be selected by the City by lot.

If Notice of Redemption has been given as provided herein, the Series 2020A Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued and unpaid interest to the date fixed for redemption.

The Series 2020B Bonds are not subject to redemption prior to maturity.

AUTHORIZATION FOR THE ISSUANCE OF THE BONDS

The Bonds are authorized by, and are issued pursuant to, the provisions of the (i) Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), (ii) the Local Redevelopment and Housing Law of the State of New Jersey, N.J.S.A. 40A:12A-1 et seq., as amended and supplemented (the "Redevelopment Law"), (iii) a bond ordinance duly adopted by the City Council of the City on the date set forth in the charts on the following page, approved by the Mayor and published as required by law, and (iv) a resolution duly adopted by the City Council of the City on August 26, 2020.

The bond ordinance authorizing the Bonds was published in full or in summary after its 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 ordinance could be commenced began to run from the date of the first publication of such statement. The Local Bond Law provides, that after issuance, all obligations shall be conclusively presumed to be fully authorized and issued by all laws of the State, and all persons shall be estopped from questioning their sale, execution or delivery by the City.

Purpose of the Series 2020A Bonds

The proceeds of the Series 2020A Bonds will be used to currently refund the City's \$18,130,000 Redevelopment Area Bond Anticipation Notes, Series 2020B, dated February 5, 2020 and maturing on October 1, 2020.

The purpose for which the Series 2020A Bonds are to be issued has been authorized by a duly adopted, approved and published bond ordinance of the City, which bond ordinance is described in the following table by ordinance number, description and date of final adoption, and the amount of bond proceeds to be used for such purpose. The bond ordinance is as follows:

Series 2020A Bonds		
Ordinance Number	Description and Date of Final Adoption	Amount of Bond Proceeds
15-12, as amended by 21-17	Various Capital Improvements, finally adopted 8/28/2012, as amended on 9/26/17	\$18,130,000
	TOTAL	<u>\$18,130,000</u>

Purpose of the Series 2020B Bonds

The proceeds of the Series 2020B Bonds will be used to currently refund the City's \$1,820,000 Redevelopment Area Bond Anticipation Notes, Series 2020C, dated February 5, 2020 and maturing on October 1, 2020.

The purpose for which the Series 2020B Bonds are to be issued has been authorized by a duly adopted, approved and published bond ordinance of the City, which bond ordinance is described in the following table by ordinance number, description and date of final adoption, and the amount of bond proceeds to be used for such purpose. The bond ordinance is as follows:

Series 2020B Bonds		
Ordinance Number	Description and Date of Final Adoption	Amount of Bond Proceeds
15-12, as amended by 21-17	Various Capital Improvements, finally adopted 8/28/2012, as amended on 9/26/17	\$1,820,000
	TOTAL	<u>\$1,820,000</u>

REDEVELOPMENT PROJECT RELATING TO THE BONDS

The Pier Village 3 Financing Project

On September 12, 2017, the City and Pier Village III Urban Renewal Company, LLC (the "Redeveloper") entered into a Redevelopment Agreement and Project Financing Agreement (the "Redevelopment Agreement"), pursuant to which the Redeveloper agreed to redevelop an area including Block 222, Lots 1.01 and 1.02, Block 222.01, Lot 1, Block 287, Lots 22.03, 23, 24, 25, 26 and 27, Block 287.01, Lot 22.04 and Block 228, Lot 1 on the City's tax maps (collectively, the "Phase 3 Property"). Under the Redevelopment Agreement, the Redeveloper is required to construct on the Phase 3 Property (i) approximately 269 condominium housing units, together with an associated 370 self-parking space garage with capacity for up to 600 valet spaces (together, the "Residential Component"); (ii) approximately 42,292 square feet of retail space (the "Retail Component"); (iii) an approximately 72 room hotel, along with an additional 11,000 square feet of retail space (the "Hotel"); (iv) the acquisition of the property designated as Block 287, Lots 22.03, 23, 24, 25, 26 and 27, Block 287.01, Lot 22.04 and Block

228, Lot 1 on the City's tax maps (the "Phase 3 Parking Parcel") and the improvement thereof for use as a public parking facility (the "Phase 3 Parking Parcel Improvements"); (v) the construction of a 42' diameter carousel (the "Carousel") and certain stage and play-area improvements (together with the Carousel, the "Recreational Amenities"); (vi) the construction of certain infrastructure improvements in and around the Phase 3 Property, including without limitation, intersection and other traffic improvements, parking facilities, and sewer and water improvements (together, the "Infrastructure Improvements" and, together with the Phase 3 Parking Parcel, Phase 3 Parking Parcel Improvements and the Recreation Amenities, the "Public Improvements"); and, potentially (vii) the construction, by the Redeveloper, of additional surface or structured parking facilities (collectively, the "Project"). The Project is the third and final phase of the redevelopment of the Pier Village area, which was redeveloped by another redeveloper, including a host of residential and retail/commercial/restaurant uses along the Boardwalk in the City.

The Project is estimated to cost approximately \$283,000,000 and will be funded as follows:

- o Approximately \$178,000,000 of Redeveloper debt;
- o Approximately \$85,000,000 of Redeveloper equity; and
- o \$20,000,000 in proceeds from the City's issuance of the RAB Debt (as defined below) to finance, in particular, the Pier Village 3 Financing Project (as defined below).

The City agreed to finance a portion of the costs associated with the Project, in the amount of \$20,000,000 through the issuance of one or more series of general obligation redevelopment area bonds, and in anticipation thereof, through the issuance of one or more series of general obligation redevelopment area bond anticipation notes (collectively, the "RAB Debt").

Pursuant to a Financial Agreement dated as of October 30, 2017 (the "Financial Agreement"), between the City and the Redeveloper, the Project's improvements, upon their completion, will be exempt from *ad valorem* taxation and, in lieu thereof, the Redeveloper will pay to the City, a payment in lieu of taxes (the "Annual Service Charge"). Furthermore, some components of the Project may be completed after capitalized interest on the RAB Debt has been fully expended. Therefore, the Redeveloper agreed to pay a minimum Annual Service Charge (the "Minimum Annual Service Charge") in connection with such uncompleted portions of the Project, in amounts sufficient to pay the difference between the Annual Service Charge then due and payable and the amount of the principal and interest due on the RAB Debt at that time.

In accordance with the terms of the Financial Agreement, the Annual Service Charge will be due in the following amounts:

- o In connection with the Retail Component, \$4.50 per square foot multiplied by the number of net leasable square feet of retail space (approximately 42,292);
- o In connection with a condo unit that is part of the Residential Component, \$4.50 per square foot of such unit; and
- o In connection with the Hotel, \$1,279 per room, plus \$4.50 per square multiplied by the number of net leasable square feet of retail space (approximately 11,000).

The Annual Service Charge will increase each year at the same rate as the average residential assessment in the City, but in no event less than 1% or more than 3%. The Annual Service Charge is expected to yield, on a net basis, approximately \$1,791,506 in the first full year after completion and stabilization of the entire Project, and the City expects to realize approximately \$105,000 per year in City Hotel Tax revenues.

In June 2018, the Redeveloper assigned its interest in the Hotel portion of the Project to Pier Village III Hotel Urban Renewal Company LLC (the "Hotel Assignee"). As a result of such assignment, the Hotel Assignee is subject to both the Redevelopment Agreement and the Financial Agreement, insofar as applicable to the Hotel. Accordingly, references herein to the obligations of the "Redeveloper" following the date of such assignment shall refer to the Hotel Assignee insofar as applicable to the Hotel and to the Redeveloper insofar as applicable to the other portions of the Project.

The Redeveloper commenced construction of the Project in Fall 2017. The Hotel was completed and opened in May 2019. The Boardwalk Recreation Amenities were completed in June and July 2019 and are available to the public. The Redeveloper expects to complete and sell about 138 residential units, and to complete the entire amount of retail space during the Fall of 2020, and to complete and sell the balance of the residential units by the end of December 2020.

The \$9,000,000 Redevelopment Area Bond Anticipation Notes, Series 2018B dated February 9, 2018 and maturing February 8, 2019 (the "Series 2018B Notes") was the first issuance of RAB Debt by the City. The 2019 Redevelopment Area Bond Anticipation Notes were used to pay the maturing amount of the Series 2018B Notes and to provide \$7,995,000 to fund a portion of the Project. The Tax-Exempt Redevelopment Area Bond Anticipation Notes will be used to pay \$16,945,000 of the maturing amount of the 2019 Redevelopment Area Bond Anticipation Notes and to provide \$1,185,000 to fund a portion of the Project, including the payment of interest due on the 2019 Redevelopment Area Bond Anticipation Notes and costs associated with the issuance of the Tax-Exempt Redevelopment Area Bond Anticipation Notes.

The 2019 Taxable Notes were used to provide \$1,750,000 to fund a portion of the Project related to the Carousel. The Taxable Notes will be used to pay the maturing amount of the 2019 Taxable Notes and to provide \$70,000 for the payment of interest due on the 2019 Taxable Notes and cost of issuance and interest due on the Taxable Notes.

The RAB Debt will be a general obligation of the City, payable from the levy of *ad valorem* taxes upon all the taxable property within the City for the payment of the principal of and the interest on the RAB Debt. The City anticipates receipt of Annual Service Charge payments from the Redeveloper, and/or from the purchasers of the condominium units comprising the Residential Component, in an amount sufficient to pay debt service on all RAB Debt. The City will additionally be secured by a special assessment on the Phase 3 Property and certain individual and corporate guarantees. See "Redeveloper Security" herein.

The City will use the proceeds of the RAB Debt to pay costs associated with the following: (i) the acquisition of the Phase 3 Parking Parcel; (ii) the construction of the Phase 3 Parking Parcel Improvements; (iii) the construction of the Recreation Amenities; (iv) the construction of the Infrastructure Improvements; and (v) the costs and expenses in connection with the authorization, sale and issuance of the RAB Debt (collectively, the "Pier Village 3 Financing Project").

While the City will not pledge the Annual Service Charge to pay the debt service on the RAB Debt, the Annual Service Charge, each year, is expected to be significantly more than the annual debt service due on the RAB Debt and the costs associated with the provision of municipal services to the Project. Therefore, the City expects to pay the debt service on the RAB Debt without impacting the City's tax base or municipal budget as same existed prior to the construction of the Project.

Redeveloper Security

Special Assessment

Pursuant to the Redevelopment Bond Ordinance, the City imposed on the Phase 3 Property, a special assessment in the amount equal to the costs associated with constructing the Public Improvements. The City and the Redeveloper entered into a Special Assessment Agreement, dated February 8, 2018, pursuant to which the Redeveloper is required to make periodic payments to the City (the "Special Assessment Payments") in amounts sufficient to pay the debt service due on the portion of the RAB Debt issued to fund the Public Improvements. The Redeveloper will, however, receive a credit against the special assessment payment obligation in the amount of the Annual Service Charge it pays each year. The special assessments will be allocated to the various components of the Project, and residential units within the Residential Component, in the same proportion that the Annual Service Charge for such component or unit bears to the total Annual Service Charges due under the Financial Agreement from the respective component or unit. Moreover, the Special Assessment Payments are payable by the Redeveloper or applicable affiliate of the Redeveloper responsible for completion of each such component of the Project, or the subsequent unit owner, as applicable.

Disbursement of RAB Proceeds

The City will continue to hold the proceeds of the RAB Debt and disburse same, in connection with the Pier Village 3 Financing Project, on a *pari passu* basis with the Redeveloper's contribution of debt and/or equity toward the cost of constructing the Project.

Payment Guaranty

Charles Kushner, on an individual basis, and Extell Limited (BVI), a corporate affiliate of the Redeveloper (together, the "Guarantors"), highly capitalized individual and corporate entities, each provided a payment guaranty (the "Payment Guaranty"), dated February 9, 2018 and February 7, 2018, respectively, to the City. Pursuant to the Payment Guaranty, the Guarantors unconditionally agreed, jointly and severally, to pay the Annual Service Charge, the Minimum Annual Service Charge or the Special Assessment Payments, as applicable. Furthermore, Charles Kushner, on an individual basis, and Extell Limited (BVI), each provided a completion guaranty dated February 9, 2018 and February 7, 2018, respectively, pursuant to which each guaranteed the completion of construction of all or a portion of the Project or, in the alternative, the payment of all RAB Debt.

AS NOTED ABOVE UNDER THE HEADING "SECURITY AND SOURCE OF PAYMENT", THE BONDS ARE VALID AND LEGALLY BINDING GENERAL OBLIGATIONS OF THE CITY, AND THE CITY HAS PLEDGED ITS FULL FAITH AND CREDIT FOR THE PAYMENT OF THE PRINCIPAL OF AND THE INTEREST ON THE NOTES. THE CITY IS REQUIRED BY LAW TO LEVY *AD VALOREM* TAXES UPON ALL THE TAXABLE PROPERTY WITHIN THE CITY FOR THE PAYMENT OF THE PRINCIPAL OF AND THE INTEREST ON THE BONDS WITHOUT LIMITATION AS TO RATE OR AMOUNT. NONE OF THE ANNUAL SERVICE CHARGE, SPECIAL ASSESSMENT PAYMENTS OR PAYMENT GUARANTEES IS PLEDGED TO PAY PRINCIPAL OF AND INTEREST DUE ON THE BONDS.

SECURITY FOR THE BONDS

The Bonds are valid and legally binding general obligations of the City for which the full faith and credit of the City are irrevocably pledged for the punctual payment of the principal of and interest on the Bonds. Unless otherwise paid from other sources, the City has the power and is obligated by law to levy *ad valorem* taxes upon all the taxable property within the City for the payment of the principal of the Bonds and the interest thereon without limitation as to rate or amount.

The City is required by law to include the total amount of principal of and interest on all of its general obligation indebtedness, including the Bonds, for the current year in each annual budget unless provision has been made for payment of such general obligation indebtedness from other sources. The enforceability of rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted. See "RISK TO HOLDERS OF BONDS" and "MUNICIPAL BANKRUPTCY" herein.

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

RECENT HEALTHCARE DEVELOPMENTS

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, and to each state within the United States, including the State, has been declared a Public Health Emergency of International Concern by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The outbreak of COVID-19 across the United States has caused the federal government to declare a national state of emergency. The State has likewise declared a state of emergency. While the potential impact on the State cannot be predicted at this time, the continued spread of the outbreak could have a material adverse effect on the finances of the State, the County and the City (collectively, the "Affected Entities").

The degree of any such impact to the Affected Entities' respective operations and finances, is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the Affected Entities and their respective economies.

NO DEFAULT

There is no report of any default in the payment of the principal of, redemption premium, if any, and interest on the bonds, notes or other obligations of the City as of the date hereof.

MARKET PROTECTION

The City does not anticipate issuing any other additional bonds or bond anticipation notes in 2020.

BOOK-ENTRY ONLY SYSTEM

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

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds is 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 the 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 the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or 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 the Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest 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 City or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, nor its nominee, Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Paying Agent, upon direction of the City, 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 City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Discontinuance of Book-Entry Only System

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

PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT

Procedure for Authorization

The City has no constitutional limit on its power to incur indebtedness other than that it may issue obligations only for public purposes pursuant to State statutes. The authorization and issuance of City debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters are statutory. The City is not required to submit the proposed incurrence of indebtedness to a public referendum.

The City, by bond ordinance, may authorize and issue negotiable obligations for the financing of any capital improvement or property which it may lawfully acquire, or any purpose for which it is authorized or required by law to make an appropriation, except current expenses and payment of obligations (other than those for temporary financings). Bond ordinances must be finally adopted by the recorded affirmative vote of at least two-thirds of the full membership of the City Council and approved by the Mayor. The Local Bond Law requires publication and posting of the bond ordinance. If the bond ordinance requires approval or endorsement of the State, it cannot be finally adopted until such approval has been received. The Local Bond Law provides that a bond ordinance shall take effect twenty (20) days after the first publication thereof after final adoption. At the conclusion of the twenty-day period all challenges to the validity of the obligations authorized by such bond ordinance shall be precluded except for constitutional matters. Moreover, after issuance, all obligations are conclusively presumed to be fully authorized and issued by all laws of the State and any person shall be estopped from questioning their sale, execution or delivery by the City.

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

The Bonds are being issued pursuant to the provisions of the Local Bond Law. The Local Bond Law governs the issuance of bonds and bond anticipation notes to finance certain municipal capital expenditures. Among its provisions are requirements that bonds or notes must mature within the statutory period of usefulness of the projects being financed, that bonds be retired in serial or sinking fund installments, and that, unlike school debt, and with some exceptions, including self-liquidating obligations and the improvements involving State grants, a five percent (5%) cash down payment must be generally provided. Such down payment must have been raised by budgetary appropriations, from cash on hand previously contributed for the purpose or by emergency resolution adopted pursuant to the Local Budget Law, N.J.S.A. 40A:4-1 *et seq.*, as amended and supplemented (the "Local Budget Law"). All bonds and notes issued by the City are general "full faith and credit" obligations.

Short Term Financing

Local governmental units (including the City) may issue bond anticipation notes to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or subsequent resolution so provides. Such bond anticipation notes for capital improvements may be issued in

an aggregate amount not exceeding the amount of bonds authorized in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued and renewed for periods not exceeding one (1) year, with the final maturity occurring and being paid no later than the first day of the fifth month following the close of the tenth fiscal year after the original issuance of the notes, provided that no notes may be renewed beyond the third anniversary date of the original notes and each anniversary date thereafter, unless an amount of such note at least equal to the first legally payable installment of the anticipated bonds (the first year's principal payment), is paid and retired from funds other than the proceeds of obligations on or before the third anniversary date and each anniversary date thereafter.

The issuance of tax anticipation notes by a municipality is limited in amount by the provisions of the Local Budget Law and may be renewed from time to time, but, in the case of a municipality such as the City, all such notes and renewals thereof must mature not later than 120 days after the end of the fiscal year in which such notes were issued.

Refunding Bonds (N.J.S.A. 40A:2-51 et seq.)

Refunding bonds may be issued pursuant to the Local Bond Law for the purpose of paying, funding or refunding outstanding bonds, including emergency appropriations, the actuarial liabilities of a non-State administered public employee pension system, the present value of unfunded accrued liabilities for State administered early retirement incentive benefits, amounts owing to others for taxes levied in the local unit, or any renewals or extensions thereof, and for paying the cost of issuance of refunding bonds. The Local Finance Board, in the Division of Local Governmental Services, New Jersey Department of Community Affairs (the "Local Finance Board") must approve the authorization of the issuance of refunding bonds. Refunding bonds may be issued in accordance with N.J.A.C. 5:30-2.5 and, therefore, no approval is required by the Local Finance Board; however, the details of the sale, issuance and delivery of the refunding bonds will be delivered to the Local Finance Board within then (10) days of the delivery of the refunding bonds.

Statutory Debt Limitation (N.J.S.A. 40A:2-6 et seq.)

There are statutory requirements which limit the amount of debt which the City is permitted to authorize. The authorized bonded indebtedness of a City is limited by the Local Bond Law and other laws to an amount equal to three and one-half percent (3 1/2%) of its stated average equalized valuation basis, subject to certain exceptions noted below. The stated equalized valuation basis is set by statute as the average of the equalized valuations of all taxable real property, together with improvements to such property, and the assessed valuation of certain Class II railroad property within the boundaries of the City for each of the last three (3) preceding years as annually certified in the valuation of all taxable real property, in the Table of Equalized Valuation by the Director of the Division of Taxation, in the New Jersey Department of the Treasury (the "Division of Taxation"). Certain categories of debt are permitted by statute to be deducted for the purposes of computing the statutory debt limit. The Local Bond Law permits the issuance of certain obligations, including obligations issued for certain emergency or self-liquidating purposes, notwithstanding the statutory debt limitation described above; but, with certain exceptions, it is then necessary to obtain the approval of the Local Finance Board. See "Exceptions to Debt Limitation-Extensions of Credit" herein.

As shown in APPENDIX A, the City has not exceeded its statutory debt limit.

Exceptions to Debt Limitation – Extensions of Credit (N.J.S.A. 40A:2-7 et seq.)

The debt limit of the City may be exceeded with the approval of the Local Finance Board. If all or any part of a proposed debt authorization is to exceed its debt limit, the City must apply to the Local Finance Board for an extension of credit. The Local Finance Board considers the request, concentrating its review on the effect of the proposed authorization on outstanding obligations and operating expenses and the anticipated ability to meet the proposed obligations. If the Local Finance Board determines that a proposed debt authorization is not unreasonable or exorbitant, that the purposes or improvements for which the obligations are issued are in the public interest and for the health, welfare and convenience or betterment of the inhabitants of the City and that the proposed debt authorization would not materially impair the credit of

the City or substantially reduce the ability of the City to meet its obligations or to provide essential services that are in the public interest and makes other statutory determinations, approval is granted. In addition to the aforesaid, debt in excess of the debt limit may be issued to fund certain obligations, 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) plus two-thirds of the amount raised in the tax levy of the current fiscal year by the local unit for the payment of bonds or notes of any school district.

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

The Local Fiscal Affairs, N.J.S.A. 40A:5-1 et seq., as amended and supplemented (the "Local Fiscal Affairs 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 Registered Municipal Accountant licensed in the State of New Jersey. The audit, conforming to the Division of Local Government Services, in the New Jersey Department of Community Affairs (the "Division") "Requirements of Audit", must be completed within six (6) months (June 30) after the close of the City's fiscal year (December 31), includes recommendations for improvement of the local unit's financial procedures. The audit report must be filed with the City Clerk and is available for review during regular municipal business hours and shall, within five (5) days thereafter shall be filed with the Director of the Division (the "Director"). A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of the City Clerk's receipt of the audit report. Accounting methods utilized in the conduct of the audit conform to practices prescribed by the Division, which practices differ in some respects from generally accepted accounting principles in the United States.

Annual Financial Statement (N.J.S.A. 40A:5-12 et seq.)

An annual financial statement ("Annual Financial Statement") which sets forth the financial condition of a local unit for the fiscal year must be filed with the Division not later than January 26 (in the case of a county) and not later than February 10 (in the case of a municipality) after the close of the calendar fiscal year, such as the City, or not later than August 10 of the State fiscal year for those municipalities which operate on the State fiscal year. The Annual Financial Statement is prepared either by the Chief Financial Officer or the Registered Municipal Accountant for the local unit. It reflects the results of operations for the year of the Current and Utility Funds. If the statement of operations results in a cash deficit, the deficit must be included in full in the succeeding year's budget. The entire annual financial statement is filed with the clerk of the local unit and is available for review during business hours.

Investment of Municipal Funds

Investment of funds by municipalities is governed by N.J.S.A. 40A:5-14 et seq. Such statute requires municipalities to adopt a cash management plan pursuant to the requirements outlined by said statute. Once a municipality adopts a cash management plan it must deposit or invest its funds pursuant to such plan. N.J.S.A. 40A:5-15.1 provides for the permitted securities a municipality may invest in pursuant to its cash management plan. Some of the permitted securities are as follows: (a) obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"), (b) Government money market mutual funds which invest in securities permitted under the statute, (c) bonds of certain Federal Government agencies having a maturity date not greater than 397 days from the date of purchase, (d) bonds or other obligations of the particular municipality or school districts of which the local unit is a part or within which the school district is located, and (e) bonds or other obligations having a maturity date not greater than 397 days from the date of purchase and approved by the Division of Investment, in the New Jersey Department of the Treasury. Municipalities are required to deposit their funds in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. Municipalities are required to deposit their funds in interest-bearing bank accounts to the extent practicable and other permitted investments.

FINANCIAL MANAGEMENT

Accounting and Reporting Practices

The accounting policies of the City conform to the accounting principles applicable to local governmental units which have been prescribed by the Division. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash except for certain amounts which may be due from other governmental units and which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations at December 31, unless canceled by the governing body, are reported as expenditures with offsetting appropriation reserves. Appropriation reserves are available, until lapsed at the close of the succeeding fiscal year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are credited to the results of operations. As is the prevailing practice among municipalities and counties in the State, the City does not record obligations for accumulated unused vacation and sick pay.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit, including the City, must adopt an annual operating budget in the form required by the Division. Certain items of revenue and appropriation are regulated by law and the proposed operating budget cannot be finally adopted until it has been certified by the Director, or in the case of a local unit's examination of its own budget as described herein, such budget cannot be finally adopted until a local examination certificate has been approved by the Chief Financial Officer and governing body of the local unit. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service and the Director, or in the case of the local examination, the local unit may review the adequacy of such appropriations. Among other restrictions, the Director or, in the case of local examination, the local unit may examine the budget with reference to all estimates of revenue and the following appropriations: (a) payment of interest and debt redemption charges, (b) deferred charges and statutory expenditures, (c) cash deficit of the preceding year, (d) reserve for uncollected taxes, and (e) other reserves and non-disbursement items. Taxes levied are a product of total appropriations, less non-tax revenues, plus a reserve predicated on the prior year's collection experience.

The Director, in reviewing the budget, has no authority over individual operating appropriations, unless a specific amount is required by law, but the Director's budgetary review functions, focusing on anticipated revenues, and serves to protect the solvency of the local unit. Local budgets, by law and regulation, must be in balance on a "cash basis", i.e., the total of anticipated revenues must equal the total of appropriation. N.J.S.A. 40A:4-22. If in any year the City's expenditures exceed its realized revenues for that year, then such excess (deficit) must be raised in the succeeding year's budget.

In accordance with the Local Budget Law and related regulations, (i) each local unit, with a population of 10,000 persons, must adopt and annually revise a six (6) year capital program, and (ii) each local unit, with a population under 10,000 persons, must adopt (with some exceptions) and annually revise a three (3) year capital program. See "CAPITAL IMPROVEMENT PROGRAM" herein.

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

Local Examination of Budgets (N.J.S.A. 40A:4-78(b))

Chapter 113 of the Laws of New Jersey of 1996 (N.J.S.A. 40A:4-78(b)) authorizes the Local Finance Board to adopt rules that permit certain municipalities to assume the responsibility, normally granted to the Director, of conducting the annual budget examination required by the Local Budget Law. Since 1997 the Local Finance Board has developed regulations that allow “eligible” and “qualifying” municipalities to locally examine their budget every two (2) of three (3) years. Under the regulations prescribed by the Local Finance Board, the City was not eligible for local examination of its budget in 2019. The City adopted its 2020 budget on July 8., 2020 in accordance with the procedures described under the heading entitled, “FINANCIAL MANAGEMENT – Local Budget Law (N.J.S.A. 40A: 4-1 et seq.)”.

State Supervision (N.J.S.A. 52:27BB-1 et seq.)

State law authorizes State officials to supervise fiscal administration in any municipality which is in default on its obligations; which experiences severe tax collection problems for two (2) successive years; which has a deficit greater than four percent (4%) of its tax levy for two (2) successive years; which has failed to make payments due and owing to the State, county, school district or special district for two (2) consecutive years; which has an appropriation in its annual budget for the liquidation of debt which exceeds twenty-five percent (25%) of its total operating appropriations (except dedicated revenue appropriations) for the previous budget year; or which has been subject to a judicial determination of gross failure to comply with the Local Bond Law, the Local Budget Law or the Local Fiscal Affairs Law which substantially jeopardizes its fiscal integrity. State officials are authorized to continue such supervision for as long as any of the conditions exist and until the municipality operates for a fiscal year without incurring cash deficit.

Limitations on Expenditures (“Cap Law”) (N.J.S.A. 40A:4-45.1 et seq.)

N.J.S.A. 40A:4-45.3 places limits on municipal tax levies and expenditures. This law is commonly known as the “Cap Law” (the “Cap Law”). The Cap Law provides that the City shall limit any increase in its budget to 2.5% or the Cost-Of-Living Adjustment, whichever is less, of the previous year’s final appropriations, subject to certain exceptions. The Cost-Of-Living Adjustment is defined as the rate of annual percentage increase, rounded to nearest half percent, in the Implicit Price Deflator for State and Local Government Purchases of Goods and Services produced by the United States Department of Commerce for the year preceding the current year as announced by the Director. However, in each year in which the Cost-Of-Living Adjustment is equal to or less than 2.5%, the City may, by ordinance, approved by a majority vote of the full membership of the governing body, provide that the final appropriations of the City for such year be increased by a percentage rate that is greater than the Cost-Of-Living Adjustment, but not more than 3.5% over the previous year’s final appropriations. See N.J.S.A. 40A:4-45.14. In addition, N.J.S.A. 40A:4-45.15a restored “CAP” banking to the Local Budget Law. Municipalities are permitted to appropriate available “CAP Bank” in either of the next two (2) succeeding years’ final appropriations. The City has utilized a portion of its “Cap Bank” in its 2020 budget. Along with the permitted increases for total general appropriations there are certain items that are allowed to increase outside the “CAP”.

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

The Division of Local Government Services has advised that counties and municipalities must comply with both budget “CAP” and the tax levy limitation. Neither the tax levy limitation nor the “CAP” law, however, limits the obligation of the City to levy *ad valorem* taxes upon all taxable property within the boundaries of the City to pay debt service on its bonds and notes, including the Bonds.

Deferral of Current Expenses

Supplemental appropriations made after the adoption of the budget and determination of the tax rate may be authorized by the governing body of a local unit, including the City, but only to meet unforeseen circumstances, to protect or promote public health, safety, morals or welfare, or to provide temporary housing or public assistance prior to the next succeeding fiscal year. However, with certain exceptions described below, such appropriations must be included in full as a deferred charge in the following year's budget. Any emergency appropriation must be declared by resolution according to the definition provided in N.J.S.A. 40A:4-48, and approved by at least two-thirds of the full membership of the governing body and shall be filed with the Director. If such emergency appropriations exceed three percent (3%) of the adopted operating budget, consent of the Director is required. N.J.S.A. 40A:4-49.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as (i) the repair and reconstruction of streets, roads or bridges damaged by snow, ice, frost, or floods, which may be amortized over three (3) years, and (ii) the repair and reconstruction of streets, roads, bridges or other public property damaged by flood or hurricane, where such expense was unforeseen at the time of budget adoption, the repair and reconstruction of private property damaged by flood or hurricane, tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparations, drainage map preparation for flood control purposes, studies and planning associated with the construction and installation of sanitary sewers, authorized expenses of a consolidated commission, contractually required severance liabilities resulting from the layoff or retirement of employees and the preparation of sanitary and storm system maps, all of which projects set forth in this section (ii) may be amortized over five (5) years. N.J.S.A. 40A:4-53, -54, -55, -55.1. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project as described above.

Budget Transfers

Budget transfers provide a degree of flexibility and afford a control mechanism. Pursuant to N.J.S.A. 40A:4-58, transfers between major appropriation accounts are prohibited until the last two (2) months of the municipality's fiscal year. Appropriation reserves may be transferred during the first three (3) months of the current fiscal year to the previous fiscal year's budget. N.J.S.A. 40A:4-59. Both types of transfers require a two-thirds vote of the full membership of the governing body. Although sub-accounts within an appropriation are not subject to the same year-end transfer restriction, they are subject to internal review and approval. Generally, transfers cannot be made from the down payment account, the capital improvement fund, contingent expenses or from other sources as provided in the statute.

Anticipation of Real Estate Taxes

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 sets limits on the anticipation of delinquent tax collections and provides that, "[t]he 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."

In regard to current taxes, N.J.S.A. 40A:4-41(b) provides that, "[r]eceipts 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 the preceding fiscal year."

This 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 sum will at least equal the tax levy required to balance the budget. The reserve requirement is calculated as follows:

Total of Local, County, and School Levies - Anticipated Revenues = Cash Required from Taxes to Support Local Municipal Budget and Other Taxes

Cash Required from Taxes to Support Local Municipal Budget and Other Taxes = Amount to be Raised by Taxation
Prior Year's Percentage of Current Tax Collection (or Lesser %)

Anticipation of Miscellaneous Revenues

N.J.S.A 40A:4-26 provides that, "[n]o 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."

No budget or amendment thereof shall be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years of such grants rarely coincide with a municipality's calendar fiscal year. Grant revenues are fully realized in the year in which they are budgeted by the establishment of accounts receivable and offsetting reserves.

Debt Statements

The City must report all new authorizations of debt or changes in previously authorized debt to the Division through the filing of Supplemental and Annual Debt Statements. The Supplemental Debt Statement must be submitted to the Division before final passage of any debt authorization other than a refunding debt authorization. Before the end of the first month (January 31) of each fiscal year of the City, the City must file an Annual Debt Statement which is dated as of the last day of the preceding fiscal year (December 31) with the Division and with the City Clerk. This report is made under oath and states the authorized, issued and unissued debt of the City as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing. Even though the City's authorizations are within its debt limits, the Division is able to enforce State regulations as to the amounts and purposes of local borrowings.

CAPITAL IMPROVEMENT PROGRAM

In accordance with the Local Budget Law, the City must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The Capital Budget and Capital Improvement Program must be adopted as part of the annual budget pursuant to N.J.A.C. 5:30-4. The Capital Budget does not by itself confer any authorization to raise or expend funds, rather it is a document used for planning. Specific authorization to expend funds for such purposes must be granted by a separate bond ordinance, by inclusion of a line item in the Capital Improvement Section of the budget, by an ordinance taking money from the Capital Improvement Fund, or other lawful means.

TAX ASSESSMENT AND COLLECTION

Assessment and Collection of Taxes

Property valuations (assessments) are determined on true values as arrived at by the cost approach, market data approach and capitalization of net income (where applicable). Current assessments are the result of maintaining new assessments on a "like" basis with established comparable properties for newly assessed or purchased properties resulting in a decline of the assessment ratio to true value to its present level. This method assures equitable treatment to like property owners.

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

Tax bills are sent in June of the current fiscal year. Taxes are payable in four quarterly installments on February 1, May 1, August 1 and November 1. The August and November tax bills are determined as the full tax levied for municipal, county and school purposes for the current municipal fiscal year, less the amount charged as the February and May installments for municipal, county and school purposes in the current fiscal year. The amounts due for the February and May installments are determined as by the municipal governing body as either one-quarter or one-half of the full tax levied for municipal, county or school purposes for the preceding fiscal year.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent (8%) on the first \$1,500 of the delinquency and, then eighteen percent (18%) per annum on any amount in excess of \$1,500. A penalty of up to six percent (6%) of the delinquency in excess of \$10,000 may be imposed on a taxpayer who fails to pay that delinquency prior to the end of the tax year in which the taxes become delinquent. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes. Tax title liens are periodically assigned to the City Attorney (as defined herein) for in rem foreclosures in order to acquire title to these properties.

The provisions of chapter 99 of the Laws of New Jersey of 1997 allow a municipality to sell its total property tax levy to the highest bidder either by public sale with sealed bids or by public auction. The purchaser shall pay the total property tax levy bid amount in quarterly installments or in one annual installment. Property taxes will continue to be collected by the municipal tax collector and the purchaser will receive as a credit against his payment obligation the amount of taxes paid to the tax collector. The purchaser is required to secure his payment obligation to the municipality by an irrevocable letter of credit or surety bond. The purchaser is entitled to receive, all delinquent taxes and other municipal charges owing, due and payable upon collection by the tax collector. The statute sets forth bidding procedures, minimum bidding terms and requires the review and approval of the sale by the Division.

Tax Appeals

New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessed valuation that the taxpayer deems excessive. The taxpayer has a right to file a petition on or before the 1st day of April of the current tax year for its review or the 1st day of May for municipalities that have conducted revaluations. The County Board of Taxation and the Tax Court of New Jersey have the authority after a hearing to increase, decrease or reject the appeal petition. Adjustments by the County Board of Taxation are usually concluded within the current tax year and reductions are shown as cancelled or remitted taxes for that year. If the taxpayer believes the decision of the County Board of Taxation to be incorrect, appeal of the decision may be made to the Tax Court of New Jersey. State tax court appeals tend to take several years to conclude by settlement or trial and any losses in tax collection from prior years, after an unsuccessful trial or by settlement, are charged directly to operations.

TAX MATTERS

Federal Income Tax Treatment

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance of the Series 2020A Bonds in order for the interest on the Series 2020A Bonds to be and remain excluded from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Series 2020A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Series 2020A Bonds. The City will represent in a tax certificate that it reasonably expects and intends to comply, and will comply, to the extent permitted by law, with such requirements.

In the opinion of Wilentz, Goldman & Spitzer, P.A., Woodbridge, New Jersey, Bond Counsel to the City, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code and the tax certificate described above, interest on the Series 2020A Bonds is not includable in gross income for Federal income tax purposes pursuant to Section 103 of the Code and will not be treated as a preference item under Section 57 of the Code for purposes of computing the Federal alternative minimum tax.

The Series 2020A Bonds are not "qualified tax-exempt obligations" as defined in and for the purpose of Section 265(b)(3) of the Code.

Premium Bonds

The Series 2020A Bonds maturing on September 15 of the years 2021 through 2037, inclusive (collectively, the "Premium Bonds"), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser's basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner's adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code), will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

Discount Bonds

Bond Counsel is also of the opinion that the difference between the stated principal amount of the Series 2020A Bonds maturing on September 15 in the years 2039, 2040, 2042 through 2046, inclusive, 2048, and 2049 (collectively, the "Discount Bonds") and their respective initial public offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.

Additional Federal Income Tax Consequences Relating to Series 2020A Bonds

Prospective purchasers of the Series 2020A Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Series 2020A Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and Railroad Retirement benefits,

taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty insurance companies, foreign corporations and certain S corporations. Prospective purchasers of the Series 2020A Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxation

Bond Counsel is also of the opinion that interest on the Bonds and any gain on the sale thereof are not includable in gross income under the existing New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as amended. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds.

Prospective Tax Law Changes

Federal, state or local legislation, administrative pronouncements or court decisions may affect the federal and State tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds or the marketability of the Bonds. The effect of any legislation, administrative pronouncements or court decisions cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding such matters.

Other Tax Consequences

Except as described above, Bond Counsel expresses no opinion with respect to any Federal, state, local or foreign tax consequences of ownership of the Bonds. Bond Counsel renders its opinion under existing statutes, regulations, rulings and court decisions as of the date of issuance of the Bonds and assumes no obligation to update its opinion after such date of issuance to reflect any future action, fact, circumstance, change in law or interpretation, or otherwise. Bond Counsel expresses no opinion as to the effect, if any, on the tax status of the interest on the Bonds paid or to be paid as a result of any action hereafter taken or not taken in reliance upon an opinion of other counsel.

See APPENDIX C for the complete text of the proposed form of Bond Counsel's legal opinions with respect to the Bonds.

Prospective purchasers of the Bonds should consult their tax advisors with respect to all tax consequences (including but not limited to those listed above) of holding the Bonds.

LEGALITY FOR INVESTMENT

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

RISK TO HOLDERS OF BONDS

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

Municipal Bankruptcy

THE CITY HAS NOT AUTHORIZED THE FILING OF A BANKRUPTCY PETITION. THIS REFERENCE TO THE BANKRUPTCY CODE OR THE STATE STATUTE SHOULD NOT CREATE ANY IMPLICATION THAT THE CITY EXPECTS TO UTILIZE THE BENEFITS OF ITS PROVISIONS, OR THAT IF UTILIZED, SUCH ACTION WOULD BE APPROVED BY THE LOCAL FINANCE BOARD, OR THAT ANY PROPOSED PLAN WOULD INCLUDE A DILUTION OF THE SOURCE OF PAYMENT OF AND SECURITY FOR THE BONDS, OR THAT THE BANKRUPTCY CODE COULD NOT BE AMENDED AFTER THE DATE HEREOF.

The undertakings of the City should be considered with reference to 11 U.S.C. §101 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to certain debts owed, and provides that the plan must be accepted 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 at least one (1) impaired class. The Bankruptcy Code specifically 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 Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, special revenues acquired by the debtor after commencement of the case shall continue to be available to pay debt service secured by those revenues. Furthermore, the Bankruptcy Code provided that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may be avoided pursuant to certain preferential transfer provisions set forth in such act.

Reference should also be made to N.J.S.A. 52:27-40 et seq. which provides that a local unit, including the City, has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Local Finance Board (the "Local Finance Board"), as successor to the Municipal Finance Commission, must be obtained.

Remedies of Holders of Bonds or Notes (N.J.S.A. 52:27-1 et seq.)

If the City defaults for over sixty (60) days in the payment of the principal of or interest on any bonds or notes outstanding, any holder of such bonds or notes may bring an action against the City in the Superior Court of New Jersey (the "Superior Court") to obtain a judgment that the City is so in default. Once a judgment is entered by the Superior Court to the effect that the City is in default, the Municipal Finance Commission (the "Commission") would become operative in the City. The Commission was created in 1931 to assist in the financial rehabilitation of municipalities which were in default in their obligations. The powers and duties of the Commission are exercised within the Local Finance Board, which constitutes the Commission.

The Commission exercises direct supervision over the finances and accounts of any municipality which has been adjudged by the Superior Court to be in default of its obligations. The Commission continues in force in such municipalities until all bonds, notes or other indebtedness of the municipality which have fallen due, and all bonds or notes which will fall due within one (1) year (except tax anticipation or revenue anticipation notes), and the interest thereon, have been paid, funded or refunded, or the payment thereof has been adequately provided for by a cash reserve, at which time the Commission's authority over such municipality ceases. The Commission is authorized to supervise tax collections and assessments, to approve the funding or refunding of bonds, notes or other indebtedness of the municipality which the Commission has found to be outstanding and unpaid, and to approve the adjustment or composition of claims of creditors and the readjustment of debts under the Bankruptcy Code.

CERTIFICATES OF THE CITY

Upon the delivery of the Bonds, the Underwriter of the Bonds shall receive certificates, in form satisfactory to Bond Counsel and signed by officials of the City, stating that to the best knowledge of said officials, this Official Statement as of its date did not contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading; and stating, to the best knowledge of said officials, that there has been no material adverse change in the condition, financial or otherwise, of the City from that set forth in or contemplated by this Official Statement. In addition, the Underwriter of the Bonds shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, and certificates dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the principal of the Bonds, as applicable, or the interest thereon, or questioning the validity of the statutes or the proceedings under which the Bonds are issued, and that neither the corporate existence or boundaries of the City, nor the title of any of the said officers to the respective offices, is being contested.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinions will be delivered with the Bonds substantially in the forms set forth as APPENDIX C hereto. Certain legal matters with respect to the Bonds will be passed on for the City by its City Attorney, Louis N. Rainone, Esq., Rainone Coughlin Minchello, LLC, Iselin, New Jersey (the "City Attorney").

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to the City of Long Branch, Attn: Michael Martin, Chief Financial Officer, 344 Broadway, Long Branch, New Jersey 07740 (732) 571-5688; Everett M. Johnson, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6149; or Heather Litzebauer, NW Financial Group, LLC, 2 Hudson Place, Hoboken, New Jersey 07030, (201) 937-7224.

MUNICIPAL ADVISOR

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

LITIGATION

There is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds offered for sale or the levy and collection of any taxes to pay the principal of or the interest on said Bonds, or in any manner questioning the authority of the proceedings for the issuance of the Bonds or for the levy or collection of taxes to pay the principal of and interest on the Bonds, or any action contesting the corporate existence or boundaries of the City or the title of any of its present officers. Further, to the knowledge of the City Attorney, there is no litigation presently pending or threatened against the City that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided. The respective original purchasers of the Bonds will receive a certificate or opinion of the City Attorney to such effect upon the closing of the Bonds.

COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS

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

The City has entered into prior undertakings to provide continuing disclosure for certain outstanding bond issues. The City appointed Phoenix Advisors, LLC in January 2015 to serve as dissemination agent.

PREPARATION OF OFFICIAL STATEMENT

Bond Counsel has participated in the preparation and review of this Official Statement but has not verified the accuracy, completeness, or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect hereto.

The Municipal Advisor has participated in the preparation of APPENDIX A to this Official Statement and in the collection of financial, statistical or demographic information in this Official Statement but has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto.

Suplee, Clooney & Company, Westfield, New Jersey, the Auditor to the City, has not participated in the preparation of the financial information contained in this Official Statement nor have they verified the accuracy, completeness, or fairness thereof, and, accordingly, express no opinion or other assurance with respect thereto, but takes responsibility for the audited financial statements to the extent specified in the Independent Auditors' Report appearing in APPENDIX B hereto.

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

All other information has been obtained from sources which the City (including the unaudited financial information set forth in APPENDIX B) considers to be reliable but it makes no warranty, guarantee or other representation with respect to the accuracy and completeness of such information.

RATING

Moody's Investors Service ("Moody's") has assigned a rating of "Aa2" to the Bonds.

An explanation of the significance of such rating may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. The City furnished to Moody's certain information and materials concerning the Bonds and the City. There can be no assurance that the rating will be maintained for any given period of time or that the rating may not be lowered or withdrawn entirely, if in Moody'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 Series 2020A Bonds have been purchased from the City at a public sale by Robert W. Baird & Co., Inc. (the "Series 2020A Bonds Underwriter") at a price of \$19,187,924.25. The purchase price of the Series 2020A Bonds reflects the par amount of Series 2020A Bonds, plus a bid premium of \$1,057,924.25.

The Series 2020A Bonds Underwriter intends to offer the Series 2020A 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 Series 2020A Bonds Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2020A Bonds to the public. The Series 2020A Bonds Underwriter may offer and sell the Series 2020A Bonds to certain dealers (including dealers depositing the Series 2020A Bonds into investments 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 Series 2020A Bonds Underwriter without prior notice.

The Series 2020B Bonds have been purchased from the City at a public sale by Roosevelt & Cross, Inc. and Associates (the "Series 2020B Bonds Underwriter") at a price of \$1,832,423.70. The purchase price of the Series 2020B Bonds reflects the par amount of the Series 2020B Bonds, plus a bid premium of \$12,423.70.

FINANCIAL STATEMENTS

The financial statements of the City for the year ended December 31, 2019 (the "Audit"), are presented in APPENDIX B to this Official Statement. The financial statements referred to above have been audited by Suplee, Clooney & Company, Westfield, New Jersey, independent auditors, as stated in their report appearing in APPENDIX B.

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 an agreement between the City and any 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 circumstance, create an implication that there have been no changes in the affairs of the City, 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 City by the Chief Financial Officer.

**CITY OF LONG BRANCH,
IN THE COUNTY OF MONMOUTH,
STATE OF NEW JERSEY**

/s/ Michael Martin
MICHAEL MARTIN
Chief Financial Officer

DATED: September 17, 2020

APPENDIX A

**CERTAIN FINANCIAL AND DEMOGRAPHIC
INFORMATION CONCERNING THE CITY OF LONG BRANCH**

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INFORMATION REGARDING THE CITY¹

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

General Information

The City was granted its charter on May 17, 1904. The City is located approximately 30 miles in a direct line south of New York City and extends approximately five miles along the Atlantic seafront.

In recent years, the City has experienced a tremendous revitalization of its properties with the development of new luxury residential condominiums and town houses. Properties once abandoned and vacant have been renovated as construction projects for hotels and condominium complexes. With a population of approximately 31,941, the City is largely a residential community and a distribution center for business that serves the surrounding area.

Local Government

The City is managed under a Mayor-Council form of government pursuant to Plan A of the Faulkner Act, as amended and supplemented. The Mayor and the five members of the City Council are elected for four-year terms. The Mayor and each Council member are elected at large by the people of the City. A Business Administrator, appointed by the Mayor and Council, handles day-to-day operations.

Transportation

The location of the City has been an important factor with respect to the development and progress of the community. The Garden State Parkway is readily accessible from the City. New Jersey Transit provides excellent passenger rail service and freight service in addition to other types of transportation that are available.

Retirement Systems

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

¹ Source: The City, unless otherwise indicated.

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.

Employment and Unemployment Comparisons

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

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>City</u>				
2019	16,300	15,700	600	3.7%
2018	15,936	15,285	651	4.1%
2017	15,999	15,281	718	4.5%
2016	16,120	15,332	788	4.9%
2015	16,175	15,221	954	5.9%
<u>County</u>				
2019	332,200	321,800	10,500	3.2%
2018	323,106	311,236	11,870	3.7%
2017	324,530	311,151	13,379	4.1%
2016	326,476	311,922	14,554	4.5%
2015	326,153	309,267	16,886	5.2%
<u>State</u>				
2019	4,547,100	4,382,900	164,200	3.6%
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,800	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%

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

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

Income (as of 2018)

	<u>City</u>	<u>County</u>	<u>State</u>
Median Household Income	\$54,398	\$91,807	\$81,740
Median Family Income	62,315	147,192	101,404
Per Capita Income	30,420	46,736	42,815

Source: US Bureau of the Census, 2018 American Community Survey 5-Year Estimates

Population

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

<u>Year</u>	<u>City</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2019 Estimate	30,241	-1.50%	618,795	-1.80%	8,882,190	1.00%
2010	30,719	-1.98	630,380	2.45	8,791,894	4.49
2000	31,340	9.36	615,301	11.24	8,414,350	8.85
1990	28,658	-3.89	553,124	9.93	7,730,188	4.96
1980	29,819	-6.15	503,173	8.95	7,365,001	2.75

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>2019 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Pier Village I Urban Renewal Co., LLC	\$102,431,500	2.261%
AFP I 04 Corp.	49,957,300	1.103
Home Properties Pleasure Bay, LLC	29,613,300	0.654
Pier Village II Urban Renewal Co., LLC	22,600,000	0.499
Ocean View Tower Association	18,595,200	0.410
385 Ocean Blvd, LLC	18,334,400	0.405
Takanasee Developers, LLC	18,017,700	0.398
Cayre, Kenneth & Lillian, LLC	16,500,000	0.364
Sutton, Kassin, Cattan – Trustees	14,781,900	0.326
At Last LLC	<u>14,701,500</u>	<u>0.324</u>
Total	<u>\$305,532,800</u>	<u>6.743%</u>

Source: 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>
2019	\$100,296,685	\$98,368,502	98.08%
2018	96,855,743	95,395,746	98.49%
2017	93,651,969	91,850,024	98.07%
2016	90,727,887	89,243,892	98.36%
2015	87,054,590	85,328,783	98.02%

Source: Annual Audit Reports of the City

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2019	\$85,610	\$1,905,770	\$1,991,381	1.99%
2018	78,477	1,446,167	1,524,644	1.57%
2017	82,069	1,366,993	1,449,062	1.55%
2016	85,597	1,349,711	1,435,309	1.58%
2015	537,900	1,423,615	1,961,515	2.25%

Source: Annual Audit Reports of the City

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Amount</u>
2019	\$6,022,700
2018	6,201,300
2017	6,269,600
2016	6,269,600
2015	6,340,500

Source: Annual Audit Reports of the City

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2019	\$0.822	\$0.962	\$0.254	\$2.038
2018	0.867	0.950	0.297	2.114
2017	0.867	0.911	0.283	2.061
2016R	0.864	0.876	0.281	2.021
2015	0.957	0.949	0.321	2.227

R: Revaluation

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

Valuation of Property

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2019	\$4,749,814,120	\$5,250,153,775	90.47%	\$0	\$5,250,153,775
2018	4,539,905,160	4,862,273,921	93.37	0	4,862,273,921
2017	4,541,176,800	4,863,635,857	93.37	0	4,863,635,857
2016R	4,476,148,600	4,750,731,315	94.46	5,195,353	4,755,926,668
2015	3,895,780,600	4,527,885,602	86.19	4,546,797	4,532,432,399

R: Revaluation

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2019	\$159,874,900	\$3,745,379,020	\$0	\$508,284,000	\$8,627,500	\$327,648,700	\$4,749,814,120
2018	158,459,800	3,591,578,860	\$0	460,459,800	8,484,900	320,921,800	4,539,905,160
2017	143,842,200	3,510,356,700	3,365,700	550,499,000	8,434,000	314,416,600	4,530,914,200
2016R	138,551,700	3,510,518,000	3,346,000	507,224,100	8,439,000	308,069,800	4,476,148,600
2015	110,592,000	3,100,572,300	3,093,400	428,162,200	7,714,600	245,646,100	3,895,780,600

R: Revaluation

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

Financial Operations

The following table summarizes the City's Current Fund budget for the 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>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fund Balance Utilized	\$2,900,000	\$2,900,000	\$3,794,797	\$4,417,134	\$4,417,134
Miscellaneous Revenues	12,510,823	12,334,931	12,914,869	12,784,724	10,664,852
Receipts from Delinquent Taxes	1,650,000	1,435,000	1,366,617	1,445,105	1,891,414
Amount to be Raised by Taxation	<u>38,693,921</u>	<u>39,291,191</u>	<u>39,327,094</u>	<u>40,698,830</u>	<u>43,417,220</u>
Total Revenue:	<u>\$55,754,744</u>	<u>\$55,961,122</u>	<u>\$57,403,377</u>	<u>\$59,345,793</u>	<u>\$60,390,619</u>

Appropriations

General Appropriations	\$44,492,299	\$45,230,272	\$46,259,543	\$47,324,419	\$ 48,761,439
Operations (Excluded from CAPS)	2,934,675	2,682,776	2,591,533	2,575,072	2,423,526
Deferred Charges and Statutory Expenditures	222,000	140,000	140,000	0	0
Capital Improvement Fund	495,800	865,000	913,000	302,000	500,000
Municipal Debt Service	5,591,406	5,024,510	5,480,737	7,125,738	6,657,090
Reserve for Uncollected Taxes	<u>2,018,564</u>	<u>2,018,564</u>	<u>2,018,564</u>	<u>2,018,564</u>	<u>2,048,564</u>
Total Appropriations:	<u>\$55,754,744</u>	<u>\$55,961,122</u>	<u>\$57,403,377</u>	<u>\$59,345,793</u>	<u>\$60,390,619</u>

Source: Annual Adopted Budgets of the City

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance - Current Fund</u>	
	<u>Balance 12/31</u>	<u>Utilized in Budget of Succeeding Year</u>
2019	\$16,057,903	\$4,417,134
2018	15,188,701	4,417,134
2017	11,733,887	3,794,797
2016	10,393,889	2,900,000
2015	8,963,002	2,900,000

Source: Annual Audit Reports of the City

City Indebtedness as of December 31, 2019

General Purpose Debt

Serial Bonds	\$46,906,000
Bond Anticipation Notes	21,082,000
Bonds and Notes Authorized but Not Issued	26,553,566
Other Bonds, Notes and Loans	<u>620,057</u>
Total:	\$95,161,623

Local School District Debt

Serial Bonds	\$14,095,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$14,095,000

Self-Liquidating Debt

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

TOTAL GROSS DEBT

\$109,256,623

Less: Statutory Deductions	
General Purpose Debt	\$14,095,000
Local School District Debt	323,811
Self-Liquidating Debt	<u>0</u>
Total:	\$14,418,811

TOTAL NET DEBT

\$94,837,812

Source: Annual Debt Statement of the City

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Overlapping Debt (as of December 31, 2019)³

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>City Percentage</u>	<u>City Share</u>
Local School District	\$14,095,000	100.00%	\$14,095,000
Long Branch Sewerage Authority County	27,539,581	100.00%	27,539,581
	1,251,065,000	4.01%	<u>50,167,706</u>
Net Indirect Debt			\$91,802,287
Net Direct Debt			<u>94,837,812</u>
Total Net Direct and Indirect Debt			<u>\$186,640,099</u>

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	\$5,031,495,487
Permitted Debt Limitation (3 1/2%)	176,102,342
Less: Net Debt	<u>90,882,485</u>
Remaining Borrowing Power	<u>\$85,219,857</u>
Percentage of Net Debt to Average Equalized Valuation	1.885%
Gross Debt Per Capita based on 2010 population of 30,719	\$3,557
Net Debt Per Capita based on 2010 population of 30,719	\$3,087

Source: Annual Debt Statement of the City

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

APPENDIX B

**CERTAIN FINANCIAL STATEMENTS OF THE CITY OF LONG BRANCH
FOR THE YEAR ENDED DECEMBER 31, 2019**

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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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Long Branch
County of Monmouth
Long Branch, New Jersey 07740

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the City of Long Branch, as of December 31, 2019 and 2018, the related statement of operations and changes in fund balance - regulatory basis for the year 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, 2019, and the related notes to the financial statements, which collectively comprise the City'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, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

SUPLEE, CLOONEY & COMPANY

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

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

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

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the City of Long Branch 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 City of Long Branch as of December 31, 2019 and 2018, or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2019.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets of the various individual funds and account groups as of December 31, 2019 and 2018, the regulatory basis statement of operations and changes in fund balance for the year then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2019 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 September 8, 2020 on our consideration of the City of Long Branch's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Long Branch's internal control over financial reporting and compliance.

SUPLEE, CLOONET & COMPANY
Certified Public Accountants

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

September 8, 2020

CITY OF LONG BRANCH

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2019</u>	BALANCE DECEMBER <u>31, 2018</u>
<u>ASSETS</u>		
Current Fund		
Cash	\$ 24,418,594.88	\$ 22,357,138.87
Cash - Change Fund	1,550.00	1,550.00
	<u>\$ 24,420,144.88</u>	<u>\$ 22,358,688.87</u>
Receivables with Full Reserves:		
Delinquent Property Taxes Receivable	\$ 1,905,770.75	\$ 1,446,167.23
Tax Title Liens Receivable	85,610.39	78,477.01
Property Acquired for Taxes - Assessed Value	6,022,700.00	6,201,300.00
Revenue Accounts Receivable	44,988.74	48,503.86
Interfunds Receivable	200,000.00	106,020.00
	<u>\$ 8,259,069.88</u>	<u>\$ 7,880,468.10</u>
	<u>\$ 32,679,214.76</u>	<u>\$ 30,239,156.97</u>
Grant Fund:		
Grants Receivable	\$ 828,331.16	\$ 1,358,097.98
Interfunds Receivable	604,356.14	689,831.73
	<u>\$ 1,432,687.30</u>	<u>\$ 2,047,929.71</u>
	<u>\$ 34,111,902.06</u>	<u>\$ 32,287,086.68</u>
Liabilities:		
Appropriation Reserves	\$ 3,606,359.17	\$ 3,124,310.38
Accounts Payable	160,298.93	106,590.31
Encumbrances Payable	1,912,862.14	1,347,427.77
Prepaid Taxes	1,582,751.72	1,310,718.32
Tax Overpayments	52,499.04	52,869.24
Interfunds Payable	604,356.14	689,831.73
County Taxes Payable	55,920.60	127,267.78
Due to State and Local Agencies	20,061.09	42,807.09
Schedule of Various Reserves	363,211.25	363,211.25
Due State of New Jersey - Senior Citizens and Veterans Deductions	1,687.12	4,954.25
Group Term Life Insurance Premiums Payable	2,234.40	
	<u>\$ 8,362,241.60</u>	<u>\$ 7,169,988.12</u>
Reserve for Receivables	8,259,069.88	7,880,468.10
Fund Balance	<u>16,057,903.28</u>	<u>15,188,700.75</u>
	<u>\$ 32,679,214.76</u>	<u>\$ 30,239,156.97</u>
Grant Fund:		
Reserve for:		
Grants-Appropriated	1,315,962.80	1,622,601.98
Grants-Unappropriated	79,931.37	67,504.10
Encumbrances Payable	36,793.13	357,823.63
	<u>1,432,687.30</u>	<u>2,047,929.71</u>
	<u>\$ 34,111,902.06</u>	<u>\$ 32,287,086.68</u>

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

CITY OF LONG BRANCH

CURRENT FUND

STATEMENTS OF OPERATIONS AND CHANGE
IN FUND BALANCE - REGULATORY BASIS

	YEAR ENDED DECEMBER <u>31, 2019</u>	YEAR ENDED DECEMBER <u>31, 2018</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>		
Fund Balance Utilized	\$ 4,417,133.91	\$ 3,794,797.35
Miscellaneous Revenue Anticipated	14,454,586.44	14,459,147.53
Receipts From Delinquent Taxes	1,460,767.38	1,412,764.01
Receipts From Current Taxes	98,368,502.89	95,395,746.19
Non-Budget Revenue	1,016,034.96	1,236,036.00
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	2,378,354.00	2,678,074.03
Accounts Payable Cancelled	24,244.75	83,041.09
Reserve for Sale of Property Cancelled		10.41
Prepaid School Tax Returned		231,927.00
Interfunds Returned	106,020.00	241,971.21
Reserve for Grants Appropriated Cancelled	212,569.34	457,497.70
Grants Unappropriated Cancelled		63,013.84
<u>Total Income</u>	<u>\$ 122,438,213.67</u>	<u>\$ 120,054,026.36</u>
<u>EXPENDITURES</u>		
Budget Appropriations:		
Operations Within "CAPS"	\$ 41,211,315.35	\$ 40,556,044.35
Deferred Charges and Statutory		
Expenditures-Municipal	6,113,104.00	5,703,499.00
Operations Excluded From "CAPS"	2,778,658.45	2,686,544.32
Capital Improvements	302,000.00	913,000.00
Municipal Debt Service	7,112,727.75	5,465,686.10
Deferred Charges		140,000.00
Refund of Prior Years' Revenue	1,537.95	75,900.82
Senior Citizens' and Veterans' Disallowed	2,750.00	2,587.67
Refund of Prior Years' Tax Revenue - Tax Appeals	86,260.30	84,852.52
County Taxes	13,433,325.33	13,497,761.26
County Share of Added and Omitted Taxes	55,920.60	127,267.78
Local District School Tax	45,662,049.00	43,136,130.00
Interfunds Advanced	200,000.00	106,020.00
Grants Receivable Cancelled	192,228.50	309,121.31
<u>Total Expenditures</u>	<u>\$ 117,151,877.23</u>	<u>\$ 112,804,415.13</u>
Statutory Excess to Fund Balance	\$ 5,286,336.44	\$ 7,249,611.23
Fund Balance, January 1	15,188,700.75	11,733,886.87
	<u>\$ 20,475,037.19</u>	<u>\$ 18,983,498.10</u>
Decreased by:		
Utilized as Anticipated Revenue	<u>4,417,133.91</u>	<u>3,794,797.35</u>
Fund Balance, December 31	<u>\$ 16,057,903.28</u>	<u>\$ 15,188,700.75</u>

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

CITY OF LONG BRANCH

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	ANTICIPATED			
	BUDGET	SPECIAL N.J.S. 40A:4-87	REALIZED	EXCESS/ DEFICIT
Fund Balance Appropriated	\$ 4,417,133.91		\$ 4,417,133.91	
Miscellaneous:				
Licenses:				
Alcoholic Beverage	\$ 45,000.00		\$ 49,130.00	\$ 4,130.00
Other	72,000.00		81,831.00	9,831.00
Fees and Permits:				
Other	400,000.00		466,389.35	66,389.35
Fines and Costs-Municipal Court	675,000.00		633,320.35	(41,679.65)
Interest and Costs on Taxes	331,000.00		350,355.59	19,355.59
Parking Meters	1,100,000.00		1,672,813.95	572,813.95
Interest on Investments and Deposits	400,000.00		725,612.97	325,612.97
Bathing Beach Fees	1,850,000.00		2,091,395.00	241,395.00
Cable T.V. Franchise Tax	165,400.00		146,310.10	(19,089.90)
Uniform Fire Safety Code Fees	120,000.00		138,020.00	18,020.00
Consolidated Municipal Property Tax Relief Act	502,030.00		502,030.00	
Energy Receipts Tax	3,786,103.00		3,786,103.00	
Uniform Construction Code Fees	1,000,000.00		1,270,836.00	270,836.00
West Long Branch Finance Department	68,979.00		68,979.00	
West Long Branch Information Technology Dept.	32,000.00		32,000.00	
Recycling Tonnage Grant	43,931.37		43,931.37	
Clean Communities Program	60,599.06	67,628.51	128,227.57	
Mid-Atlantic Group Hardy Plant Society		450.00	450.00	
State of N.J. Urban Areas Security Initiative		100,000.00	100,000.00	
Safe and Secure Communities Program	60,000.00		60,000.00	
Monmouth County Office on Aging - Senior Citizen Program	25,000.00	7,900.00	32,900.00	
COPS Hiring Program	208,333.00		208,333.00	
State of NJ Body Armor Replacement Fund	9,235.87		9,235.87	
Drunk Driving Enforcement Fund	6,905.04		6,905.04	
Childhood Lead Exposure Prevention Program		27,608.00	27,608.00	
Uniform Fire Safety Act	58,450.00		54,555.87	(3,894.13)
Reserve for Premium on Bond Sale (General Capital Reserve)	350,957.35		350,957.35	
Municipal Occupancy Tax (Hotel/Motel)	450,000.00		452,556.06	2,556.06
Reserve for Payment of Debt Service	963,800.00		963,800.00	
	<u>12,784,723.69</u>	<u>203,586.51</u>	<u>14,454,586.44</u>	<u>1,466,276.24</u>
Receipts From Delinquent Taxes	1,445,105.07		1,460,767.38	15,662.31
Property Tax for Support of Municipal Budget				
Appropriations-Local Tax for Municipal Purposes	39,038,600.00		39,575,541.34	536,941.34
Minimum Library Tax	1,660,230.62		1,660,230.62	
	<u>40,698,830.62</u>		<u>41,235,771.96</u>	<u>536,941.34</u>
<u>Budget Totals</u>	59,345,793.29	203,586.51	61,568,259.69	2,018,879.89
Non-Budget Revenues			1,016,034.96	1,016,034.96
	\$ <u>59,345,793.29</u>	\$ <u>203,586.51</u>	\$ <u>62,584,294.65</u>	\$ <u>3,034,914.85</u>

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

CITY OF LONG BRANCH

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>REF.</u>	
Allocation of Current Tax Collections:		
Collections on a Cash Basis	A-7	\$ 98,368,502.89
Allocated to:		
School and County Taxes		<u>59,151,294.93</u>
Support of Municipal Budget Appropriations		39,217,207.96
Add: Appropriation Reserve for Uncollected Taxes	A-3	<u>2,018,564.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	\$ <u>41,235,771.96</u>
Licenses:		
Clerk	A-10	\$ 3,960.00
Board of Health	A-10	70,146.00
Police	A-10	<u>7,725.00</u>
	A-2	\$ <u>81,831.00</u>
Fees and Permits Other:		
Police Department	A-10	\$ 34,210.00
Certificate of Occupancy	A-10	179,038.00
Street and Sidewalk Opening	A-10	18,412.50
Planning Board	A-10	16,443.85
Zoning Board	A-10	25,740.00
Board of Health	A-10	158,975.00
Tax Collector	A-10	1,020.00
Recreation - Beach Lockers	A-10	21,350.00
Clerk	A-10	<u>11,200.00</u>
	A-2	\$ <u>466,389.35</u>

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

CITY OF LONG BRANCH

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

REF.

ANALYSIS OF NON-BUDGET REVENUE

Miscellaneous Revenue Not Anticipated:

Tax Assessor Fees	\$	740.00
NSF Check Fees		915.00
Pick up of Debris		2,872.62
Vehicle Auction Proceeds		3,830.46
Prior Year Police Overtime		225.00
Park Fees - Recreation		225,072.00
Taxi Inspection Fees		6,750.00
Beach Raking Overtime		12,000.00
Motor Vehicle Inspection		850.00
Interlocal Agreement		3,216.00
City Clerk		2,474.05
Health Department		6,232.00
Police Department		8,622.26
Long Branch Housing Authority		198,558.20
Public Works Dumpster Rentals		16,800.00
FEMA State of N.J.		332,099.52
Restitution		2,496.44
Municipal Court - Cancelled & OS Checks		1,020.00
Unclaimed Money - Police Evidence Clerk		2,453.45
Monmouth University Voluntary Pilot Agreement		75,825.00
Senior Citizens and Veterans Administrative Fee		1,992.34
Cottage/Bath Avenue Concessions		22,022.00
West End Concessions		7,289.00
Woodrow Wilson PILOT		26,042.00
Gregory School Urban Renewal		18,271.95
PILOT - Gregory School NJHMFA		16,576.04
Beach Raking		4,000.00
Miscellaneous		<u>16,789.63</u>

A-2;A-4

\$ 1,016,034.96

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

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
General Administration					
Office of the Chief Executive Mayor					
Salaries and Wages	\$ 78,600.00	\$ 81,600.00	\$ 77,316.15	\$ 4,283.85	\$
Other Expenses	8,300.00	8,300.00	6,647.04	1,652.96	
Office of the Chief Administrator					
Salaries and Wages	420,500.00	421,500.00	411,204.49	10,295.51	
Other Expenses	13,320.00	13,320.00	10,231.52	3,088.48	
Miscellaneous Other Expenses	8,860.00	8,860.00	5,171.93	3,688.07	
Miscellaneous Other Expenses (Green Programs)	3,500.00	3,500.00	2,649.54	850.46	
Miscellaneous Other Expenses - MIS	186,713.00	186,713.00	183,511.99	3,201.01	
Miscellaneous Other Expenses - Special Events	130,000.00	123,500.00	114,130.73	9,369.27	
Division of Personnel					
Salaries and Wages	135,000.00	135,000.00	128,312.56	6,687.44	
Other Expenses	2,900.00	2,900.00	2,260.11	639.89	
Central Switchboard					
Salaries and Wages	53,750.00	53,750.00	52,019.35	1,730.65	
Office of Emergency Management					
Salaries and Wages	7,500.00	7,500.00	7,298.69	201.31	
Other Expenses	43,164.00	43,164.00	43,037.82	126.18	
Office of the City Council					
Salaries and Wages	17,500.00	17,500.00	17,030.75	469.25	
Other Expenses	1,850.00	1,743.00	975.74	767.26	
Office of the City Attorney					
Salaries and Wages (Prosecutor/Asst. City Att)	30,000.00	30,000.00	26,265.88	3,734.12	
Other Expenses	500,000.00	400,000.00	299,460.68	100,539.32	
Miscellaneous Other Expenses (Labor Counsel)	125,000.00	125,000.00	124,505.60	494.40	
Miscellaneous Other Expenses (Planning Bd. Att)	10,000.00	10,000.00	6,000.00	4,000.00	
Miscellaneous Other Expenses (Zoning Bd. Att)	10,000.00				
Miscellaneous Other Expenses (Prosecutor/Asst. City Att)	5,000.00	5,000.00	1,000.00	4,000.00	

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATIONS WITHIN "CAPS"	APPROPRIATIONS			EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED		
Office of the City Clerk	\$ 242,000.00	\$ 242,000.00	\$ 235,021.90	\$ 6,978.10	\$	
Salaries and Wages	26,775.00	26,882.00	16,395.54	10,486.46		
Other Expenses	51,680.00	51,680.00	32,201.61	19,478.39		
Misc. Other Expenses						
Department of Finance						
Office of the Director						
Salaries and Wages	168,000.00	168,000.00	162,719.50	5,280.50		
Other Expenses	25,000.00	25,000.00	15,230.14	9,769.86		
Division of Accounts and Control						
Salaries and Wages	428,000.00	428,000.00	407,833.11	20,166.89		
Other Expenses	45,175.00	30,175.00	28,430.52	1,744.48		
Misc. Other Expenses (Audit Services)	71,500.00	71,500.00	71,500.00			
Office of the Tax Collector						
Salaries and Wages	221,000.00	221,000.00	216,231.17	4,768.83		
Other Expenses	24,000.00	24,000.00	16,811.62	7,188.38		
Division of Purchasing						
Salaries and Wages	214,000.00	214,000.00	201,556.60	12,443.40		
Other Expenses	6,980.00	6,980.00	6,177.67	802.33		
Central Reproduction						
Other Expenses	6,600.00	6,600.00	6,184.82	415.18		
Central Postage						
Other Expenses	72,500.00	72,500.00	63,390.39	9,109.61		
Insurance:						
Employee Group Plan	4,604,000.00	4,604,000.00	4,262,326.23	341,673.77		
Health Benefit Waiver Costs	115,000.00	115,000.00	115,000.00			
General Liability	837,458.00	837,458.00	837,458.00			
Workers Compensation	1,066,520.00	1,066,520.00	1,066,520.00			

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
<u>Department of Public Works</u>					
Office of the Director	\$ 427,000.00	\$ 427,000.00	\$ 402,014.44	\$ 24,985.56	\$ 381.24
Salaries and Wages	30,000.00	30,000.00	29,618.76		
Other Expenses					
Division of Street Construction & Maintenance					
Salaries and Wages	1,125,000.00	1,125,000.00	1,050,077.51	74,922.49	14,151.54
Other Expenses	299,750.00	259,750.00	245,598.46		
Office of the City Engineer					
Other Expenses	160,000.00	160,000.00	82,359.28	77,640.72	
Municipal Garage					
Salaries and Wages	470,000.00	470,000.00	456,942.74	13,057.26	
Other Expenses	481,550.00	481,550.00	478,577.74	2,972.26	
Division of Parks					
Salaries and Wages	330,000.00	330,000.00	268,485.72	61,514.28	
Other Expenses	60,500.00	60,500.00	60,387.80	112.20	
Division of Public Facilities					
Salaries and Wages	1,045,000.00	1,008,000.00	937,987.34	70,012.66	
Other Expenses	165,850.00	195,850.00	195,534.32	315.68	
Division of Solid Waste/Recycling					
Salaries and Wages	1,495,000.00	1,495,000.00	1,426,504.95	68,495.05	0.64
Other Expenses	24,500.00	24,500.00	24,499.36		
Disposal Costs (Sanitation & Recycling)					
Other Expenses	1,361,700.00	1,421,700.00	1,338,319.32	83,380.68	
Department of the Police Chief					
Office of the Police Chief					
Salaries and Wages	227,000.00	227,000.00	227,000.00		105.03
Other Expenses	9,450.00	9,450.00	9,344.97		

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATIONS WITHIN "CAPS"	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Division of Police					
Salaries and Wages	\$ 11,200,000.00	\$ 11,200,000.00	\$ 10,324,070.22	\$ 875,929.78	\$
Other Expenses	729,922.93	749,922.93	749,082.03	840.90	
Police Dispatch					
Salaries and Wages	398,000.00	398,000.00	394,887.80	3,112.20	
School Traffic Guards					
Salaries and Wages	181,000.00	181,000.00	180,863.00	137.00	
Other Expenses	1,310.00	1,310.00			
Traffic Control					
Salaries and Wages	253,000.00	253,000.00	250,049.54	2,950.46	
Other Expenses	28,416.00	28,416.00	28,300.90	115.10	
Miscellaneous Other Expenses (Parking Meters)	180,000.00	210,000.00	200,617.95	9,382.05	
Division of Fire					
Salaries and Wages	2,700,000.00	2,700,000.00	2,610,189.32	89,810.68	
Other Expenses	208,955.42	223,955.42	223,284.71	670.71	
Miscellaneous Other Expenses (Chief Honorariums)	4,500.00	4,500.00	4,500.00		
Miscellaneous Other Expenses (Appraisals)	15,000.00				
Fire House Rental	32,100.00	32,100.00	32,100.00		
Miscellaneous Other Expenses	16,000.00	16,000.00	11,039.00	4,961.00	
Contribution to Volunteer First Aid Squads					
Other Expenses	8,000.00	8,000.00	8,000.00		
Uniform Fire Safety					
(Chapter 383, P.L. 1983)					
Salaries and Wages	516,000.00	516,000.00	496,529.83	19,470.17	
Other Expenses	25,900.00	25,900.00	16,388.48	9,511.52	
Miscellaneous Other Expenses	133,150.00	133,150.00	125,133.25	8,016.75	

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

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
Department of Health					
Office of the Director					
Salaries and Wages	\$ 478,000.00	\$ 478,000.00	\$ 459,753.47	\$ 18,246.53	\$
Other Expenses	66,852.00	66,852.00	50,365.57	16,486.43	
Miscellaneous Other Expenses (Contractual)					
Bloodborne Pathogen Immunization	1,200.00	1,200.00	478.00	722.00	
Animal Control Subsidy (to Trust)	260,000.00	260,000.00	260,000.00		
Public Health Consortium	13,082.00	13,082.00	13,082.00		
Bureau of Welfare					
Miscellaneous Other Expenses (Relocation)	9,000.00	9,000.00		9,000.00	
Department of Recreation					
Office of the Director					
Salaries and Wages	298,000.00	298,000.00	280,676.31	17,323.69	
Other Expenses	20,807.00	20,807.00	7,149.58	13,657.42	
Miscellaneous Other Expenses	16,110.00	16,110.00	12,038.72	4,071.28	
Bureau of Recreation					
Salaries and Wages	79,000.00	97,000.00	88,829.13	8,170.87	
Other Expenses	42,035.00	43,535.00	40,245.03	3,289.97	
Miscellaneous Other Expenses (Celebrations)	42,150.00	40,650.00	35,828.40	4,821.60	
Bureau of Conservation (Beaches)					
Salaries and Wages	723,000.00	723,000.00	682,624.15	40,375.85	
Other Expenses	119,350.00	119,350.00	119,264.20	85.80	
Office of Senior Citizen Activities					
Salaries and Wages	77,000.00	77,000.00	20,927.82	56,072.18	
Other Expenses	26,700.00	26,700.00	26,696.24	3.76	
Environmental Commission					
Other Expenses	450.00	450.00		450.00	
Miscellaneous - Other Expenses (Matching Funds)	4,000.00	4,000.00		4,000.00	
Office of Cable Television Commission					
Other Expenses	23,600.00	23,600.00	6,016.64	17,583.36	

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

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
Urban Enterprise Zone					
Salaries and Wages	\$ 60,000.00	\$ 84,000.00	\$ 57,693.80	\$ 26,306.20	\$
Other Expenses	3,380.00	3,380.00	2,995.05	384.95	
Long Branch Arts Council					
Other Expenses	21,000.00	21,000.00	6,645.00	14,355.00	
Long Branch Parking Authority					
Other Expenses	2,500.00	2,500.00		2,500.00	
Planning Board					
Other Expenses	7,335.00	7,335.00	5,741.00	1,594.00	
Miscellaneous Other Expenses (Retainer)	6,000.00	6,000.00		6,000.00	
Zoning Board of Adjustment					
Other Expenses	6,435.00	6,435.00	2,385.00	4,050.00	
Miscellaneous Other Expenses (Retainer)	12,000.00	12,000.00	10,000.00	2,000.00	
Department of Building & Development					
Office of the Director					
Salaries and Wages	127,500.00	127,500.00	80,070.73	47,429.27	
Other Expenses	7,380.00	7,380.00		7,380.00	
Miscellaneous Other Expenses (Demolition)	60,000.00	60,000.00		60,000.00	
Office of the Construction Official					
Salaries and Wages	531,000.00	531,000.00	468,661.35	62,338.65	
Other Expenses	23,546.00	23,546.00	17,322.22	6,223.78	
Miscellaneous Other Expenses	171,700.00	171,700.00	118,295.26	53,404.74	
Office of Planning					
Salaries and Wages	317,000.00	317,000.00	272,941.21	44,058.79	
Other Expenses	8,640.00	8,640.00	6,824.96	1,815.04	
Miscellaneous Other Expenses (Redevelopment)	100,000.00	100,000.00	100,000.00		
Miscellaneous Other Expenses (Master Plan)					
Office of the Tax Assessor					
Salaries and Wages	289,000.00	289,000.00	273,907.38	15,092.62	
Other Expenses	7,575.00	7,575.00	6,592.10	982.90	
Miscellaneous Other Expenses	69,200.00	69,200.00	45,113.27	24,086.73	

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

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
Municipal Court					
Salaries and Wages	\$ 415,000.00	\$ 420,000.00	\$ 408,580.46	\$ 11,419.54	\$
Other Expenses	174,589.00	174,589.00	166,864.99	7,724.01	
Municipal Public Defender					
Salaries and Wages	22,000.00	22,000.00	9,401.91	12,598.09	
Salary Adjustments					
Salaries and Wages	50,000.00	50,000.00		50,000.00	
Utilities					
Electricity	250,000.00	250,000.00	223,021.50	26,978.50	
Telephone	170,000.00	187,500.00	178,309.28	9,190.72	
Natural Gas	60,000.00	60,000.00	57,266.05	2,733.95	
Street Lighting	450,000.00	450,000.00	379,646.10	70,353.90	
Fire Hydrant Service	206,000.00	206,000.00	205,740.61	259.39	
Water	68,000.00	68,000.00	64,821.93	3,178.07	
Other (Specify)					
Sewer	13,000.00	13,000.00	6,844.90	6,155.10	
Diesel Fuel	255,000.00	255,000.00	174,323.89	80,676.11	
Gasoline	270,000.00	270,000.00	249,948.93	20,051.07	
Accumulated Leave Compensation					
Salaries and Wages	315,000.00	315,000.00	315,000.00		
<u>TOTAL OPERATIONS (INCLUDING CONTINGENT) WITHIN "CAPS"</u>	<u>41,211,315.35</u>	<u>41,211,315.35</u>	<u>38,188,552.27</u>	<u>3,022,763.08</u>	

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

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS WITHIN "CAPS"</u>					
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	\$ 1,444,268.00	\$ 1,444,268.00	\$ 1,348,810.04	\$ 95,457.96	\$
Social Security System (O.A.S.I.)	1,089,270.00	1,089,270.00	1,014,928.70	74,341.30	
Police and Firemen's Retirement System of NJ	3,559,566.00	3,559,566.00	3,559,566.00		
Unemployment Insurance	10,000.00	10,000.00	10,000.00		
DCRP	10,000.00	10,000.00	8,524.70	1,475.30	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"	6,113,104.00	6,113,104.00	5,941,829.44	171,274.56	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	47,324,419.35	47,324,419.35	44,130,381.71	3,194,037.64	
<u>OPERATIONS-EXCLUDED FROM "CAPS"</u>					
Maintenance of Free Public Library					
Other Expenses	1,660,230.62	1,660,230.62	1,286,349.27	373,881.35	
Disposal Costs (Sanitation & Recycling)					
Other Expenses (Recycling Tax)	44,000.00	44,000.00	44,000.00		
TOTAL OTHER OPERATIONS EXCLUDED FROM "CAPS"	1,704,230.62	1,704,230.62	1,330,349.27	373,881.35	

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

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION		RESERVED		
<u>OPERATIONS-EXCLUDED FROM "CAPS"</u>						
<u>INTERLOCAL MUNICIPAL SERVICE AGREEMENTS:</u>						
Implementation of "911" System						
Monmouth County						
Other Expenses	\$ 134,372.98	\$ 134,372.98	\$ 133,571.90	\$ 801.08	\$	
West Long Branch Finance Dept.						
Other Expenses	68,979.00	68,979.00	67,450.06	1,528.94		
West Long Branch Information Technology Dept.						
Other Expenses	32,000.00	32,000.00	31,566.78	433.22		
TOTAL INTERLOCAL MUNICIPAL SERVICE AGREEMENTS	235,351.98	235,351.98	232,588.74	2,763.24		

PUBLIC AND PRIVATE PROGRAMS

OFFSET BY REVENUES:					
County of Monmouth					
Office on Aging Grant Senior Citizen Program					
County Share	25,000.00	32,900.00	32,900.00		
Local Share	221,485.00	221,485.00	221,485.00		
State of New Jersey					
Drunk Driving Enforcement Fund	6,905.04	6,905.04	6,905.04		
State of New Jersey					
Safe & Secure Grant	60,000.00	60,000.00	60,000.00		
State of New Jersey					
Solid Waste Administration					
Recycling Tonnage Grant	43,931.37	43,931.37	43,931.37		
State of New Jersey					
Division of Criminal Justice					
Body Armor Replacement	9,235.87	9,235.87	9,235.87		

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

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>OPERATIONS-EXCLUDED FROM "CAPS"</u>					
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES (Continued):					
State of New Jersey					
Department of Environmental Protection					
Clean Communities Grant	\$ 60,599.06	\$ 128,227.57	\$ 128,227.57	\$	\$
State of New Jersey					
Urban Areas Security Initiative		100,000.00	100,000.00		
County of Monmouth					
Childhood Lead Exposure Prevention Program		27,608.00	27,608.00		
U.S. Dept. of Justice					
Office of Community Oriented Policing					
COPS Hiring Program	208,333.00	208,333.00	208,333.00		
Federal Share		450.00	450.00		
Mid-Atlantic Group Hardy Plant Society					
TOTAL PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES	635,489.34	839,075.85	839,075.85		
TOTAL OPERATIONS-EXCLUDED FROM "CAPS"	2,575,071.94	2,778,658.45	2,402,013.86	376,644.59	

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

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$	
Capital Projects:					
Division of Police Parking Meters	100,000.00	100,000.00	64,323.06	35,676.94	
Division of Police Vehicles and Equipment	102,000.00	102,000.00	102,000.00		
<u>TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>	<u>302,000.00</u>	<u>302,000.00</u>	<u>266,323.06</u>	<u>35,676.94</u>	
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	4,305,000.00	4,305,000.00	4,305,000.00		
Payment of Bond Anticipation Notes and Capital Notes	98,000.00	98,000.00	98,000.00		
Interest on Bonds	1,923,028.00	1,923,028.00	1,910,017.93		13,010.07
Interest on Notes	721,100.00	721,100.00	721,100.00		
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	78,610.00	78,610.00	78,609.82		0.18
<u>TOTAL MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"</u>	<u>7,125,738.00</u>	<u>7,125,738.00</u>	<u>7,112,727.75</u>		<u>13,010.25</u>

CITY OF LONG BRANCH
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"	\$ 10,002,809.94	\$ 10,206,396.45	\$ 9,781,064.67	\$ 412,321.53	\$ 13,010.25
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	\$ 57,327,229.29	\$ 57,530,815.80	\$ 53,911,446.38	\$ 3,606,359.17	\$ 13,010.25
SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES	\$ 2,018,564.00	\$ 2,018,564.00	\$ 2,018,564.00		
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL	\$ 59,345,793.29	\$ 59,549,379.80	\$ 55,930,010.38	\$ 3,606,359.17	\$ 13,010.25
Appropriation by 40A:4-87 Budget	\$ 203,586.51	\$ 59,345,793.29			
Grants Appropriated			\$ 839,075.85		
Reserve for Uncollected Taxes			2,018,564.00		
Encumbrances Payable			1,912,862.14		
Disbursed			52,317,453.34		
Less: Reimbursed			57,087,955.33		
			1,157,944.95		
			\$ 55,930,010.38		

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

CITY OF LONG BRANCH

TRUST FUND

BALANCE SHEETS-REGULATORY BASIS

<u>ASSETS</u>	BALANCE DECEMBER <u>31, 2019</u>	BALANCE DECEMBER <u>31, 2018</u>
Animal Control Fund:		
Cash	\$ <u>106,691.98</u>	\$ <u>260,399.26</u>
Trust - Other Fund:		
Cash	\$ <u>8,412,601.60</u>	\$ <u>8,882,030.16</u>
Housing and Community Development Fund:		
Cash	\$ 32,650.23	\$ 42,635.06
Grant Funds Receivable	<u>654,231.45</u>	<u>589,669.71</u>
	\$ <u>686,881.68</u>	\$ <u>632,304.77</u>
Self Insurance Trust Fund:		
Cash	\$ <u>74,149.22</u>	\$ <u>190,504.35</u>
Payroll Fund:		
Cash	\$ <u>41,473.50</u>	\$ <u>315,115.48</u>
	<u>\$ 9,321,797.98</u>	<u>\$ 10,280,354.02</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund:		
Due State of New Jersey	\$ 23.40	\$ 35.40
Encumbrances Payable	25,379.39	23,062.43
Reserve for Animal Control Fund Expenditures	<u>81,289.19</u>	<u>237,301.43</u>
	\$ <u>106,691.98</u>	\$ <u>260,399.26</u>
Trust Other Fund:		
Encumbrances Payable	\$ 105,053.45	\$ 77,642.20
Due Current Fund		36,020.00
Reserve for:		
Miscellaneous Deposits	<u>8,307,548.15</u>	<u>8,768,367.96</u>
	\$ <u>8,412,601.60</u>	\$ <u>8,882,030.16</u>
Housing and Community Development Fund:		
Encumbrances Payable	\$ 116,920.53	\$ 60,121.28
Due Current Fund	200,000.00	70,000.00
Grant Fund Reserves	<u>369,961.15</u>	<u>502,183.49</u>
	\$ <u>686,881.68</u>	\$ <u>632,304.77</u>
Self Insurance Trust Fund:		
Encumbrances Payable	\$ 27,193.00	\$ 20,529.00
Reserve for Self Insurance	<u>46,956.22</u>	<u>169,975.35</u>
	\$ <u>74,149.22</u>	\$ <u>190,504.35</u>
Payroll Fund:		
Payroll Deductions Payable	\$ <u>41,473.50</u>	\$ <u>315,115.48</u>
	<u>\$ 9,321,797.98</u>	<u>\$ 10,280,354.02</u>

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

"C"

CITY OF LONG BRANCH

GENERAL CAPITAL FUND

BALANCE SHEETS-REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2019</u>	BALANCE DECEMBER <u>31, 2018</u>
<u>ASSETS</u>		
Cash	\$ 3,629,905.14	\$ 28,656,035.45
Grants Receivable	312,000.00	312,000.00
Deferred Charges to Future Taxation:		
Funded	47,526,057.00	51,900,005.58
Unfunded	<u>47,635,566.42</u>	<u>39,333,436.42</u>
	\$ <u>99,103,528.56</u>	\$ <u>120,201,477.45</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Improvement Authorizations:		
Funded	\$ 2,787,841.35	\$ 2,555,652.80
Unfunded	23,796,593.86	29,063,365.62
Serial Bonds Payable	46,906,000.00	51,211,000.00
Green Acres Loan Payable	620,057.00	689,005.58
Bond Anticipation Note Payable	21,082,000.00	31,629,415.00
Various Reserves	335,933.05	363,079.40
Capital Improvement Fund	528,438.02	613,708.02
Contracts Payable	<u>3,046,665.28</u>	<u>4,076,251.03</u>
	\$ <u>99,103,528.56</u>	\$ <u>120,201,477.45</u>

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

"D"

CITY OF LONG BRANCH
PUBLIC ASSISTANCE FUND
BALANCE SHEETS - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2019</u>	BALANCE DECEMBER <u>31, 2018</u>
<u>ASSETS</u>		
Cash	\$ <u>28,983.14</u>	\$ <u>28,983.14</u>
<u>TOTAL ASSETS</u>	\$ <u><u>28,983.14</u></u>	\$ <u><u>28,983.14</u></u>
<u>LIABILITIES AND RESERVE</u>		
Reserve for Expenditures	\$ <u>28,983.14</u>	\$ <u>28,983.14</u>
<u>TOTAL LIABILITIES AND RESERVES</u>	\$ <u><u>28,983.14</u></u>	\$ <u><u>28,983.14</u></u>

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

CITY OF LONG BRANCHGENERAL FIXED ASSET ACCOUNT GROUPBALANCE SHEET-REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2019</u>	BALANCE DECEMBER <u>31, 2018</u>
<u>FIXED ASSETS</u>		
Land and Improvements	\$ 19,032,143.35	\$ 19,032,143.35
Buildings and Improvements	10,396,100.00	10,396,100.00
Machinery and Equipment	8,660,813.00	8,603,636.00
Vehicles	<u>13,542,345.00</u>	<u>13,129,649.00</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 51,631,401.35</u>	<u>\$ 51,161,528.35</u>
<u>RESERVE</u>		
Investments in General Fixed Assets	<u>\$ 51,631,401.35</u>	<u>\$ 51,161,528.35</u>

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

CITY OF LONG BRANCH

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Long Branch, County of Monmouth, New Jersey (hereafter referred to as the "City") is governed under the Mayor and Council Plan A under the Optional Municipal Charter Law. The governing body consists of a Mayor and a 5-member City Council. The legislative power of the City is exercised by the City Council, except as may be otherwise provided by general law. The executive power of the City is exercised by the Mayor. Within the Office of the Mayor is the Business Administrator. Administrative responsibilities are assigned to the Business Administrator. Policy is determined by the City Council and the Business Administrator is responsible for carrying out such policy.

Except as noted below, the financial statements of the City of Long Branch include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the City of Long Branch, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the City of Long Branch do not include the operations of the local school district and the Long Branch Free Public Library, 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).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

The accounting policies of the City 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 City of Long Branch 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 City accounts for its financial transactions through the following individual funds and account group:

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

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

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

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

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

C. Basis of Accounting

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuances of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances, at December 31, are reported as a cash liability in the financial statements and constitute part of the City's regulatory Appropriation Reserve balance. Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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

General Fixed Assets - N.J.A.C 5:30-5.7, 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 City as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit. 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.

Property and equipment acquired by the Current and General Capital Funds are recorded as expenditures at the time of purchase and are not capitalized in their own respective funds.

The General Fixed Assets that have been acquired and that are utilized in the Current and General Capital Funds are instead accounted for in the General Fixed Asset Account Group. No depreciation has been provided on general fixed assets or reported in the financial statements.

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

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

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 are 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Pensions - 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.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, municipalities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 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 OPEB liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 75 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 75.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in accordance with GAAP. The City 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 City 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 public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA). 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. Each depository participating in the GUDPA system must pledge collateral equal to 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of 75% of its capital funds. No collateral is required for amounts covered by FDIC insurance. The collateral which may be pledged to support these deposits includes obligations of the State and federal governments, insured securities and other collateral approved by the Department. When the capital position of the depository deteriorates or the depository takes an unusually large amount of public deposits, the Department of Banking and Insurance requires additional collateral to be pledged. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits

The City of Long Branch had the following cash and cash equivalents at December 31, 2019:

Fund	Cash in Bank	Reconciling Items		Change Funds	Total
		Increases	Decreases		
Checking Accounts	\$38,119,441.08	\$3,129,879.92	\$4,998,594.62		\$36,250,726.38
Money Market	494,323.31				494,323.31
Change Funds				\$1,550.00	1,550.00
	<u>\$38,613,764.39</u>	<u>\$3,129,879.92</u>	<u>\$4,998,594.62</u>	<u>\$1,550.00</u>	<u>\$36,746,599.69</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 City 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, 2018, 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 balance in the bank of \$38,613,764.39, \$500,000.00 was covered by Federal Depository Insurance; \$38,113,764.39 was covered under the provisions of NJGUDPA.

B. Investments

The purchase of investments by the City 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 types 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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

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;

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

7. 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.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

The City of Long Branch had no investments outstanding at December 31, 2019.

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the City is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: GOVERNMENTAL DEBT

Long-Term 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 regulatory period of usefulness. All bonds issued by the City are general obligation bonds, backed by the full faith and credit of the City. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years or financed by the issuance of bonds.

SUMMARY OF MUNICIPAL DEBT (EXCLUDING CURRENT OPERATING DEBT AND TYPE II SCHOOL DEBT)

	<u>YEAR 2019</u>	<u>YEAR 2018</u>	<u>YEAR 2017</u>
<u>Issued:</u>			
General:			
Bonds, Notes and Loans	\$68,608,057.00	\$83,529,420.58	\$59,015,573.49
Net Debt Issued	<u>\$68,608,057.00</u>	<u>\$83,529,420.58</u>	<u>\$59,015,573.49</u>
Less: Reserve to Pay Bonds	323,811.00		
	<u>\$68,284,246.00</u>	<u>\$83,529,420.58</u>	<u>\$59,015,573.49</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	\$26,553,566.42	\$27,898,436.42	\$40,223,436.42
Total Authorized But Not Issued	<u>\$26,553,566.42</u>	<u>\$27,898,436.42</u>	<u>\$40,223,436.42</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$94,837,812.42</u>	<u>\$111,427,857.00</u>	<u>\$99,239,009.91</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long-Term Debt (Continued)

SUMMARY OF REGULATORY 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 regulatory net debt of 1.885%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
School District Debt	\$14,095,000.00	\$14,095,000.00	-0-
General Debt	<u>95,161,623.42</u>	<u>323,811.00</u>	<u>\$94,837,812.42</u>
	<u>\$109,256,623.42</u>	<u>\$14,418,811.00</u>	<u>\$94,837,812.42</u>

NET DEBT \$94,837,812.42 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S. 40A:2-2, AS AMENDED, \$5,031,495,487.00 EQUALS 1.885%.

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

Equalized Valuation Basis* - December 31, 2019	\$5,031,495,487.00
3-1/2 of Equalized Valuation Basis	176,102,342.05
Net Debt	<u>94,837,812.42</u>
Remaining Borrowing Power	<u>\$81,264,529.63</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 City for the last three (3) preceding years.

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, 2019

CALANDAR YEAR	GENERAL IMPROVEMENT BONDS		
	PRINCIPAL	INTEREST	TOTAL
2020	\$4,355,000.00	\$1,749,479.59	\$6,104,479.59
2021	4,225,000.00	1,629,848.76	5,854,848.76
2022	3,685,000.00	1,470,098.76	5,155,098.76
2023	3,685,000.00	1,331,998.76	5,016,998.76
2024	3,770,000.00	1,193,848.76	4,963,848.76
2025-2029	16,305,000.00	3,963,315.64	20,268,315.64
2030-2034	10,881,000.00	969,185.00	11,850,185.00
	<u>\$46,906,000.00</u>	<u>\$12,307,775.27</u>	<u>\$59,213,775.27</u>

The General Capital Bonds are comprised of the following issues:

ISSUE	OUTSTANDING BALANCE DECEMBER 31, 2019
\$11,085,000.00 in Refunding Bonds dated May 30, 2007, due in remaining annual installments ranging between \$545,000.00 and \$1,445,000.00 beginning December 1, 2020 and ending December 1, 2021 with interest at 4.000%.	\$1,990,000.00
\$14,895,000.00 in Refunding Bonds dated July 8, 2014, due in remaining annual installments ranging between \$1,360,000.00 and \$1,580,000.00 beginning January 15, 2020 and ending January 1, 2026 with interest ranging from 3.125% to 4.000%.	10,790,000.00
\$17,431,000.00 in General Obligation Bonds dated January 30, 2015, due in remaining annual installments ranging between \$550,000.00 and \$1,031,000.00 beginning July 1, 2020 and ending July 1, 2034 with interest ranging from 2.250% to 3.000%.	15,231,000.00
\$19,895,000.00 in General Obligation Bonds dated December 21, 2018, due in remaining annual installments ranging between \$1,000,000.00 and \$2,000,000.00 beginning December 1, 2020 and ending December 1, 2032 with interest ranging from 4.000% to 5.000%.	<u>18,895,000.00</u>
	<u>\$46,906,000.00</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long-Term Debt (Continued)

STATE OF NEW JERSEY GREEN TRUST LOANS

The City has entered into the following State of New Jersey Green Trust Loans:

<u>Date</u>	<u>Purpose</u>	<u>Loan Amount</u>	<u>Interest Rate</u>
12/7/2005	Park Development	\$518,000.00	2.00%
8/24/2009	Manahasset Creek Acquisition	359,121.75	0.00%
5/25/2010	Multi Parks Development 2	450,000.00	2.00%

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

<u>YEAR</u>	<u>GREEN TRUST LOANS</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$69,964.29	\$8,645.54	\$78,609.83
2021	71,000.39	7,609.45	78,609.84
2022	72,057.33	6,552.51	78,609.84
2023	73,135.51	5,474.33	78,609.84
2024	74,235.37	4,374.47	78,609.84
2025	75,357.33	3,252.51	78,609.84
2026	44,129.88	2,269.05	46,398.93
2027	44,646.72	1,752.22	46,398.94
2028	45,173.95	1,224.98	46,398.93
2029	36,503.53	687.16	37,190.69
2030	13,852.70	138.53	13,991.23
	<u>\$620,057.00</u>	<u>\$41,980.75</u>	<u>\$662,037.75</u>

NOTE 3: GOVERNMENTAL DEBT (CONTINUED)

Long-Term Debt (Continued)

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

At December 31, 2019, the City has authorized but not issued bonds and notes as follows:

General Capital Fund \$26,553,566.42

Short-Term Debt

At December 31, 2019 the City had the following short term debt:

Bond Anticipation Notes

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>
10-10	2/18/11	02/07/19	02/06/20	3.50%	\$824,000.00
42-11	2/15/12	02/07/19	02/06/20	3.50%	685,000.00
9-13	6/12/14	02/07/19	02/06/20	3.50%	516,000.00
25-16	9/27/16	02/07/19	02/06/20	3.50%	312,000.00
15-12;21-17	2/9/18	02/07/19	02/06/20	3.50%	9,000,000.00
15-12;21-17	2/7/19	02/07/19	02/06/20	2.25%	1,750,000.00
15-12;21-17	2/7/19	02/07/19	02/06/20	3.50%	7,995,000.00
					<u>\$21,082,000.00</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balance at December 31, 2019, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2020 were as follows:

Current Fund \$4,417,133.91

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 City bills and collects its own property taxes and also the taxes for the County and the Local School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. City property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the City'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 <u>31, 2019</u>	Balance December <u>31, 2018</u>
Prepaid Taxes	<u>\$1,582,751.72</u>	<u>\$1,310,718.32</u>

NOTE 6: PENSION PLANS

Plan Descriptions

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/annrprts.shtml.

NOTE 6: PENSION PLANS (CONTINUED)

Plan Descriptions (Continued)

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.

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.

NOTE 6: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

Newly elected or appointed officials that have an existing DCRP account or are a member of another State-administered retirement system are immediately vested 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 vested. 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 for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group life insurance benefits is based on actual claims paid. For fiscal year 2019, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. During 2019, PERS provides for employee contributions of 7.50% of employees' base salary.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. For the fiscal year 2019, the State contributed an amount less than the actuarially determined amount. During 2019, PFRS provides for employee contributions of 10.00% of employees' base salary. The City's share of pension costs, which is based upon the annual billings received from the State for the preceding three years, are as follows:

Year Ended	Public Employee	Police & Firemen's	Defined Contribution	Total
<u>December 31,</u>	<u>Retire. System</u>	<u>Retire. System</u>	<u>Retire. System</u>	
2019	\$1,444,268.00	\$3,559,566.00	\$8,524.70	\$5,012,358.70
2018	1,302,249.00	3,333,874.00	4,252.25	4,640,375.25
2017	1,273,632.00	2,981,736.00	6,159.68	4,219,727.00

NOTE 6: PENSION PLANS (CONTINUED)

Pension Contribution Deferral

The State of New Jersey has enacted Public Law 2011, 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, 2011. 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 Pension deferral activity for 2018 is as follows:

<u>Retirement System</u>	<u>Original Amount Deferred</u>	<u>Balance December 31, 2018</u>	<u>2019 Payments</u>	<u>Balance December 31, 2019</u>
PFRS	\$ 1,083,813.00	\$ 625,447.00	\$ 93,739.00	\$ 531,708.00
PERS	<u>297,146.00</u>	<u>169,409.00</u>	<u>26,329.00</u>	<u>143,080.00</u>
Total	<u>\$ 1,380,959.00</u>	<u>\$ 794,856.00</u>	<u>\$ 120,068.00</u>	<u>\$ 674,788.00</u>

The balances above reflected above represent the original amount deferred less the principal amounts reflected on the New Jersey Division of Pensions & Benefits billings statements and are only an estimate.

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

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is not available from the State Retirement System and, therefore, is not presented.

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, 2019. 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, 2019.

Public Employees Retirement System (PERS)

At June 30, 2019, the State reported a net pension liability of \$24,988,201.00 for the City’s proportionate share of the total net pension liability. The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the City’s proportion was 0.1386809357 percent, which was a decrease of 0.0010377943. percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the State recognized an actuarially determined pension expense of \$1,486,556.00 for the City’s proportionate share of the total pension expense. The pension expense recognized in the City’s financial statements based on the April 1, 2019 billing was \$1,389,750.00.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 364,136.00	\$ 89,622.00
Changes of assumptions	2,025,792.00	7,041,762.00
Net difference between projected and actual earnings on pension plan investments		320,248.00
Changes in proportion and differences between Township contributions and proportionate share of contributions	1,869,156.00	150,940.00
Township contributions subsequent to the measurement date	<u>547,600.50</u>	
	<u>\$ 4,806,684.50</u>	<u>\$ 7,602,572.00</u>

The \$674,478.50 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date (i.e. for the year ending June 30, 2019, the plan measurement date is June 30, 2018) will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other local amounts reported by the State as the City'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>
2020	(\$242,169.80)
2021	(1,556,724.80)
2022	(1,353,274.80)
2023	(453,146.80)
2024	<u>261,828.20</u>
	<u>(\$3,343,488.00)</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, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. These actuarial valuations used the following assumptions:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Inflation	2.75%	2.25%
Salary Increases		
Through 2026	2.00-6.00%	1.65-4.15%
Thereafter	3.00-7.00%	2.65-5.15%
	Based on	Based on
	Years of Service	Age
Investment Rate of Return	7.00%	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

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 both June 30, 2019 and June 30, 2018) 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, 2019 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Market Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount Rate

The discount rate used to measure the total pension liability was 6.28% and 5.66% as of June 30, 2019 and June 30, 2018, respectively. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30 2019 and June 30, 2018 and a municipal bond rate of 3.50% and 3.87% for June 30, 2019 and June 30, 2018 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 based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

NOTE 6: PENSION PLANS (CONTINUED)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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 City's proportionate share of net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability of the participating employers as of June 30, 2019 respectively, calculated using the discount rate as disclosed above as well as what the City's proportionate share of the 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, 2019		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>5.28%</u>	<u>6.28%</u>	<u>7.28%</u>
Township's proportionate share of the pension liability	\$25,804,814.00	\$20,287,602.00	\$15,898,630.00

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>

Police and Firemen's Retirement System (PFRS)

At June 30, 2019, the State reported a net pension liability of \$43,064,482.00 for the City's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

At June 30, 2019, the City's proportion was 0.3518967145 percent, which was an increase of 0.0049020585 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the State recognized an actuarially determined pension expense of \$4,347,616.00. The pension expense recognized in the City's financial statements based on the April 1, 2019 billing was \$3,392,384.00.

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 363,520.00	\$ 272,649.00
Changes of assumptions	1,475,624.00	13,918,046.00
Net difference between projected and actual earnings on pension plan investments		583,510.00
Changes in proportion and differences between the City's contributions and proportionate share of contributions	1,874,661.00	1,118,203.00
City contributions subsequent to the measurement date	\$ 3,713,805.00	\$ 15,892,408.00
	\$ 3,713,805.00	\$ 15,892,408.00

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>		
2020	\$	(1,430,850.60)
2021		(2,990,197.60)
2022		(2,121,239.60)
2023		(1,051,802.60)
2024		<u>(594,879.60)</u>
	\$	<u>(8,188,970.00)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which rolled forward to June 30, 2019. This actuarial valuation used the following assumptions:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Inflation	2.75%	2.25%
Salary Increases		
Through all future years	3.25-15.25%	2.10-9.98%
	Based on years of Service	Based on Age
Investment Rate of Return	7.00%	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

NOTE 6: PENSION PLANS (CONTINUED)

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

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

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

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, 2019 and June 30, 2018) 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, 2019 are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Market Equity	12.50%	9.00%
Emerging Market Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

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 6.85% and 6.51% as of June 30, 2019 and June 30, 2018, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% for both June 30, 2019 and June 30, 2018 and a municipal bond rate of 3.50% and 3.87% as of June 30, 2019 and June 30, 2018 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 70% 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 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the City's proportionate share of the net pension liability of the participating employers as of June 30, 2019 respectively, calculated using the discount rate as disclosed above as well as what the City's proportionate share of the 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, 2019		
	1% Decrease <u>5.85%</u>	At Current Discount Rate <u>6.85%</u>	1% Increase <u>7.85%</u>
Township's proportionate share of the PFRS pension liability	\$36,576,165.00	\$27,060,670.00	\$19,185,227.00

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 City 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 City 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 City related to this legislation.

At June 30, 2019 and 2018, the State's proportionate share of the net pension liability attributable to the City for the PFRS special funding situation is \$6,799,964.00 and \$6,377,938.00, respectively. The State's proportionate share of contributions attributable to the City is \$790,100.00 and \$755,457.00 respectively for the same period.

At June 30, 2019, the City's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Township's Proportionate Share of Net Pension Liability	\$27,060,670.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Township	<u>4,272,931.00</u>
	<u>\$31,333,601.00</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: LITIGATION

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

NOTE 8: COMPENSATED ABSENCES

Under the existing policy of the City, employees are allowed to accumulate unused vacation, sick and compensation time over the life of their working careers which may be taken as time off or paid at a later date as outlined in City personnel policies. It is estimated that, at December 31, 2019, the current cost of such unpaid compensation would approximate \$4,411,048.02. 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. The City has accumulated \$23,508.13 for this purpose in the Trust Other Fund and continues to budget funds to provide for these liabilities as they arise.

NOTE 9: TAX APPEALS

There are tax appeals filed with the State Tax Court of New Jersey requesting a reduction of assessments for 2019 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 City has made provision, from tax revenues, in the amount of \$300,000.00 for these appeals in the event that the tax reductions are granted.

NOTE 10: CONTINGENT LIABILITIES

The City participated in several 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 also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2019, the City does not believe that any material liabilities will result from such audits.

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Statewide 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 City's contributions to the Fund for claim payments are based on actuarial assumption determined by the Fund's actuary. Settled claims have not exceeded coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - The City has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State. Below is a summary of the City's contributions, employee contributions, reimbursements to the State for benefits paid, and the ending balance of the City's expendable trust fund for the current and previous two years:

<u>Year</u>	<u>Contributions</u>		<u>Amount Reimbursed</u>	<u>Ending Balance</u>
	<u>City</u>	<u>Employee</u>		
2019	\$10,000.00	\$74,549.81	\$55,504.31	\$218,816.32
2018	10,000.00		95,369.88	189,770.82
2017	50,000.00		52,843.36	275,140.70

NOTE 12: SELF INSURANCE

The City of Long Branch was self-insured for workers compensation claims for the period of January 1997 through December 31, 2000. As of January 1, 2001, the City has obtained commercial insurance policies and is no longer self-insured.

The City still has active claims made prior to January 1, 2001. The City utilizes the Self Insurance Fund to pay the prior claims as well as paying professional fees related to insurance settlements as well as deductibles not covered by commercial insurance.

NOTE 12: SELF INSURANCE (CONTINUED)

The follow table reflects the activity of the Fund in 2019:

Balance December 31, 2018		\$169,975.35
Increased by:		
Budget Appropriation	\$768,994.98	
Interest	3,398.92	
Other	46,761.47	
Transfer from Encumbrances Payable	<u>20,529.00</u>	
		<u>839,684.37</u>
		1,009,659.72
Decreased by:		
Claims Paid	\$935,510.50	
Transfer to Encumbrances Payable	<u>27,193.00</u>	
		<u>962,703.50</u>
Balance December 31, 2019		<u><u>\$46,956.22</u></u>

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2019:

	Interfund Receivable	Interfund Payable
Current Fund	\$ 200,000.00	\$ 604,356.14
Grant Fund	604,356.14	
Trust Other Fund	<u> </u>	<u>200,000.00</u>
	\$ <u><u>804,356.14</u></u>	\$ <u><u>804,356.14</u></u>

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

NOTE 14: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salaries until future years. The City 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 City'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, AXA Equitable and Nationwide Insurance.

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

NOTE 15: TAX ABATEMENTS

The City is authorized by the New Jersey Housing and Mortgage Financing Act Law of 1983, N.J.S.A. 55:14K-1 et seq. (hereinafter "HMFA Law"), and resolutions of the Council, to enter into property tax abatement agreements for the purpose of attracting affordable housing. The exemption of the projects from real property taxation subject to this law shall not extend beyond the date on which the Agency Mortgage is paid in full, which according to the HMFA Law, may not exceed fifty (50) years. All the units in the project qualify as low- or moderate-income units under the Fair Housing Act, NJSA, 52:270-301 et seq. the regulations of the council on Affordable Housing, NJAC5:94: et seq. and NJAC 5:95 et seq. and the Uniform Housing Affordability Controls, NJAC 5:94 et seq. Tax abatements may be granted to any affordable housing, as deemed appropriate by the township.

NOTE 15: TAX ABATEMENTS (CONTINUED)

For the year ended December 31, 2019, the City abated property taxes totaling \$2,035,103.85 under this program.

<u>Recipient</u>	<u>Purpose</u>	<u>Taxes Abated</u>	<u>Municipal Portion Collected PILOT Program</u>
Garfield & Garfield II Court Housing	Affordable Housing	\$ 359,057.33	\$ 44,096.00
Seaview Housing	Affordable Housing	179,519.21	15,623.00
Grant Court/Presidential Estates Housing	Affordable Housing	231,499.57	22,277.00
Kennedy Towers	Affordable Housing	191,738.13	55,967.20
Hobart Manor	Affordable Housing	106,951.86	
Chester Arthur	Affordable Housing	124,200.87	
Gregory School	Affordable Housing	318,644.28	39,421.64
Woodrow Wilson I & II	Affordable Housing	523,492.59	60,595.00
		<u>\$ 2,035,103.85</u>	<u>\$ 237,979.84</u>

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the municipality has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the municipality is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the municipality is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

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

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

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

Special Funding Situation

The City, by resolution of the governing body, has elected to provide postretirement medical coverage to certain employees under the provisions of Chapter 330, P.L. 1997.

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge.

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net Net OPEB Liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation.

At June 30, 2019 and 2018, the State's proportionate share of the net OPEB liability attributable to the City for the special funding situation is \$32,621,965.00 and \$37,393,301.00 respectively.

At June 30, 2019, the City's and State of New Jersey's proportionate share of the Net OPEB Liability were as follows:

City's proportionate share of the Net OPEB Liability	\$0
State of New Jersey's proportionate share of Net OPEB Liability associated with the City	32,621,965
	<u>\$32,621,965</u>

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	<u>2019</u> 2.50%	<u>2018</u> 2.50%
Salary Increases:		
Public Employees Retirement System (PERS):		
Initial fiscal Year Applied		
Rate through 2026	2.00% to 6.00%	
Rate thereafter	3.00% to 7.00%	
Police and Firemen's Retirement System (PFRS):		
Rate for all future years	3.25% to 15.25%	
All Pensions:		
Rate through 2026		1.65% to 8.98%
Rate thereafter		2.65% to 9.98%

Actuarial Assumptions and Other Inputs (Continued)

Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2019
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2019

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

Actuarial assumptions used in the July 1, 2018 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

NOTE 16: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

Discount Rate

The discount rate for June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. 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 17: SUBSEQUENT EVENTS

The City has evaluated subsequent events occurring after the financial statement date through September 8, 2020 which is the date the financial statements were available to be issued. Based upon this evaluation, the City has determined that the following subsequent events require disclosure:

Subsequent to the date of these Financial Statements, the COVID-19 Corona Virus spread across the State of New Jersey and the Nation as a whole. The impact of this virus on the City's operations in 2020 cannot be reasonably estimated at this time but could negatively affect revenues.

APPENDIX C

FORM OF APPROVING LEGAL OPINIONS

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WILENTZ

— ATTORNEYS AT LAW —

90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

September 30, 2020

Mayor and City Council
of the City of Long Branch
Long Branch, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance, execution and delivery of the \$18,130,000 aggregate principal amount of Redevelopment Area Bonds, Series 2020A (Tax-Exempt) (the “Bonds”) of the City of Long Branch, in the County of Monmouth (the “City”), a body politic and corporate organized and existing under the laws of the State of New Jersey.

The Bonds are authorized by, and are issued pursuant to, (i) the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”), (ii) the Local Redevelopment and Housing Law of the State of New Jersey, N.J.S.A. 40A:12A-1 et seq., as amended and supplemented (the “Redevelopment Law”), (iii) Bond Ordinance Number 15-12, as amended by Bond Ordinance Number 21-17, of the City duly adopted by the City Council of the City, approved by the Mayor, and published as required by law, and (iv) a resolution duly adopted by the City Council of the City on September 9, 2020.

The proceeds of the Bonds will be used to currently refund the City’s \$18,130,000 Redevelopment Area Bond Anticipation Notes, Series 2020B, dated February 5, 2020 and maturing on October 1, 2020.

The Bonds are issued in fully registered, book-entry-only form, without coupons, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Individual purchases of the Bonds will be made in principal denominations of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its

nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City, as paying agent (or a paying agent duly appointed by the City), directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth (15th) day of March and September in each year, commencing September 15, 2021, until maturity or prior redemption. The Bonds shall mature on September 15 in each of the years, in the principal amounts, and at the interest rates as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$405,000	5.000%	2036	\$800,000	2.000%
2022	410,000	5.000	2037	800,000	2.000
2023	410,000	5.000	2038	800,000	2.000
2024	410,000	5.000	2039	800,000	2.000
2025	410,000	5.000	2040	800,000	2.000
2026	430,000	5.000	2041	800,000	2.125
2027	440,000	5.000	2042	800,000	2.125
2028	450,000	5.000	2043	800,000	2.125
2029	465,000	5.000	2044	800,000	2.125
2030	480,000	5.000	2045	800,000	2.125
2031	495,000	4.000	2046	800,000	2.125
2032	510,000	4.000	2047	800,000	2.250
2033	525,000	3.000	2048	800,000	2.250
2034	540,000	3.000	2049	800,000	2.250
2035	550,000	2.000			

The Bonds of this issue maturing prior to September 15, 2031 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after September 15, 2031 are subject to redemption at the option of the City, in whole or in part, on any date on or after September 15, 2030, upon notice as required therein at one hundred percent (100%) of the principal amount being redeemed, plus accrued interest to the date fixed for redemption.

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

We are of the opinion that (i) such proceedings and proofs show lawful authority for the authorization, sale, issuance, execution and delivery of the Bonds pursuant to the laws and Constitution of the State of New Jersey, including the Local Bond Law and the Redevelopment Law; (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding general obligations of the City enforceable in accordance with their terms; and (iii) the City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds and, unless paid from other sources, all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for Federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of the issuance of the Bonds. The City has covenanted in a tax certificate relating to the Bonds to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

In our opinion, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance by the City with the requirements of the Code and the aforementioned covenants and representations stated in its tax certificate, interest on the Bonds is not includable for Federal income tax purposes in the gross income of the owners of the Bonds pursuant to Section 103 of the Code. The Bonds are not "specified private activity bonds" within the meaning of Section 57 of the Code and, therefore, the interest on the Bonds will not be treated as a preference item for purposes of computing the Federal alternative minimum tax.

The Bonds maturing on September 15 in the years 2021 through 2037, inclusive (collectively, the “Premium Bonds”), have been sold to the public at a premium. Section 171 of the Code provides rules under which a bond premium may be amortized and a deduction allowed for the amount of the amortizable bond premium for a taxable year. Under Section 171(a)(2) of the Code, however, no deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excludable from gross income. Under Section 1016(a)(5) of the Code, the purchaser’s basis in a Premium Bond will be reduced by the amount of the amortizable bond premium disallowable as a deduction under Section 171(2) of the Code. Proceeds received from the sale, exchange, redemption or payment of a Premium Bond in excess of the owner’s adjusted basis (as reduced pursuant to Section 1016(a)(5) of the Code) will be treated as a gain from the sale or exchange of such Premium Bonds and not as interest.

We are also of the opinion that the difference between the stated principal amount of the Bonds maturing on September 15 in the years 2039, 2040, 2042 through 2046, inclusive, 2048 and 2049 (collectively, the “Discount Bonds”), and their respective initial public offering prices to the public (excluding bond houses, brokers or similar person or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of the Discount Bonds of the same maturity and interest rate were sold, constitutes original issue discount which is treated as interest and is excludable from gross income for Federal income tax purposes to the same extent described above. In the case of any holder of the Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to the Discount Bonds is added to the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). Holders of the Discount Bonds should consult their tax advisors for an explanation of the original issue discount rules.

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

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

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt

adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered on the basis of Federal law and the laws of the State of New Jersey as enacted and construed on the date hereof.

We have examined one of the executed Bonds and, in our opinion, its form and execution are regular and proper.

Very truly yours,

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90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, NJ 07095-0958
732.636.8000

September 30, 2020

Mayor and City Council
of the City of Long Branch
Long Branch, New Jersey

Ladies and Gentlemen:

We have served as bond counsel in connection with the authorization, sale, issuance, execution, and delivery of the \$1,820,000 aggregate principal amount of Redevelopment Area Bonds, Series 2020B (Federally Taxable) (the "Bonds") of the City of Long Branch, in the County of Monmouth (the "City"), a body politic and corporate organized and existing under the laws of the State New Jersey.

The Bonds are authorized by, and are issued pursuant to: (i) the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), (ii) the Local Redevelopment and Housing Law of the State of New Jersey, N.J.S.A. 40A:12A-1 et seq., as amended and supplemented (the "Redevelopment Law"), (iii) Bond Ordinance Number 15-12, as amended by Bond Ordinance Number 21-17, of the City duly adopted by the City Council of the City, approved by the Mayor, and published as required by law, and (iv) a resolution duly adopted by the City Council of the City on September 9, 2020.

The proceeds of the Bonds will be used to currently refund the City's \$1,820,000 Redevelopment Area Bond Anticipation Notes, Series 2020C, dated February 5, 2020 and maturing on October 1, 2020.

The Bonds are issued in fully registered, book-entry only form, without coupons, initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities and clearing house for securities transactions. One certificate shall be issued for the aggregate principal amount of the Bonds maturing in each year. Individual purchases of the Bonds will be made in principal denominations of \$5,000 each or any integral multiple thereof, with a minimum purchase of \$5,000 required, except that any Bonds in excess of the largest principal amount equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the City, as paying agent (or a paying agent duly appointed by the City), directly to Cede & Co., as nominee for DTC. Disbursal of such payments to DTC participants is the responsibility of

DTC and disbursement of such payments to the beneficial owners of the Bonds is the responsibility of DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semi-annually on the fifteenth (15th) day of March and September in each year, commencing September 15, 2021, until maturity. The Bonds shall mature on September 15 in each of the years, in the principal amounts, and at the interest rates as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2021	\$105,000	4.000%	2029	\$125,000	1.750%
2022	105,000	4.000	2030	125,000	1.875
2023	110,000	4.000	2031	130,000	2.000
2024	110,000	4.000	2032	130,000	2.100
2025	115,000	4.000	2033	135,000	2.200
2026	115,000	1.375	2034	135,000	2.300
2027	120,000	1.500	2035	140,000	2.400
2028	120,000	1.625			

The Bonds are not subject to redemption prior to their stated maturities.

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

We are of the opinion that (i) such proceedings and proofs show lawful authority for the authorization, sale, issuance, execution and delivery of the Bonds pursuant to the laws and Constitution of the State of New Jersey, including the Local Bond Law and the Redevelopment Law; (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding general obligations of the City enforceable in accordance with their terms; and (iii) the City has pledged its full faith and credit for the payment of the principal of and interest on the Bonds and, unless paid from other sources, all the taxable property within the City is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds.

In our opinion, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is includable for Federal income tax purposes in the gross income of the owners of the Bonds. Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers. No opinion is expressed regarding any other federal tax consequences arising with respect to the Bonds.

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

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

This opinion is qualified to the extent that the enforceability of the rights or remedies with respect to the Bonds may be limited by bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is rendered on the basis of Federal law and the laws of the State of New Jersey as enacted and construed on the date hereof.

We have examined one of the executed Bonds and, in our opinion, its form and execution are regular and proper.

Very truly yours,

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated September 30, 2020 (the "Disclosure Certificate"), is executed and delivered by the City of Long Branch, in the County of Monmouth (the "City" or the "Issuer"), a body politic and corporate organized and existing under the laws of the State of New Jersey, in connection with the issuance of its \$18,130,000 aggregate principal amount of Redevelopment Area Bonds, Series 2020A (Tax-Exempt) and \$1,820,000 aggregate principal amount of Redevelopment Area Bonds, Series 2020B (Federally Taxable) (collectively, the "Bonds"), all such Bonds being dated their date of delivery. The Bonds are being issued pursuant to (i) the provisions of the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq., as amended and supplemented; (ii) the Local Redevelopment and Housing Law of the State of New Jersey, N.J.S.A. 40A:12A-1 et seq., as amended and supplemented (the "Redevelopment Law"), (iii) Bond Ordinance Number 15-12, as amended by Bond Ordinance Number 21-17, of the City duly adopted by the City Council of the City, approved by the Mayor, and published as required by law, and (iv) a resolution entitled, "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF NOT TO EXCEED \$18,130,000 REDEVELOPMENT AREA BONDS, SERIES 2020A (TAX-EXEMPT) AND \$1,820,000 REDEVELOPMENT AREA BONDS, SERIES 2020B (TAXABLE), OF THE CITY OF LONG BRANCH, IN THE COUNTY OF MONMOUTH, STATE OF NEW JERSEY (THE "CITY") AND PROVIDING FOR THEIR SALE" (the "Resolution"), duly adopted by the City Council of the City on September 9, 2020. The City covenants and agrees as follows:

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

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

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

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

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the City or the Dissemination Agent (as defined below) is authorized by law or contract to remain closed.

"Continuing Disclosure Information" shall mean, collectively, (i) each Annual Report; (ii) any notice required to be filed by the City or the Dissemination Agent (as defined below)

with EMMA (as defined below) pursuant to Section 3 of this Disclosure Certificate; and (iii) any notice of a Listed Event required to be filed by the City or the Dissemination Agent (as defined below) with EMMA (as defined below) pursuant to Section 5 of this Disclosure Certificate.

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

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

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

“Financial Obligation” shall mean 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) listed hereinabove. The term *“Financial Obligation”* shall not include municipal securities as to which a final official statement has been provided to the MSRB (as defined below), through the EMMA system, consistent with the Rule (as defined below).

“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.

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

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

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

“State” shall mean the State of New Jersey.

“Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

SECTION 3. Provision of Annual Reports. (a) The City shall, not later than October 1 of each fiscal year (for the calendar year ending December 31) until termination of the City’s reporting obligations under this Disclosure Certificate pursuant to the provisions of Section 6 of this Disclosure Certificate, provide to the Dissemination Agent the Annual

Report prepared for the preceding fiscal year of the City (commencing for the fiscal year ending December 31, 2020). Each Annual Report provided to the Dissemination Agent by the City shall comply with the requirements of Section 4 of this Disclosure Certificate but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information submitted to the National Repository. Any and all items that must be included in the Annual Report may be incorporated by reference from other information that is available to the public on EMMA, or that has been filed with the SEC.

(b) The Dissemination Agent, promptly (within ten (10) Business Days) after receiving the Annual Report from the City, shall submit each Annual Report received by it to the National Repository and thereafter shall file a written report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate to the National Repository and stating the date it was provided to the National Repository.

(c) If the City fails to provide the Annual Report to the Dissemination Agent by the date required in subsection (a) of this Section 3, the Dissemination Agent shall send a notice to the City advising of such failure. Whether or not such notice is given or received, if the City thereafter fails to submit the Annual Report to the Dissemination Agent within ten (10) Business Days after the Annual Report was due pursuant to the provisions of subsection (a) of this Section 3, the Dissemination Agent shall promptly send a notice (with a copy of said notice to the City) to the National Repository in substantially the form attached as Exhibit A hereto.

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

(1) The audited financial statements of the City as of December 31 of each year (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available);

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

(2) The most current annual debt statement of the City (as of December 31); and

(3) The general financial information and operating data of the City consistent with the information set forth in Appendix A to the Official Statement dated September 17, 2020 prepared in connection with the sale of the Bonds (the "Official Statement").

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the City is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the SEC. If the document incorporated by reference is a final official statement, it must be available

from the MSRB, through the EMMA system. The City shall clearly identify each such other document so incorporated by reference.

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

1. Principal and interest payment delinquencies;
2. Nonpayment 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 Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

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

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

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

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

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

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the defeasance or payment in full of all of the Bonds or when the City is no longer an "Obligated Person" (as defined in the Rule). The City shall file a notice of the termination of its reporting obligations pursuant to the provisions hereof with the Dissemination Agent, which notice shall be filed with EMMA in accordance with the provisions of Section 5(e) of this Disclosure Certificate.

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

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (supported by an opinion of counsel expert in Federal securities laws acceptable to the City to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof) is (a) made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (b) the undertaking, as amended or waived, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) the amendment or waiver does not materially impair the interests of holders, as determined either by parties unaffiliated with the City or “Obligated Person,” or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Resolution at the time of the amendment. The City shall give notice of such amendment or waiver to this Disclosure Certificate to the Dissemination Agent, which notice shall be filed in accordance with the provisions of Section 5 of this Disclosure Certificate. Notwithstanding the above, the addition of or change in the Dissemination Agent shall not be construed to be an amendment under the provisions hereof.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements (i) notice of such change shall be given in the same manner as a Listed Event under Section 5 of this Disclosure Certificate, 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 City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of

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

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, the Holders of at least 25% aggregate principal amount of Outstanding Bonds or any 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 City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the City agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the City) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. To the extent permitted by law, the City further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the City under this Section 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 City, the Dissemination Agent, the Underwriters, and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

SECTION 13. Notices. All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt) or electronic mail, followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the City:

City of Long Branch
344 Broadway
Long Branch, New Jersey 07740
Attention: Chief Financial Officer

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

Phoenix Advisors, LLC
625 Farnsworth Avenue
Bordentown, New Jersey 08505

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

SECTION 14. Counterparts. This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the City and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.

SECTION 15. Severability. If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the City and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

SECTION 16. Governing Law. This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey as applicable.

**CITY OF LONG BRANCH, IN THE
COUNTY OF MONMOUTH,
STATE OF NEW JERSEY**

By: _____
MICHAEL MARTIN
Chief Financial Officer

Acknowledged and Accepted by:

**PHOENIX ADVISORS, LLC,
as Dissemination Agent**

Authorized Signatory

EXHIBIT A

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

Name of Issuer: City of Long Branch,
in the County of Monmouth, State of New Jersey

Name of Issue: \$18,130,000 Redevelopment Area Bonds, Series 2020A
(Tax-Exempt)
Dated: September 30, 2020
(CUSIP Number: 542620QJ1)
and
\$1,820,000 Redevelopment Area Bonds, Series 2020B
(Federally Taxable)
Dated: September 30, 2020
(CUSIP Number: 542620QZ5)

Date of Issuance: September 30, 2020

NOTICE IS HEREBY GIVEN that the above designated City has not provided an Annual Report with respect to the above-named Bonds as required by the Resolution and a Continuing Disclosure Certificate dated September 30, 2020 executed by the City and acknowledged and accepted by the Dissemination Agent.

DATED: _____

DISSEMINATION AGENT
(on behalf of the City)

cc: The City

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