

OFFICIAL STATEMENT DATED JULY 14, 2020

NEW ISSUE - BOOK-ENTRY ONLY

RATING: Moody's: "Aa3"  
(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 by the City (as defined herein) with certain covenants described herein, interest on the Bonds (as defined herein) (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 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..*

**\$11,455,000**  
**CITY OF ABSECON**  
**IN THE COUNTY OF ATLANTIC,**  
**STATE OF NEW JERSEY**  
**GENERAL OBLIGATION BONDS, SERIES 2020**  
**CALLABLE**  
**BOOK-ENTRY ONLY**

**Dated: Date of Delivery**

**Due: July 15, as shown on the inside front cover**

The \$11,455,000 aggregate principal amount of General Obligation Bonds, Series 2020 (the "Bonds") are general obligations of the City of Absecon, in the County of Atlantic, State of New Jersey (the "City") and, unless paid from other sources, are a pledge of the full faith and credit of the City 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 thereof 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, 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 January and July of each year, commencing January 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, N.J.S.A. 40A:12A-1 *et seq.*, as amended and supplemented (the "Redevelopment Law"), (iii) the Redevelopment Area Bond Financing Law, N.J.S.A. 40A:12A-64 *et seq.*, as amended and supplemented (the "RAB Law"), and (iv) various bond ordinances of the City duly adopted on the dates set forth herein and published as required by law, and by a resolution duly adopted by the City Council of the City on May 21, 2020.

The proceeds of the Bonds, along with other available funds of the City in the amount of \$649,495, will be used to: (i) currently refund the City's \$6,683,145 Bond Anticipation Note, dated July 31, 2019 and maturing July 31, 2020; (ii) finance various capital improvements in and by the City in the amount of \$5,729,350; and (iii) pay the costs associated with the authorization, sale and issuance of the Bonds.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. 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 Alfred R. Scerni, Jr., Esq., City Attorney to the City. Phoenix Advisors, LLC 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 July 30, 2020.***

**FIDELITY CAPITAL MARKETS**

**CITY OF ABSECON  
IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY**

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

**\$11,455,000 GENERAL OBLIGATION BONDS, SERIES 2020**

<u>Maturity (July 15)</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP* Number</u>
2021	\$270,000	4.00%	0.45%	003860CE1
2022	270,000	4.00	0.50	003860CF8
2023	290,000	4.00	0.57	003860CG6
2024	315,000	4.00	0.65	003860CH4
2025	340,000	4.00	0.85	003860CJ0
2026	365,000	4.00	1.00	003860CK7
2027	390,000	4.00	1.10	003860CL5
2028	415,000	4.00	1.20	003860CM3
2029	440,000	4.00	1.30	003860CN1
2030	460,000	3.00	1.50	003860CP6
2031	485,000	3.00	1.60	003860CQ4
2032	500,000	2.00	1.70	003860CR2
2033	515,000	2.00	1.85	003860CS0
2034	525,000	2.00	1.90	003860CT8
2035	535,000	2.00	2.00	003860CU5
2036	535,000	2.00	2.02	003860CV3
2037	535,000	2.00	2.06	003860CW1
2038	535,000	2.00	2.11	003860CX9
2039	535,000	2.00	2.15	003860CY7
2040	535,000	2.125	2.20	003860CZ4
2041	535,000	2.125	2.25	003860DA8
2042	535,000	2.125	2.28	003860DB6
2043	535,000	2.25	2.33	003860DC4
2044	535,000	2.25	2.37	003860DD2
2045	525,000	2.25	2.40	003860DE0

\* 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 ABSECON  
IN THE COUNTY OF ATLANTIC,  
STATE OF NEW JERSEY**

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**MAYOR**

Kimberly Horton

**CITY COUNCIL**

Keith Bennett, President  
Butch Burroughs  
Sandy Cain  
Caleb Cavileer  
Betty Howell  
Steve Light  
Frank Phillips

**CITY MANAGER**

Jessica Thompson

**CITY CLERK**

Carie A. Crone

**CHIEF FINANCIAL OFFICER**

Jessica Thompson

**CITY ATTORNEY**

Alfred R. Scerni, Jr., Esq.  
Parker McCay P.A.  
Atlantic City, New Jersey

**INDEPENDENT AUDITORS**

Bowman & Company LLP  
Voorhees, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC.  
Bordentown, 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 Absecon, in the County of Atlantic, 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 circumstances, create any implication that there has been no change in any of the information herein since the date hereof, or the date as of which such information is given, if earlier. 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 ABSECON  
IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY  
RELATING TO  
\$11,455,000 GENERAL OBLIGATION BONDS, SERIES 2020**

**INTRODUCTION**

The purpose of this Official Statement is to provide certain information regarding the financial and economic condition of the City of Absecon (the "City"), in the County of Atlantic (the "County"), State of New Jersey (the "State"), in connection with the sale and issuance of \$11,455,000 aggregate principal amount of General Obligation Bonds, Series 2020 (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 January and July of each year (each an "Interest Payment Date") until maturity or prior redemption, commencing January 15, 2021. 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 January 1 and July 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.

The Bonds will mature on July 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 denominations of \$5,000 each or any integral multiple thereof, 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 owners of beneficial interests in the Bonds is the responsibility of the DTC Participants (as hereinafter defined). See "BOOK-ENTRY ONLY SYSTEM" herein.

## **Redemption**

The Bonds maturing prior to July 15, 2028 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after July 15, 2028 are subject to redemption at the option of the City, in whole or in part, on any date on or after July 15, 2027, 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 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 Bonds, Notices of Redemption shall be sent to such Securities Depository and shall not be sent to the beneficial owners of the 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 Bonds prior to maturity, such 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 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.

## **AUTHORIZATION FOR THE ISSUANCE OF THE BONDS**

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, N.J.S.A. 40A:12A-1 et seq., as amended and supplemented (the "Redevelopment Law"), (iii) the Redevelopment Area Bond Financing Law, N.J.S.A. 40A:12A-64 et seq., as amended and supplemented (the "RAB Law"), and (iv) various bond ordinances duly adopted by the City Council on the dates set forth in the charts on the following page and published as required by law, and by a resolution duly adopted by the City Council on May 21, 2020.

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

## **Purpose of the Bonds**

The proceeds of the Bonds, along with other available funds of the City in the amount of \$649,495, will be used to: (i) currently refund the City's \$6,683,145 Bond Anticipation Notes, dated July 31, 2019 and maturing July 31, 2020; (ii) finance various capital improvements in and by the City in the amount of \$5,729,350; and (iii) pay the costs associated with the authorization, sale and issuance of the Bonds.

The purposes for which the Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described in the



following table by ordinance number, description and date of final adoption, and the amount of Bond proceeds to be used for such purposes. The bond ordinances are as follows:

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount of Bond Proceeds</b>
05-2015	Providing for Various Capital Improvements, finally adopted 5/07/15	\$ 832,645
09-2016	Providing for Various Capital Improvements, finally adopted 4/21/16	1,537,000
01-2017	Providing for Improvements to the Recreational Area of Turner Avenue Waterfront, finally adopted 2/16/17	475,000
04-2017	Providing for Various Capital Improvements, finally adopted 4/20/17	1,282,500
06-2018	Providing for Various Capital Improvements, finally adopted 4/19/18	954,505
02-2019	Providing for the Acquisition of Block 200, Lots 12 and 13 on the Tax Map of the City for the Construction of a New Firehouse Building, finally adopted 2/21/19	1,325,000
06-2019	Providing for Various Capital Improvements, finally adopted 4/18/19	952,000
11-2019	Providing for a Supplemental Appropriation for the Acquisition of Block 200, Lots 12 and 13 on the Tax Map of the City for the Construction of a New Firehouse Building, finally adopted 8/15/19	4,000,000
04-2020	Providing for the 2020 Road Improvement Program, finally adopted 5/21/20	126,350
05-2020	Providing for a Supplemental Appropriation for the Acquisition of Block 200, Lots 12 and 13 on the Tax Map of the City for the Construction of a New Firehouse Building, finally adopted 5/21/20	<u>278,000</u>
	<b>TOTAL</b>	<b><u>\$11,763,000</u></b>

### **Payment of Bonds**

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

### **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 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.

\* Source: The Depository Trust Company

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](http://www.dtcc.com) and [www.dtc.org](http://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 March 5, 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 not 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%.

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 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:

$$\begin{array}{rcl}
 \text{Total of Local, County,} & & \\
 \text{and School Levies} & - \text{ Anticipated Revenues} & = \text{ Cash Required from Taxes to Support} \\
 & & \text{Local Municipal Budget and Other Taxes} \\
 \\ 
 \frac{\text{Cash Required from Taxes to Support Local Municipal Budget and Other Taxes}}{\text{Prior Year's Percentage of Current Tax Collection (or Lesser \%)} & & = \text{ Amount to be} \\
 & & \text{Raised by} \\
 & & \text{Taxation}
 \end{array}$$

**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. Due to the outbreak of COVID-19, Governor Phil Murphy of the State of New Jersey (the "Governor") issued Executive Order No. 130, which, among other things, authorizes a municipality with a calendar year, such as the City, to adopt a resolution instituting a grace period concluding on a date no later than June 1, 2020 for the payment of second quarter property taxes in 2020.

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 1<sup>st</sup> day of April of the current tax year for its review or the 1<sup>st</sup> 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. Due to the outbreak of COVID-19, Chief Justice Stuart Rabner of the New Jersey Supreme Court has delayed the deadline for filing regular and revaluation/assessment tax appeals until the later of May 1 or 30 days following the Governor's determination that the State of Emergency declared by Executive Order No. 103 has ended.

## **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 Bonds in order for the interest on the 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 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the 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 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 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 Bonds maturing on July 15 of the years 2021 through 2034, 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 Bonds maturing on July 15 in the years 2036 through 2045, inclusive (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 Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional Federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and 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 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 opinion 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 original purchaser shall receive a certificate, 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 original purchaser 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 a certificate dated as of the date of the delivery of the Bonds, and signed by the officers who signed the Bonds, stating that no litigation is then pending or, to the knowledge of such officers, threatened to restrain or enjoin the issuance or delivery of the Bonds or the levy or collection of taxes to pay the 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 opinion will be delivered with the Bonds substantially in the form 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, Alfred R. Scerni, Jr., Esq., Parker McCay P.A., Atlantic City, 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 Absecon, Attn: Jessica Thompson, Chief Financial Officer, 500 Mill Road, Absecon, New Jersey 08201-1939 (609) 641-0663; Charles A. Solimine, Esq., Wilentz, Goldman & Spitzer, P.A., 90 Woodbridge Center Drive, Woodbridge, New Jersey 07095, (732) 855-6430; or Anthony Inverso, Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey has served as municipal advisor to the City with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in 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 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").

Within the five years immediately preceding the date of this Official Statement, the City previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) audited financial information for the fiscal years ending December 31, 2014 and 2015; (ii) operating data for the fiscal years ending December 31, 2014 and 2015; and (iii) adopted budgets for fiscal years ending December 31, 2015, 2016 and 2018. Additionally, the City previously failed to file late filing notices in connection with its untimely filings of: (i) audited financial information; (ii) operating data; (iii) adopted budgets, all as described above. Such notices of events and late filings have since been filed with the



MSRB's Electronic Municipal Market Access Dataport ("EMMA"). The City appointed Phoenix Advisors, LLC in July of 2017 to serve as continuing disclosure 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 contained 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.

Bowman & Company LLP, Voorhees, New Jersey, the Auditor to the City, has participated in the preparation of the financial information contained in this Official Statement but they have not 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, Inc. (the "Rating Agency"), has assigned its municipal bond rating of "Aa3" to the Bonds.

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

### **UNDERWRITING**

The Bonds have been purchased from the City at a public sale by Fidelity Capital Markets (the "Underwriter") at a price of \$11,763,485.91. The purchase price of the Bonds reflects the par amount of Bonds, plus a net original issue premium of \$459,694.10, and less an Underwriter's discount of \$151,208.19.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the 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 Underwriter without prior notice.

## **FINANCIAL STATEMENTS**

The financial statements of the City for the years ended December 31, 2018 and 2017 (the "Audit"), are presented in APPENDIX B to this Official Statement. The financial statements referred to above have been audited by Bowman & Company LLP, Voorhees, New Jersey, independent auditors, as stated in their report appearing in APPENDIX B. Also included in APPENDIX B is certain unaudited financial statements of the City for the year ended December 31, 2019.

## **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 any 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 ABSECON**

/s/ Jessica Thompson  
**JESSICA THOMPSON**  
**Chief Financial Officer**

DATED: July 14, 2020

**APPENDIX A**

**CERTAIN FINANCIAL AND DEMOGRAPHIC  
INFORMATION CONCERNING THE CITY OF ABSECON**

## GENERAL INFORMATION REGARDING THE CITY OF ABSECON

### GENERAL INFORMATION

The City of Absecon is a residential suburban community approximately six square miles in area located in eastern Atlantic County, New Jersey. Although it has a short common border with Atlantic City, Absecon's main center of development lies approximately five miles to the west of its more famous neighbor. Other bordering communities are the City of Pleasantville and the Townships of Egg Harbor and Galloway, while most of the City's eastern boundaries are formed by the waters of the Absecon Bay.

The City was incorporated in 1902 and has developed primarily over the years as a community of single-family homes whose owners work in surrounding municipalities and enjoy living in Absecon's tranquil surroundings. Absecon is governed by a Mayor-Council form of government and has a City Administrator. The Mayor and Council perform legislative duties of formulating the annual budget and attending to the day-to-day activities of the City.

### Population (1)

The population in the City of Absecon for the 1960 to 2000 period is as follows:

<u>Year</u>	<u>Population</u>
1960 Federal Census	4,320
1970 Federal Census	6,135
1980 Federal Census	6,859
1990 Federal Census	7,298
2000 Federal Census	7,638

(1) Source – Federal Census

### Police Department

The Police force occupies a separate and secure headquarters in the modern City Hall Complex. On a year-round basis, the department consists of (29) officers, to include (1) Chief, (1) Captain, (2) Lieutenants, (5) Sergeants, (16) Patrolman, and (4) Class II Officers. Three of the above officers are assigned to the departments' Detective Division.

In addition, the department employs (6) Telecommunication Operators led by a Director of Communications, (10) school crossing guards, and (2) part-time police clerks.

Programs administered by the Police Department include DARE, Shop with a Cop, National Night Out, Senior Life Line Program, House Checks, and Crime Prevention Program. The departments Class II officers are predominantly assigned to the city's Marine Recreation Areas as well as other community locations and events. Alarm registration services are also available for home and businesses.

The department currently has 10 Marked Patrol Vehicles (7 SUV's and 3 Sedans), 5 Un-Marked Vehicles, and 2 Military Humvee's for emergency situations.

### Fire Protection

A volunteer fire company with approximately 50 members are trained to fight fires and cover the entire City. A brand-new modern, centrally-located firehouse is in the process of being constructed, to be completed this fall. This replaces an older building which was located just down the street and was recently sold to help fund the new facility. A volunteer ladies auxiliary of approximately 20 members

supports the fire department members. The City contributes to the operating expense of the company and also purchases the firefighting equipment. The City currently is housing two pumpers, one 95-foot aerial platform firetruck, which is also a pumper, one rescue cascade unit, one boat, pickup truck, Suburban and Chief's vehicle.

### **Hospital and Rescue Squad Services**

The City is supported by Absecon Emergency Services, an ambulance rescue squad, which maintains two well-equipped ambulances. The squad includes 30 members, all of whom are certified lifesavers. Services are provided 24 hours a day.

Atlantic-Care Medical Center provides two large modern facilities, one in adjacent Galloway Township and the other in Atlantic City, which can be reached within 15 minutes from Absecon.

### **Recreation**

Numerous recreational and athletic facilities are located throughout the City. These include seven baseball fields, three of which were recently renovated; a newly renovated football field, two soccer fields, newly renovated tennis courts, three playgrounds, and a mile-long lighted bicycle path. One of the fields has been dedicated to the Field of Dreams organization which provides programs for special-needs individuals.

Heritage Park is located behind the municipal complex, where a half-mile long path surrounds a lake stocked with fish. A Concerts in the Park series is held each summer along with other events. A 9-11 Memorial is also located at the park.

Two recently completed projects at Faunce Landing and Turner Cove enhance access to Absecon Creek with new boat ramps, picnic areas, fishing piers, and living shorelines.

### **Library**

The Absecon Public Library, funded fully through the City's budget, operates six days a week from its conveniently located facility in the hub of the City. In addition to regular library functions, it provides a computer center with internet access for the residents.

### **Utilities**

Atlantic City Electric provides electric service, the South Jersey Gas Company provides gas service, the New Jersey-American Water Company provides water service, and the City, through its own sewer utility provides sewer service to virtually the entire City. The utility collects and pumps the sewage to facilities operated by the Atlantic County Utilities Authority and pays the County Authority for treatment and disposal.

The City provides residents of the entire City with trash collection on a once-a-week basis. In addition, recycling, yard waste collection and leaf pick up is provided.

### **Transportation**

The City is accessible by land via the Garden State Parkway, a major north-south artery which is adjacent to the City and provides access to New York City, and via the Atlantic City Expressway, which is three miles distant and leads directly to Philadelphia. The Parkway going south connects with the Cape-May Lewes ferry service, which provides a convenient, modern method of crossing the Delaware Bay to points south.

The Atlantic City International Airport (approximately five miles distant) provides both commuter and regular air travel to major eastern cities and beyond.

Train service which operates between Atlantic City and Philadelphia has an operating connector station in Absecon.

**Capital Improvement Program**

The 2020 Capital Improvement plan includes additional funds to complete the construction of a new firehouse, and continuation of a multi-year program to improve and upgrade the roads within the City in the amount of \$300,000. Other projects funded in 2020 include the Pitney Road Pedestrian Safety project which will upgrade sidewalk areas in proximity to the school, replacement of the retaining wall behind the municipal building, funds to begin the permitting process for dredging Absecon Creek, and police vehicles and equipment. Recently completed capital projects include miles of ongoing road resurfacing, replacement of the emergency generator at the municipal building, and a continuation of streetscape improvements in the downtown central business district.

**New Construction Activity**

The following is a listing of the number of building permits issued in Absecon, which includes new construction and improvements.

<u>Year</u>	<u>Number</u>	<u>Cost of Improvements</u>
2020 (to 5/31)	94	\$7,415,313
2019	301	\$5,510,149
2018	332	\$7,978,821
2017	410	\$6,714,666
2016	414	\$17,346,693
2015	397	\$7,525,849

A summary of recent new construction activity in the City, by year, since 2015 and estimated assessed valuation is included below.

**2020**

Complete construction of new Firehouse facility. Proposed, Firestone auto repair facility, Royal Farms convenience store.

**2019**

New warehouse, \$215,300.00, 1 new home \$140,000.00, 2 buildings, 36 apartments in Mi-Place, \$732,000.00.

**2018**

One new home, \$110,000.00, 5 buildings, 118 apartments, Mi-Place \$4,036,000.00.

**2017**

Firearms range, \$1,152,100.00, New Dollar General, \$900,000.00, New medical office, \$236,000.00, 2 manufactured homes, \$15,000.00, 3 new homes \$404,500.00. 1 39-unit apartment building, \$1,188,700.00 Mi-Place.

**2016**

5 buildings, 72-unit apartment development with community building, \$7,519,517.00, Clayton Mill Run, 5 buildings 174 apartments, \$5,616,100.00 Mi Place at the Shore, 1 new home, \$125,500.00

**2015**

3 new homes issued at cost of \$418,500.00. New Pep Boys auto repair facility, \$387,500.00.

**Major Employers**

A partial listing of some of the major employers in Absecon is as follows:

<u>Employer</u>	<u>Number of Employees</u>
Absecon Manor	250
Starns Shop Rite	200
Home Depot	140
Absecon School District	120
City of Absecon	90
Holy Spirit High School	63
Glenn Insurance	61
McDonalds	60
First National Bank of Absecon	56
Travel Lodge	40

**Education**

The City's public school system serves students in grades Pre-K through eight. The district has two adjoining schools, one primary school for Pre-k to 4 and an intermediate school for grades 5 to 8. There is a sending/receiving relationship with Pleasantville High School for students in grades 9 to 12. The majority of high school students attend ACIT (Atlantic County Institute of Technology), Charter Tech, Ocean City High School, Mainland High School, and Holy Spirit Catholic School. The County also supports the Atlantic Cape Community College.

The Absecon Board of Education (the "Board") operates independently of the city government. It is a Type II school district, with its nine members being elected by a vote of the people for staggered three-year terms.

The Absecon Board of Education operates on a fiscal year, July 1 to June 30, and taxes are levied for the school on a fiscal year basis. This means that taxes are raised for six months beyond the calendar year of the levy and may by statute be deferred up to 50% of the annual levy.

Since 1951, all school districts of the State of New Jersey must be audited by a licensed Public School Accountant, who is either a Certified Public Accountant or Registered Municipal Accountant of New Jersey, or both. The New Jersey State Board of Certified Public Accountants regulates the Public School Accountant and issues the annual licenses. The annual audit must be filed with the Board of Education and the Commissioner of Education of the State of New Jersey by December 5th.

**CERTAIN TAX INFORMATION**

**TEN LARGEST TAXPAYERS(1)**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<b>2019</b> <u>Assessed Valuation</u>
Absecon MP Holdings LLC	Apartment Complex	\$23,740,500
RD Absecon Assoc/Acadia Rlty	Retail/Restaurant	12,810,000
Home Depot USA	Building Supply	9,161,000
Absecon Propco	Nursing Home/Rehabilitation	9,100,000
Starns Markets/Village Supermarket	Supermarket	5,300,000
Ratan AC LLC	Hotel	4,772,100
Renuka Hospitality	Hotel	4,630,000
SSN Absecon LLC	Hotel	4,500,000
Absecon Equities LLC	Retail	3,620,700
Mill Road Assoc II LLC	Retail/Storage	2,376,100

**CURRENT TAX COLLECTIONS(2)**

<u>Year</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Outstanding Dec. 31</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2019 (3) \$	23,328,264	\$ 22,956,366	98.41%	\$ 249,804	1.07%
2018	23,349,137	22,950,992	98.29%	227,946	0.98%
2017	23,169,615	22,701,790	97.98%	239,664	1.03%
2016	22,602,348	22,186,276	98.16%	289,354	1.28%
2015	22,468,180	21,900,879	97.48%	331,032	1.47%

**DELINQUENT TAXES(2)**

<u>Year</u>	<u>Outstanding Jan. 1</u>	<u>Added</u>	<u>Collected</u>		<u>Transferred to Liens</u>	<u>Other Credits</u>	<u>Outstanding Dec. 31</u>
			<u>Amount</u>	<u>Percentage</u>			
2019 (3) \$	227,946	\$ -	\$ 227,946	100.00%	-	-	\$ -
2018	239,664	-	234,856	97.99%	\$ 3,467	\$ 1,341	(0)
2017	289,354	-	288,876	99.83%	478	-	(0)
2016	331,032	-	316,329	95.56%	12,665	2,038	0
2015	478,729	-	426,018	88.99%	52,317	393	0

(1) Source: City Officials

(2) Source: City Reports of Audit, unless otherwise indicated

(3) Information from Annual Compiled Financial Statement



**TAX TITLE LIENS(1)**

<u>Year</u>	<u>Balance</u> <u>Jan. 1</u>	<u>Added by</u> <u>Sales and</u> <u>Transfers</u>	<u>Collected</u>	<u>Cancellations/</u> <u>Foreclosures</u>	<u>Balance</u> <u>Dec. 31</u>
2019 (2) \$	101,088	\$ 15,679	\$ 5,092	\$ 3,269	\$ 108,406
2018	85,793	23,336	8,040	-	101,088
2017	137,778	17,318	15,290	54,013	85,793
2016	137,318	41,563	41,103	-	137,778
2015	77,389	99,393	39,465	-	137,318

**FORECLOSED PROPERTY(1)(3)**

<u>Year</u>	<u>Balance</u> <u>Jan. 1</u>	<u>Added By</u> <u>Transfer</u>	<u>Adjustment</u> <u>to Assessed</u> <u>Valuation</u>	<u>Adjustments</u>	<u>Balance</u> <u>Dec. 31</u>
2019 (2) \$	416,200	\$ -	\$ -	\$ -	\$ 416,200
2018	416,200	-	-	-	416,200
2017	416,200	-	-	-	416,200
2016	416,200	-	-	-	416,200
2015	416,200	-	-	-	416,200

**CURRENT WATER-SEWER COLLECTIONS(1)**

<u>Year</u>	<u>Beginning</u> <u>Balance</u>	<u>Total Levy</u>	<u>Collected in Year of Levy</u>		<u>Outstanding Dec. 31</u>	
			<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
2019 (2) \$	67,596	\$ 1,726,355	\$ 1,744,659	97.25%	\$ 49,292	2.75%
2018	79,922	1,717,456	1,729,781	96.24%	67,596	3.76%
2017	76,834	1,670,239	1,667,151	95.43%	79,922	4.57%
2016	102,982	1,625,492	1,651,640	95.55%	76,834	4.45%
2015	100,551	1,627,841	1,625,410	94.04%	102,982	5.96%

(1) Source: City Reports of Audit, unless otherwise indicated

(2) Information from Annual Compiled Financial Statement

(3) These amounts are reflected on the basis of assessed value in the year of acquisition in accordance with the regulation of the Division of Local Government Services.

**NET ASSESSED VALUATIONS AND ANNUAL TAX RATES (1)**

<u>Year</u>	<u>Net Valuation Taxable</u>	<u>Tax Rate (2)</u>				
		<u>Total Rate</u>	<u>Municipal</u>	<u>Municipal Library</u>	<u>County</u>	<u>Local School</u>
2020	\$ 710,099,400	N/A	N/A	N/A	N/A	N/A
2019	707,814,800	\$3.278	\$0.987	\$0.035	\$0.536	\$1.720
2018	704,301,400	3.292	0.994	0.034	0.535	1.729
2017	705,932,900	3.268	0.992	0.035	0.552	1.689
2016	709,592,700	3.176	0.996	0.036	0.522	1.622
2015	714,325,931	3.135	1.027	0.036	0.503	1.569

**RATIO OF ASSESSED VALUATION TO TRUE VALUE AND TRUE VALUE PER CAPITA(3)**

<u>Year</u>	<u>Real Property Assessed Valuation</u>	<u>Percentage of True Value</u>	<u>True Value</u>	<u>True Value per Capita (4)</u>
2020	\$ 710,099,400	95.15%	\$ 746,294,693	\$ 88,728
2019	707,814,800	93.96%	753,315,028	89,563
2018	704,301,400	96.99%	726,158,779	86,334
2017	705,932,900	94.89%	743,948,677	88,449
2016	709,592,700	92.04%	770,961,213	91,661

**REAL PROPERTY CLASSIFICATION(5)**

<u>Year</u>	<u>Assessed Value of Land and Improvements</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>
2020	\$ 710,099,400	\$ 16,169,600	\$ 555,207,700	\$ 119,127,200	\$ -	\$19,594,900
2019	707,814,800	18,240,500	555,366,000	117,846,400	-	16,361,900
2018	704,301,400	22,460,400	556,961,200	118,027,300	-	6,852,500
2017	705,932,900	24,144,400	558,761,200	119,324,800	-	3,702,500
2016	709,592,700	25,440,600	558,966,800	121,482,800	-	3,702,500

(1) Source: City Tax Collector

(2) Per \$100 of assessed valuation

(3) Source: State of New Jersey, Department of Treasury, Division of Taxation

(4) Based on Census 2010 of 10,174

(5) Source: County Tax Assessor

**CITY OF ABSECON**  
2020 MUNICIPAL BUDGET (1)

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**CURRENT FUND**

Anticipated Revenues:	
Fund Balance	\$ 1,220,000
Miscellaneous Revenues:	
Local Revenues	441,260
State Aid without Offsetting Appropriations	757,802
Dedicated Uniform Construction Code Fees Offset with Appropriations	140,000
Public and Private Programs Offset with Appropriations	392,043
Other Special Items of Revenue	349,000
Receipts from Delinquent Taxes	220,000
Amount to be Raised by Taxation for Municipal Purposes	<u>7,378,820</u>
 Total Anticipated Revenues	 <u><u>\$ 10,898,925</u></u>
 Appropriations:	
Within CAPS:	
Operations	\$ 7,614,700
Deferred Charges and Statutory Expenditures	1,103,384
Excluded from CAPS:	
Other Operations	272,964
Public and Private Programs	87,043
Capital Improvements	356,000
Debt Service	813,663
Reserve for Uncollected Taxes	<u>651,170</u>
 Total Appropriations	 <u><u>\$ 10,898,925</u></u>

**SEWER UTILITY FUND**

Anticipated Revenues:	
Fund Balance	\$ 181,000
Rents	<u>1,744,000</u>
 Total Anticipated Revenues	 <u><u>\$ 1,925,000</u></u>
 Appropriations:	
Operating	\$ 1,840,500
Capital Improvements	10,000
Statutory Expenditures	<u>74,500</u>
 Total Appropriations	 <u><u>\$ 1,925,000</u></u>

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(1) As adopted on April 2, 2020

**STATEMENT OF INDEBTEDNESS (1)**

The following table summarizes the direct debt of the City as of December 31, 2019, in accordance with the requirements of the Local Bond Law. The gross debt comprises short and long-term debt issued and debt authorized but not issued, including General, Sewer Utility and Debt of the Local School District. Deductions from gross debt to arrive at net debt include local school district debt. The resulting net debt of \$13,333,145 represents 1.801% of the average of equalized valuations for the City for the last three years, of \$740,436,777, which is within the 3.5% limit imposed by N.J.S.A. 40A:2-6.

	Debt Issued		Debt Auth. But Not Issued	Gross Debt	Deductions School District	Net Debt
	Bonds/Loans	Notes				
General		\$ 6,683,145	\$ 6,650,000	\$ 13,333,145		\$ 13,333,145
School - Local	\$ 3,945,000			3,945,000	\$ 3,945,000	
Sewer Utility				-		
	<u>\$ 3,945,000</u>	<u>\$ 6,683,145</u>	<u>\$ 6,650,000</u>	<u>\$ 17,278,145</u>	<u>\$ 3,945,000</u>	<u>\$ 13,333,145</u>

(1) As of December 31, 2019

Source: Annual Debt Statement

**DEBT RATIOS AND VALUATIONS(1)(2)**

Average of Equalized Valuations of Real Property with Improvements for 2017, 2018 and 2019	\$ 740,436,777
Statutory Net debt as a Percentage of the Average of Equalized Valuations of Real Property with Improvements for 2017, 2018 and 2019	1.801%
2020 Net Valuation Taxable	\$ 710,099,400
2020 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	\$ 746,294,693
Gross Debt (3)	
As a Percentage of 2020 Net Valuation Taxable	2.43%
As a Percentage of 2020 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	2.32%
Net Debt (3)	
As a Percentage of 2020 Net Valuation Taxable	1.88%
As a Percentage of 2020 Equalized Valuation of Real Property and Taxable Personal Property Used in Communications	1.79%
Gross Debt per Capita (4)	\$ 2,262
Net Debt per Capita (4)	\$ 1,746

**CITY BORROWING CAPACITY(1)(2)**

3.5% of Average (2017-19) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$740,436,777)	\$ 25,915,287
Net Debt	<u>(13,333,145)</u>
Remaining Borrowing Capacity	<u>\$ 12,582,142</u>

**LOCAL SCHOOL BORROWING CAPACITY(1)(2)**

4% of Average (2017-19) Equalized Valuation of Real Property with Improvements and Second Class Railroad Property (\$740,436,777)	\$ 29,617,471
Local School Debt	<u>(3,945,000)</u>
Remaining Borrowing Capacity	<u>\$ 25,672,471</u>

- 
- (1) As of December 31, 2019
  - (2) Annual Debt Statement
  - (3) Excluding overlapping debt
  - (4) Based on 2010 Federal Census of 7,638

**CITY OF ABSECON  
OVERLAPPING DEBT  
AS OF DECEMBER 31, 2019**

	<b>DEBT ISSUED</b>			Net Debt Outstanding Allocated to Issuer	<b>Debt Auth. but not Issued</b>
	<u>Debt Outstanding</u>	<u>Deductions(1)</u>	<u>Net Debt Outstanding</u>		
County of Atlantic:					
General:					
Bonds	\$ 111,525,000	\$ 8,530,000	\$ 102,995,000	\$ 2,482,180 (2)	\$ 45,133,771
Loans	233,318		233,318	5,623 (2)	
Bonds Issued by Other Public Bodies Guaranteed by the County	91,205,000	91,205,000	-		
	<u>\$ 202,963,318</u>	<u>\$ 99,735,000</u>	<u>\$ 103,228,318</u>	<u>\$ 2,487,802</u>	<u>\$ 45,133,771</u>

(1) Includes County College Bonds

(2) Such debt is allocated as a proportion of the Issuer's share of the total 2019 Net Valuation on which County taxes are apportioned, which is 2.41%.

**CITY OF ABSECON  
SCHEDULE OF DEBT SERVICE  
(BONDED DEBT)**

Year Ended Dec. 31,	Proposed General Obligation Bonds, Series 2020		
	General		Total
	Principal	Interest	
2021	\$ 270,000	\$ 293,675	\$ 563,675
2022	270,000	295,644	565,644
2023	290,000	284,844	574,844
2024	315,000	273,244	588,244
2025	340,000	260,644	600,644
2026	365,000	247,044	612,044
2027	390,000	232,444	622,444
2028	415,000	216,844	631,844
2029	440,000	200,244	640,244
2030	460,000	182,644	642,644
2031	485,000	168,844	653,844
2032	500,000	154,294	654,294
2033	515,000	144,294	659,294
2034	525,000	133,994	658,994
2035	535,000	123,494	658,494
2036	535,000	112,794	647,794
2037	535,000	102,094	637,094
2038	535,000	91,394	626,394
2039	535,000	80,694	615,694
2040	535,000	69,994	604,994
2041	535,000	58,625	593,625
2042	535,000	47,256	582,256
2043	535,000	35,888	570,888
2044	535,000	23,850	558,850
2045	525,000	11,813	536,813
	<u>\$ 11,455,000</u>	<u>\$ 3,846,588</u>	<u>\$ 15,301,588</u>

Source: City Auditor

**APPENDIX B**

**CERTAIN FINANCIAL STATEMENTS OF THE CITY OF ABSECON  
FOR YEARS ENDED DECEMBER 31, 2018 AND 2017 AND UNAUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**



**FOR THE YEAR ENDED 2019**  
**COMPILED FINANCIAL STATEMENTS**

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

The Honorable Mayor and  
Members of the City Council  
City of Absecon  
Absecon, New Jersey 08201

Management is responsible for the accompanying financial statements of the City of Absecon, in the County of Atlantic, New Jersey, which comprise the statement of assets, liabilities, reserves and fund balance--regulatory basis of the various funds as of December 31, 2019 and the related statements of operations and changes in fund balances-- regulatory basis for the year then ended, in accordance with accounting practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and for determining that this regulatory basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements to have been prepared in conformity with accounting practices 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.

Management has elected to omit substantially all of the disclosures required by these regulatory accounting practices. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's assets, liabilities, reserves, fund balance, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Respectfully submitted,

/s/ BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

/s/ Michael D. Cesaro  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
February 25, 2020

**CITY OF ABSECON**  
**CURRENT FUND**  
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
As of December 31, 2019

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**ASSETS:**

## Regular Fund:

Cash	\$ 7,520,155.17
Change Fund	<u>600.00</u>

	<u>7,520,755.17</u>
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## Receivables and Other Assets with

## Full Reserves:

Delinquent Property Taxes Receivable	249,804.34
Tax Title Liens Receivable	108,405.62
Revenue Accounts Receivable	9,184.69
Property Acquired for Taxes -- Assessed Valuation	416,200.00
Police Detail Receivable	<u>31,330.00</u>

	<u>814,924.65</u>
--	-------------------

## Total Current Fund

	<u>8,335,679.82</u>
--	---------------------

## Federal and State Grant Fund:

Federal and State Grants Receivable	567,273.15
Due Current Fund	<u>309,738.89</u>

## Total Federal and State Grant Fund

	<u>877,012.04</u>
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## Total Assets

	<u><u>\$ 9,212,691.86</u></u>
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(Continued)

**CITY OF ABSECON**  
**CURRENT FUND**  
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
As of December 31, 2019

LIABILITIES, RESERVES  
AND FUND BALANCE:

Regular Fund:

Liabilities:

Appropriation Reserves	\$ 621,355.98
Reserve for Encumbrances	430,354.88
Due State of New Jersey --	
Veterans' and Senior Citizens' Deductions	239.65
Marriage and Domestic Partnership Licenses	375.00
Uniform Construction Code - State Training Fees	2,449.00
Accounts Payable	7,640.00
Prepaid Taxes	510,194.06
Tax Overpayments	7,562.73
Due to County -- Added and Omitted Taxes	20,611.07
Due Local School Tax Payable	3,262,008.57
Due Federal and State Grant Fund	<u>309,738.89</u>
	<u>5,172,529.83</u>

Reserves for Receivables and Other Assets	814,924.65
Fund Balance	<u>2,348,225.34</u>
 Total Current Fund	 <u>8,335,679.82</u>

Federal and State Grant Fund:

Reserve for Federal and State Grants -- Appropriated	353,197.84
Reserve for Encumbrances	<u>523,814.20</u>
 Total Federal and State Grant Fund	 <u>877,012.04</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 9,212,691.86</u>

See Independent Accountant's Compilation Report and selected notes.

**CITY OF ABSECON**  
**CURRENT FUND**

Statement of Operations and Changes in Fund Balance -- Regulatory Basis  
For the Year Ended December 31, 2019

Revenue and Other Income Realized

Fund Balance Utilized	\$ 790,000.00
Miscellaneous Revenues Anticipated	2,812,552.19
Receipts from Delinquent Taxes	233,038.16
Receipts from Current Taxes	22,956,365.58
Non-Budget Revenues	103,811.10
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	578,775.26
Cancellation of Reserves for Federal and State Grants	2,970.00
Liquidation of Reserve for:	
Due Animal Control Fund	416.00
	<u>27,477,928.29</u>
Total Income	<u>27,477,928.29</u>

Expenditures

Budget and Emergency Appropriations:	
Operations Within "CAPS":	
Salaries and Wages	3,991,100.00
Other Expenses	3,636,700.00
Deferred Charges and Regulatory Expenditures Within "CAPS"	1,074,139.00
Operations Excluded from "CAPS":	
Salaries and Wages	17,152.31
Other Expenses	686,447.97
Capital Improvements Excluded from "CAPS"	220,000.00
Municipal Debt Service Excluded from "CAPS"	811,891.46
County Taxes	3,780,635.83
County Added and Omitted Taxes	20,611.07
Local District School Tax	12,177,089.00
Cancellation of Federal and State Grants Receivable	2,970.00
Creation of Reserves for:	
Police Detail Receivable	15,092.50
Due Federal and State Grant Fund	29,942.44
	<u>26,463,771.58</u>
Total Expenditures	<u>26,463,771.58</u>

Excess in Revenue 1,014,156.71

Fund Balance

Balance Jan. 1	<u>2,124,068.63</u>
	3,138,225.34
Decreased by:	
Utilization as Anticipated Revenue	<u>790,000.00</u>
Balance Dec. 31	<u><u>\$ 2,348,225.34</u></u>

See Independent Accountant's Compilation Report and selected notes.

**CITY OF ABSECON**  
**GENERAL CAPITAL FUND**  
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
As of December 31, 2019

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**ASSETS:**

Cash	\$ 1,827,559.26
Deferred Charges to Future Taxation:	
Unfunded	<u>13,333,145.00</u>
Total Assets	<u><u>\$ 15,160,704.26</u></u>

**LIABILITIES, RESERVES  
AND FUND BALANCE:**

Improvement Authorizations:	
Unfunded	\$ 1,183,025.05
Contracts Payable	7,093,765.68
Capital Improvement Fund	42,455.00
Bond Anticipation Notes	6,683,145.00
Fund Balance	<u>158,313.53</u>
Total Liabilities, Reserves and Fund Balance	<u><u>\$ 15,160,704.26</u></u>

See Independent Accountant's Compilation Report and selected notes.

**CITY OF ABSECON**  
**SEWER UTILITY FUND**  
Statement of Assets, Liabilities, Reserves and Fund Balance -- Regulatory Basis  
As of December 31, 2019

**ASSETS:**

## Operating Fund:

Cash	\$ 1,756,726.90
------	-----------------

	<u>1,756,726.90</u>
--	---------------------

## Receivables with Full Reserves:

Sewer Consumer Accounts Receivable	49,291.70
------------------------------------	-----------

	<u>49,291.70</u>
--	------------------

## Total Operating Fund

	<u>1,806,018.60</u>
--	---------------------

## Capital Fund:

Cash	29,917.40
------	-----------

Fixed Capital	3,929,307.36
---------------	--------------

## Total Capital Fund

	<u>3,959,224.76</u>
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## Total Assets

	<u><u>\$ 5,765,243.36</u></u>
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**LIABILITIES, RESERVES  
AND FUND BALANCE:**

## Operating Fund:

Appropriation Reserves	\$ 51,451.10
------------------------	--------------

Reserve for Encumbrances	12,624.83
--------------------------	-----------

Sewer Rent Overpayments	10,576.95
-------------------------	-----------

Prepaid Sewer Rents	381,531.50
---------------------	------------

	<u>456,184.38</u>
--	-------------------

## Reserve for Receivables

	49,291.70
--	-----------

Fund Balance	1,300,542.52
--------------	--------------

## Total Operating Fund

	<u>1,806,018.60</u>
--	---------------------

## Capital Fund:

Capital Improvement Fund	27,814.11
--------------------------	-----------

Reserve for Amortization	3,929,307.36
--------------------------	--------------

Fund Balance	2,103.29
--------------	----------

## Total Capital Fund

	<u>3,959,224.76</u>
--	---------------------

## Total Liabilities, Reserves and Fund Balance

	<u><u>\$ 5,765,243.36</u></u>
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See Independent Accountant's Compilation Report and selected notes.

**CITY OF ABSECON**  
**SEWER UTILITY OPERATING FUND**  
Statement of Operations and Changes in Fund Balance -- Regulatory Basis  
For the Year Ended December 31, 2019

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Revenue and Other Income Realized

Sewer Rents	\$ 1,744,659.18
Miscellaneous	38,875.51
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	<u>78,389.68</u>
Total Income	<u>1,861,924.37</u>

Expenditures

Operating	1,553,500.00
Capital Improvements	20,000.00
Deferred Charges and Statutory Expenditures	<u>46,500.00</u>
Total Expenditures	<u>1,620,000.00</u>

Regulatory Excess to Fund Balance	241,924.37
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Fund Balance

Balance January 1	<u>1,058,618.15</u>
Balance December 31	<u><u>\$ 1,300,542.52</u></u>

See Independent Accountant's Compilation Report and selected notes.



**CITY OF ABSECON**  
**TRUST FUNDS**  
Statement of Assets, Liabilities and Reserves -- Regulatory Basis  
As of December 31, 2019

**ASSETS:**

## Animal Control Fund:

Cash	\$ 488.00
Total Animal Control Fund	488.00

## Other Funds:

Cash	768,739.75
Investments - Length of Service Awards Program	466,713.83
Small Cities Revolving Loan Receivable	102,734.20
Total Other Funds	1,338,187.78

Total Assets	\$ 1,338,675.78
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**LIABILITIES AND RESERVES:**

## Animal Control Fund:

Due to Current Fund	
Reserve for Dog License Fund Expenditures	\$ 471.20
Due to State of New Jersey -- Registration Fees	16.80
Total Animal Control Fund	488.00

## Other Funds:

Reserve for Payroll Deductions Payable	30,044.96
Reserve for Small Cities Revolving Loan Fund	102,734.20
Miscellaneous Trust Reserves:	
Length of Service Awards Program (LOSAP)	466,713.83
Recreation Trust	94,192.93
Tax Title Lien Redemption	9,039.01
Premiums Received at Tax Sale	81,800.00
Uniform Fire Safety Act Penalty Monies	3,526.18
Planning and Zoning	81,256.37
Parking Offense Adjudication Act	378.32
Disposal of Forfeited Property	23,539.78
Accumulated Absences	293,209.57
Small Cities Grant	20,917.39
Cat Licenses	423.41
Performance Bond	125,651.83
Security Deposits	4,760.00

Total Other Funds	1,338,187.78
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Total Liabilities and Reserves	\$ 1,338,675.78
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See Independent Accountant's Compilation Report and selected notes.

CITY OF ABSECON  
 Selected Information – Substantially All Disclosures Required  
 By the Regulatory Basis of Accounting Have Been Omitted  
 For the Year Ended December 31, 2019

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity** - The City of Absecon (hereafter referred to as the “City”) was incorporated in 1902. The City has a total area of approximately six square miles and is located in eastern Atlantic County, New Jersey. The City borders Atlantic City, Pleasantville, Galloway City, and Egg Harbor City. According to the 2010 census, the population is 8,411.

The City is governed under the Mayor-Council form of government, where the seven-member council is elected from wards and is the legislative body of the City. The Mayor is chosen through a separate election and is the Chief Executive Officer of the City. The City employs an administrator who is responsible for the day-to-day operations.

**Component Units** - The financial statements of the component units of the City are not presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended. If the provisions of the aforementioned GASB Statement, as amended had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the City, the primary government:

Absecon Public Library  
 305 New Jersey Avenue  
 Absecon, New Jersey 08201

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The financial statements of the City contain all funds and account groups in accordance with the *Requirements of Audit* (the “*Requirements*”) as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

In accordance with the *Requirements*, the City accounts for its financial transactions through the use of separate funds and an account group which are described as follows:

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

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

**General Capital Fund** - The general capital fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the current fund.

**Sewer Utility Operating and Capital Funds** - The sewer utility operating and capital funds account for the operations and acquisition of capital facilities of the municipally owned sewer operations.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**General Fixed Asset Group of Accounts** - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other governmental funds.

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

An extension of the statutory dates for introduction, approval, and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements.

**Cash, Cash Equivalents and Investments** - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded. Investments recorded in the trust fund for the City's length of service awards program, however, are stated at fair value.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the City requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

**General Fixed Assets** - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The City has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The City is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the City's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that include accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

**Utility Fixed Assets** - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The reserve for amortization and deferred reserve for amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment, improvements, and contributed capital.

**Foreclosed Property** - Foreclosed property is recorded in the current fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the general fixed asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

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

**Liens Sold for Other Governmental Units** - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

**Fund Balance** - Fund balances included in the current fund and sewer utility operating fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Revenues** - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the City's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance 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 when received.

**Property Tax Revenues** - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budgets of the County of Atlantic, and the City of Absecon School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

**School Taxes** - The City is responsible for levying, collecting, and remitting school taxes for the City of Absecon School District. Operations is charged for the amount required to be raised by taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2018 and decreased by the amount deferred at December 31, 2019.

**County Taxes** - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Atlantic. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. Operations is charged for the amount due to the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year.

**Library Taxes** - The municipality is responsible for levying, collecting and remitting library taxes for the Absecon Public Library. The amount of the library tax is a separate local levy tax and is remitted to the Library through the municipal budget.

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

**Expenditures** - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal 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.

**Appropriation Reserves** - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end 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 year. Lapsed appropriation reserves are recorded as income.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Long-Term Debt** - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital and utility capital funds. Where an improvement is a "local Improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the trust fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

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

**FOR THE YEARS ENDED 2018, 2017, 2016 AND 2015**  
**AUDITED FINANCIAL STATEMENTS**

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
Members of the City Council  
City of Absecon  
Absecon, New Jersey 08201

### **Report on the Financial Statements**

We have audited the accompanying statements of assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Absecon, in the County of Atlantic, State of New Jersey, as of December 31, 2018, 2017, 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

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

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



## **Opinions**

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

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

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

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

In our opinion, because of the significance of the matter discussed in the “*Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America*” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Absecon, in the County of Atlantic, State of New Jersey, as of December 31, 2018, 2017, 2016 and 2015, or the results of its operations and changes in fund balance for the years then ended.

### *Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statements referred to previously present fairly, in all material respects, the assets, liabilities, reserves and fund balance - regulatory basis of the various funds of the City of Absecon, in the County of Atlantic, State of New Jersey, as of December 31, 2018, 2017, 2016 and 2015, and the results of its operations and changes in fund balance - regulatory basis of such funds for the years then ended, in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, as described in note 1.

## **Emphasis of Matter**

### *Adoption of New Accounting Principles*

As discussed in note 1 to the financial statements, during the year ended December 31, 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The adoption of this new accounting principle resulted in a material note disclosure (see note 10). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this Statement only required financial statement disclosures. Our opinions are not modified with respect to this matter.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Michael D. Cesaro  
Certified Public Accountant  
Registered Municipal Accountant

Voorhees, New Jersey  
August 5, 2019

**CITY OF ABSECON**  
**CURRENT FUND**

Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>				
Cash	\$ 6,915,579	\$ 6,819,973	\$ 6,700,110	\$ 5,694,875
Cash - Change Fund	550	550	550	550
Federal, State and Other Grant Fund:				
Federal and State Grants Receivable	1,545,576	2,061,106	1,811,474	1,839,141
Receivables and Other Assets with Full Reserves:				
Delinquent Property Taxes Receivable	227,946	239,664	289,354	331,032
Tax Title Liens Receivable	101,088	85,793	137,778	137,318
Revenue Accounts Receivable	10,049	13,123	8,845	9,741
Property Acquired for Taxes--Assessed Valuation	416,200	416,200	416,200	416,200
Police Detail Receivable	16,238	35,620	7,728	11,990
Tax Penalty Surcharge Receivable		625		
Interfunds Receivable	638,987	787,265	57,180	154,068
	<u>\$ 9,872,213</u>	<u>\$ 10,459,919</u>	<u>\$ 9,429,219</u>	<u>\$ 8,594,915</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>				
Appropriation Reserves	\$ 677,713	\$ 625,718	\$ 498,960	\$ 473,360
Reserve for Encumbrances	450,711	366,084	320,899	335,713
Due to State of New Jersey -				
Veterans and Senior Citizens Deductions	2,465	1,869	2,883	1,069
Marriage and Domestic Partnership Licenses	120	120	275	375
Uniform Construction Code - State Training Fees	4,499	5,240	4,054	2,276
Accounts Payable	7,640	7,640	7,640	11,460
Prepaid Taxes	354,083	856,631	375,010	397,601
Interfunds Payable				5,282
Local District Taxes Payable	3,260,691	3,133,710	2,926,329	2,776,447
Due County for Added and Omitted Taxes	26,577	16,823	10,701	9,787
Tax Overpayments	7,563	11,129	13,219	24,402
Reserve for Receivables and Other Assets	1,410,507	1,578,290	917,085	1,060,349
Reserve for Federal and State Grants:				
Appropriated	704,184	1,216,741	1,696,758	1,500,911
Reserve for Encumbrances	202,821	57,516	57,536	184,163
Due to Current Fund	638,571	786,849	57,180	154,068
Fund Balance	2,124,069	1,795,559	2,540,689	1,657,653
	<u>\$ 9,872,213</u>	<u>\$ 10,459,919</u>	<u>\$ 9,429,219</u>	<u>\$ 8,594,915</u>

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

**CITY OF ABSECON**  
**CURRENT FUND**  
Statements of Operations and Changes in Fund Balance--Regulatory Basis

	For the Years Ended December 31,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue Realized:				
Current Tax Collections	\$ 22,950,992	\$ 22,701,790	\$ 22,186,276	\$ 21,900,879
Delinquent Tax Collections	242,896	304,166	357,433	465,483
<b>Total Taxes</b>	<b>23,193,888</b>	<b>23,005,955</b>	<b>22,543,709</b>	<b>22,366,362</b>
Miscellaneous Revenues Anticipated	3,131,501	2,242,217	2,158,001	1,814,370
Other Credits to Income	574,756	389,418	467,975	388,297
Non-Budget Revenues	94,949	117,394	203,029	481,962
Fund Balance Utilized	500,000	1,194,000	469,000	363,000
<b>Total Income</b>	<b>27,495,095</b>	<b>26,948,984</b>	<b>25,841,714</b>	<b>25,413,992</b>
Expenditures:				
Budget and Emergency Appropriations:				
Appropriations Within "CAPS":				
Salaries and Wages	3,762,100	3,595,100	3,516,500	3,475,600
Other Expenses	3,677,150	3,585,700	3,411,596	3,416,296
Deferred Charges and Statutory Expenditures	958,078	915,399	962,530	913,520
Appropriations Excluded from "CAPS":				
Salaries and Wages	11,624	16,161	24,128	5,000
Other Expenses	927,737	743,014	546,020	525,032
Capital Improvements	112,000	294,500	173,000	60,000
Deferred Charges				109,100
Municipal Debt Service	812,756	743,491	635,673	906,403
County Taxes	3,766,717	3,887,235	3,699,134	3,592,953
Due County for Added and Omitted Taxes	26,577	16,823	10,701	9,787
Local District School Tax	12,174,453	11,920,491	11,505,729	11,205,966
Cancelation of Federal and State Grants Receivable	3,300	13,519	4,666	988
Deductions Disallowed by Collector - Prior Year Taxes				250
Refund Prior Revenue		10,705		36
Creation of Reserve for - Police Detail Receivable		27,893		
Interfunds Created	434,094	730,084		105,461
<b>Total Expenditures and Encumbrances</b>	<b>26,666,585</b>	<b>26,500,114</b>	<b>24,489,677</b>	<b>24,326,391</b>
Excess in Revenues	828,510	448,870	1,352,037	1,087,600
Fund Balance Beginning of Year	1,795,559	2,540,689	1,657,653	933,052
	2,624,069	2,989,559	3,009,689	2,020,653
Decreased by:				
Utilized as Revenue	500,000	1,194,000	469,000	363,000
<b>Fund Balance Ending of Year</b>	<b>\$ 2,124,069</b>	<b>\$ 1,795,559</b>	<b>\$ 2,540,689</b>	<b>\$ 1,657,653</b>

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

**CITY OF ABSECON**  
**GENERAL CAPITAL FUND**  
 Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>				
Cash	\$ 877,692	\$ 1,210,660	\$ 809,848	\$ 579,616
Deferred Charges to Future Taxation:				
Funded		600,000	1,180,000	1,740,000
Unfunded	6,375,675	5,470,030	3,759,530	2,163,530
	<u>\$ 7,253,367</u>	<u>\$ 7,280,690</u>	<u>\$ 5,749,378</u>	<u>\$ 4,483,146</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>				
General Serial Bonds		\$ 600,000	\$ 1,180,000	\$ 1,740,000
Bond Anticipation Notes	\$ 6,375,675	5,470,030	3,759,530	2,100,355
Improvement Authorizations:				
Funded		1,358	2,680	34,126
Unfunded	419,365	409,986	556,255	263,130
Contracts Payable	318,435	697,167	185,030	310,298
Capital Improvement Fund	12,455	12,455	12,455	12,455
Fund Balance	127,437	89,693	53,427	22,782
	<u>\$ 7,253,367</u>	<u>\$ 7,280,690</u>	<u>\$ 5,749,378</u>	<u>\$ 4,483,146</u>

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

**CITY OF ABSECON**  
**SEWER UTILITY FUND**  
Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>				
Operating Fund:				
Cash	\$ 1,851,904	\$ 1,506,525	\$ 1,328,540	\$ 1,203,569
Interfunds Receivable				5,282
	<u>1,851,904</u>	<u>1,506,525</u>	<u>1,328,540</u>	<u>1,208,851</u>
Receivables with Full Reserves:				
Consumer Accounts Receivable	67,596	79,922	76,834	102,982
Utility Liens Receivable			1,956	5,483
	<u>67,596</u>	<u>79,922</u>	<u>78,790</u>	<u>108,465</u>
Total Operating Fund	<u>1,919,500</u>	<u>1,586,447</u>	<u>1,407,330</u>	<u>1,317,316</u>
Capital Fund:				
Cash	29,917	29,917	29,917	29,917
Fixed Capital	3,600,361	3,600,361	3,524,326	3,513,106
Total Capital Fund	<u>3,630,278</u>	<u>3,630,278</u>	<u>3,554,243</u>	<u>3,543,024</u>
	<u>\$ 5,549,779</u>	<u>\$ 5,216,725</u>	<u>\$ 4,961,573</u>	<u>\$ 4,860,340</u>

(Continued)

**CITY OF ABSECON**  
**SEWER UTILITY FUND**  
Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>				
Operating Fund:				
Appropriation Reserves	\$ 93,354	\$ 69,442	\$ 104,116	\$ 105,518
Reserve for Encumbrances	330,084	12,473	686	1,115
Sewer Rent Overpayments	1,064	205	314	736
Prepaid Sewer Rents	368,785	305,997	265,715	274,570
	<u>793,286</u>	<u>388,117</u>	<u>370,831</u>	<u>381,939</u>
Reserve for Receivables	67,596	79,922	78,790	113,747
Fund Balance	<u>1,058,618</u>	<u>1,118,408</u>	<u>957,708</u>	<u>821,631</u>
Total Operating Fund	<u>1,919,500</u>	<u>1,586,447</u>	<u>1,407,330</u>	<u>1,317,316</u>
Capital Fund:				
Reserve for Amortization	3,600,361	3,600,361	3,524,326	3,513,106
Capital Improvement Fund	27,814	27,814	27,814	27,814
Fund Balance	<u>2,103</u>	<u>2,103</u>	<u>2,103</u>	<u>2,103</u>
Total Capital Fund	<u>3,630,278</u>	<u>3,630,278</u>	<u>3,554,243</u>	<u>3,543,024</u>
	<u>\$ 5,549,779</u>	<u>\$ 5,216,725</u>	<u>\$ 4,961,573</u>	<u>\$ 4,860,340</u>

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

**CITY OF ABSECON**  
**SEWER UTILITY FUND**  
Statements of Operations and Changes in Fund Balance--Regulatory Basis

	For the Years Ended December 31,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenue and Other Income Realized:				
Fund Balance Utilized	\$ 240,000		\$ 40,000	
Sewer Rents	1,729,781	\$ 1,667,151	1,655,167	\$ 1,616,973
Miscellaneous	33,064	34,172	30,638	29,200
Other Credits to Income:				
Liquidation of Prior Year Interfund Receivable			5,282	
Unexpended Balance of Appropriation Reserves	67,365	89,377	94,990	65,518
<b>Total Income</b>	<b>2,070,210</b>	<b>1,790,700</b>	<b>1,826,078</b>	<b>1,711,691</b>
Expenditures:				
Operating	1,512,500	1,502,500	1,583,000	1,546,000
Capital Improvements	330,000	80,000	20,000	20,000
Deferred Charges and Statutory Expenditures	47,500	47,500	47,000	47,000
<b>Total Expenditures</b>	<b>1,890,000</b>	<b>1,630,000</b>	<b>1,650,000</b>	<b>1,613,000</b>
Regulatory Excess to Fund Balance	180,210	160,700	176,078	98,691
Fund Balance Beginning of Year	1,118,408	957,708	821,631	722,940
	1,298,618	1,118,408	997,708	821,631
Decreased by:				
Utilized as Revenue	240,000		40,000	
<b>Fund Balance End of Year</b>	<b>\$ 1,058,618</b>	<b>\$ 1,118,408</b>	<b>\$ 957,708</b>	<b>\$ 821,631</b>

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

**CITY OF ABSECON**  
**TRUST FUND**

Statements of Assets, Liabilities, Reserves and Fund Balance--Regulatory Basis

	As of December 31,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>				
Animal Control Fund:				
Cash	\$ 1,349	\$ 1,896	\$ 1,598	\$ 1,567
	<u>1,349</u>	<u>1,896</u>	<u>1,598</u>	<u>1,567</u>
Other Funds:				
Cash	1,019,717	1,596,719	1,729,060	2,166,679
Investments - Length of Service Awards Program	363,433	371,862	308,307	314,317
Small Cities Revolving Loan Receivable	107,119	107,119	115,274	115,274
	<u>1,490,269</u>	<u>2,075,700</u>	<u>2,152,641</u>	<u>2,596,270</u>
	<u>\$ 1,491,619</u>	<u>\$ 2,077,596</u>	<u>\$ 2,154,239</u>	<u>\$ 2,597,838</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>				
Animal Control Fund:				
Due to Current Fund	\$ 416	\$ 416		
Due to State of New Jersey - Registration Fees		2		
Reserve for Animal Control Fund Expenditures	933	1,478	\$ 1,598	\$ 1,567
	<u>1,349</u>	<u>1,896</u>	<u>1,598</u>	<u>1,567</u>
Other Funds:				
Reserve for Payroll Deductions Payable	28,113	27,769	28,574	25,276
Reserve for Small Cities Revolving Loan Fund	107,119	107,119		
Miscellaneous Trust Reserves:				
Length of Service Awards Program (LOSAP)	363,433	371,862	308,307	314,317
Recreation Trust	86,948	61,283	49,748	67,992
Tax Title Lien Redemption	30,218	26,678	5,655	104,369
Premiums Received at Tax Sale	91,400	547,300	577,800	728,026
Uniform Fire Safety Act Penalty Monies	3,526	3,526	3,526	3,526
Planning and Zoning	116,970	109,267	183,795	337,935
Parking Offense Adjudication Act	314	256	299	189
Small Cities Revolving Loan Fund			115,274	115,274
Disposal of Forfeited Property	30,982	34,025	51,240	45,063
Accumulated Absences	260,946	210,946	191,699	192,921
Small Cities Grant	16,482	16,433	8,241	8,225
Cat Licenses	387	362	357	333
Performance Bond	348,901	553,375	624,125	647,424
Security Bond				1,900
Security Deposits	4,530	5,500	4,000	3,500
	<u>1,490,269</u>	<u>2,075,700</u>	<u>2,152,641</u>	<u>2,596,270</u>
	<u>\$ 1,491,619</u>	<u>\$ 2,077,596</u>	<u>\$ 2,154,239</u>	<u>\$ 2,597,838</u>

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



**CITY OF ABSECON**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Financial Reporting Entity** - The City of Absecon (hereafter referred to as the "City") was incorporated in 1902. The City has a total area of approximately six square miles and is located in eastern Atlantic County, New Jersey. The City borders Atlantic City, Pleasantville, Galloway City, and Egg Harbor City. According to the 2010 census, the population is 8,411.

The City is governed under the Mayor-Council form of government, where the seven-member council is elected from wards and is the legislative body of the City. The Mayor is chosen through a separate election and is the Chief Executive Officer of the City. The City employs an administrator who is responsible for the day-to-day operations.

**Component Units** - The financial statements of the component units of the City are not presented in accordance with Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. If the provisions of the aforementioned GASB Statements had been complied with, the financial statements of the following component units would have been either blended or discretely presented with the financial statements of the City, the primary government:

Absecon Public Library  
305 New Jersey Avenue  
Absecon, New Jersey 08201

Annual financial reports may be inspected directly at the offices of these component units during regular business hours.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation** - The financial statements of the City contain all funds and account groups in accordance with the *Requirements of Audit* (the "*Requirements*") as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The principles and practices established by the *Requirements* are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Generally, the financial statements are presented using the flow of current financial resources measurement focus and modified accrual basis of accounting with minor exceptions as mandated by these *Requirements*. In addition, the prescribed accounting principles previously referred to differ in certain respects from accounting principles generally accepted in the United States of America applicable to local government units. The more significant differences are explained in this note.

In accordance with the *Requirements*, the City accounts for its financial transactions through the use of separate funds and an account group which are described as follows:

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**General Capital Fund** - The general capital fund accounts for receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the current fund.

**Sewer Utility Operating and Capital Funds** - The sewer utility operating and capital funds account for the operations and acquisition of capital facilities of the municipally owned sewer operations.

**General Fixed Asset Group of Accounts** - The general fixed asset group of accounts is utilized to account for property, land, buildings, and equipment that have been acquired by other governmental funds.

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

An extension of the statutory dates for introduction, approval, and adoption of the municipal budget may be granted by the Director of the Division of Local Government Services, with the permission of the Local Finance Board.

Budgets are adopted on the same basis of accounting utilized for the preparation of the City's financial statements.

**Cash, Cash Equivalents and Investments** - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at cost; therefore, unrealized gains or losses on investments have not been recorded. Investments recorded in the trust fund for the City's length of service awards program, however, are stated at fair value.

New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the City requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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

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

**General Fixed Assets** - Accounting for governmental fixed assets, as required by N.J.A.C. 5:30-5.6, differs in certain respects from accounting principles generally accepted in the United States of America. In accordance with the regulations, all local units, including municipalities, must maintain a general fixed assets reporting system that establishes and maintains a physical inventory of nonexpendable, tangible property as defined and limited by the U.S. Office of Management and *Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Part 200, §200.12), except that the useful life of such property is at least five years. The City has adopted a capitalization threshold of \$5,000.00, the maximum amount allowed by the Circular. Generally, assets are valued at historical cost; however, assets acquired prior to December 31, 1985 are valued at actual historical cost or estimated historical cost. No depreciation of general fixed assets is recorded. Donated general fixed assets are recorded at acquisition value as of the date of the transaction. Interest costs relative to the acquisition of general fixed assets are recorded as expenditures when paid. Public domain ("infrastructure") general fixed assets consisting of certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized. Expenditures for construction in progress are recorded in the capital funds until such time as the construction is completed and put into operation. The City is required to maintain a subsidiary ledger detailing fixed assets records to control additions, retirements, and transfers of fixed assets. In addition, a statement of general fixed asset group of accounts, reflecting the activity for the year, must be included in the City's basic financial statements.

The regulations require that general fixed assets, whether constructed or acquired through purchase, grant or gift be included in the aforementioned inventory. In addition, property management standards must be maintained that include accurate records indicating asset description, source, ownership, acquisition cost and date, the percentage of Federal participation (if any), and the location, use, and condition of the asset. Periodically, physical inventories must be taken and reconciled with these records. Lastly, all fixed assets must be adequately controlled to safeguard against loss, damage, or theft.

**Utility Fixed Assets** - Property and equipment purchased by a utility fund are recorded in the utility capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. The reserve for amortization and deferred reserve for amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property and equipment, improvements, and contributed capital.

**Foreclosed Property** - Foreclosed property is recorded in the current fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily it is the intention of the municipality to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of foreclosed property has not been included in the general fixed asset group of accounts. If such property is converted to a municipal use, it will be recorded in the general fixed asset group of accounts.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Liens Sold for Other Governmental Units** - Liens sold on behalf of other governmental units are not recorded on the records of the tax collector until such liens are collected. Upon their collection, such liens are recorded as a liability due to the governmental unit net of the costs of the initial sale. The related costs of sale are recognized as revenue when received.

**Fund Balance** - Fund balances included in the current fund and sewer utility operating fund represent amounts available for anticipation as revenue in future years' budgets, with certain restrictions.

**Revenues** - Revenues are recorded when received in cash except for certain amounts which are due from other governmental units. Revenue from federal and state grants is realized when anticipated as such in the City's budget. Receivables for property taxes are recorded with offsetting reserves on the statement of assets, liabilities, reserves and fund balance 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 when received.

**Property Tax Revenues** - Property tax revenues are collected in quarterly installments due February 1, May 1, August 1, and November 1. The amount of tax levied includes not only the amount required in support of the City's annual budget, but also the amounts required in support of the budgets of the County of Atlantic, and the City of Absecon School District. Unpaid property taxes are subject to tax sale in accordance with the statutes.

**School Taxes** - The City is responsible for levying, collecting, and remitting school taxes for the City of Absecon School District. Operations is charged for the amount required to be raised by taxation to operate the local school district for the period from July 1 to June 30, increased by the amount deferred at December 31, 2017 and decreased by the amount deferred at December 31, 2018.

**County Taxes** - The municipality is responsible for levying, collecting, and remitting county taxes for the County of Atlantic. County taxes are determined on a calendar year by the County Board of Taxation based upon the ratables required to be certified to them on January 10 of each year. Operations is charged for the amount due to the County for the year, based upon the ratables required to be certified to the County Board of Taxation by January 10 of the current year. In addition, operations is charged for the County share of added and omitted taxes certified to the County Board of Taxation by October 10 of the current year, and due to be paid to the County by February 15 of the following year.

**Library Taxes** - The municipality is responsible for levying, collecting and remitting library taxes for the Absecon Public Library. The amount of the library tax is a separate local levy tax and is remitted to the Library through the municipal budget.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Expenditures** - Expenditures are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when paid. However, for charges to amounts appropriated for "other expenses", an amount is encumbered through the issuance of a numerically controlled purchase order or when a contract is executed in accordance with N.J.A.C. 5:30-5.2. When encumbered charges are paid, the amount encumbered is simultaneously liquidated in its original amount. Encumbrances are offset by an account entitled reserve for encumbrances. The reserve is classified as a cash liability under New Jersey municipal accounting. At December 31, this reserve represents the portion of appropriation reserves that has been encumbered and is subject to the same statutory provisions as appropriation reserves.

Appropriations for principal 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.

**Appropriation Reserves** - Appropriation reserves covering unexpended appropriation balances are automatically created at year-end 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 year. Lapsed appropriation reserves are recorded as income.

**Long-Term Debt** - Long-term debt, relative to the acquisition of capital assets, is recorded as a liability in the general capital and utility capital funds. Where an improvement is a "local Improvement", i.e. assessable upon completion, long-term debt associated with that portion of the cost of the improvement to be funded by assessments is transferred to the trust fund upon the confirmation of the assessments or when the improvement is fully and permanently funded.

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

**Impact of Recently Issued Accounting Principles****Recently Issued and Adopted Accounting Pronouncements**

For the year ended December 31, 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of adopting Statement No. 75, the City was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to their postemployment benefits plan. As a result of the regulatory basis of accounting previously described in note 1, the implementation of this Statement only required financial statement disclosures. There exists no impact on the financial statements of the City.

**Note 2: CASH AND CASH EQUIVALENTS**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be recovered. Although the City does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of December 31, 2018, the City's bank balances of \$10,612,311.43 were exposed to custodial credit risk as follows:

Insured by FDIC and GUDPA	\$ 10,241,231.26
Uninsured and Uncollateralized	<u>371,080.17</u>
Total	<u>\$ 10,612,311.43</u>

**Note 3: PROPERTY TAXES**

The following is a five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years:

**Comparative Schedule of Tax Rates**

	<u>Year Ended</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	<u>\$ 3.292</u>	<u>\$ 3.268</u>	<u>\$ 3.176</u>	<u>\$ 3.135</u>	<u>\$ 3.092</u>
Apportionment of Tax Rate:					
Municipal	\$ .994	\$ .992	\$ .996	\$ 1.027	\$ 1.024
Municipal Library	.034	.035	.036	.036	.038
County	.535	.552	.522	.503	.491
Local School	1.729	1.689	1.622	1.569	1.539

**Assessed Valuation**

<u>Year</u>	<u>Amount</u>
2018	\$ 704,301,400.00
2017	705,932,900.00
2016	709,592,700.00
2015	714,325,931.00
2014	715,982,670.00

**Note 3: PROPERTY TAXES (CONT'D)**

Five-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous four calendar years (cont'd):

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Percentage of Collections</u>
2018	\$ 23,349,137.36	\$ 22,950,991.61	98.29%
2017	23,169,615.06	22,701,789.56	97.98%
2016	22,602,347.67	22,186,276.16	98.16%
2015	22,468,179.70	21,900,879.16	97.48%
2014	22,151,339.48	21,579,227.55	97.42%

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$ 101,088.09	\$ 227,946.00	\$ 329,034.09	1.41%
2017	85,792.91	239,664.49	325,457.40	1.40%
2016	137,777.61	289,354.24	427,131.85	1.89%
2015	137,318.09	331,032.28	468,350.37	2.08%
2014	77,389.21	478,728.85	556,118.06	2.51%

The following comparison is made of the number of tax title liens receivable on December 31 for the current and previous four calendar years:

<u>Year</u>	<u>Number</u>
2018	38
2017	83
2016	79
2015	53
2014	32

**Note 4: PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION**

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

<u>Year</u>	<u>Amount</u>
2018	\$ 416,200.00
2017	416,200.00
2016	416,200.00
2015	416,200.00
2014	416,200.00

**Note 5: SEWER UTILITY SERVICE CHARGES**

The following is a five-year comparison of sewer utility service charges (rents) for the current and previous four years:

<u>Year</u>	<u>Balance Beginning of Year</u>		<u>Levy</u>	<u>Total</u>	<u>Cash Collections</u>
	<u>Receivable</u>	<u>Liens</u>			
2018	\$ 79,921.78	-	\$ 1,717,455.64	\$ 1,797,377.42	\$ 1,729,781.42
2017	76,834.03	\$ 1,956.00	1,670,238.51	1,749,028.54	1,667,150.76
2016	102,982.12	5,483.00	1,625,491.97	1,733,957.09	1,647,291.09
2015	100,550.62	1,640.00	1,627,841.00	1,730,031.62	1,621,886.50
2014	98,272.50	1,224.00	1,615,977.00	1,715,473.50	1,613,282.88

**Note 6: FUND BALANCES APPROPRIATED**

The following schedules detail the amount of fund balances available at the end of the current year and four previous years and the amounts utilized in the subsequent year's budgets:

**Current Fund**

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 2,124,068.63	\$ 790,000.00	37.19%
2017	1,795,559.10	500,000.00	27.85%
2016	2,540,689.44	1,194,000.00	47.00%
2015	1,657,652.79	469,000.00	28.29%
2014	933,052.30	363,000.00	38.90%

**Sewer Utility Fund**

<u>Year</u>	<u>Balance December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percentage of Fund Balance Used</u>
2018	\$ 1,058,618.15	-	-
2017	1,118,408.33	\$ 240,000.00	21.46%
2016	957,708.31	-	-
2015	821,630.54	40,000.00	4.87%
2014	722,939.84	-	-



**Note 7: INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances were recorded on the various statements of assets, liabilities, reserves and fund balance as of December 31, 2018:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
Current	\$ 638,986.56	
Federal and State Grant Trust - Animal Control		\$ 638,570.56 416.00
Totals	<u>\$ 638,986.56</u>	<u>\$ 638,986.56</u>

The interfund receivables and payables above predominately resulted from collections and payments made by certain funds on behalf of other funds. During the year 2019, the City expects to liquidate such interfunds, depending upon the availability of cash flow.

**Note 8: PENSION PLANS**

A substantial number of the City's employees participate in one of the following defined benefit pension plans: the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS"), which are administered by the New Jersey Division of Pensions and Benefits. In addition, several City employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This Plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS and PFRS plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<https://www.nj.gov/treasury/pensions/financial-reports.shtml>

**General Information about the Pension Plans****Plan Descriptions**

**Public Employees' Retirement System** - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the City, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

**Police and Firemen's Retirement System** - The Police and Firemen's Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A. The PFRS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PFRS is mandatory for substantially all full-time police and firemen of the City. The PFRS' Board of Trustees is primarily responsible for the administration of the PFRS.

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**Vesting and Benefit Provisions**

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

**Tier Definition**

- 1 Members who were enrolled prior to July 1, 2007
- 2 Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
- 3 Members who were eligible to enroll on or after November 2, 2008 and prior to May 21, 2010
- 4 Members who were eligible to enroll after May 21, 2010 and prior to June 28, 2011
- 5 Members who were eligible to enroll on or after June 28, 2011

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

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

**Police and Firemen's Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:16A. The PFRS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

**Tier Definition**

- 1 Members who were enrolled prior to May 22, 2010
- 2 Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
- 3 Members who were eligible to enroll on or after June 28, 2011

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

**Defined Contribution Retirement Program** - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10% in State fiscal year 2018. Employers' contribution are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The City's contractually required contribution rate for the year ended December 31, 2018 was 14.99% of the City's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Public Employees' Retirement System (Cont'd)** - Based on the most recent PERS measurement date of June 30, 2018, the City's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$177,827.00, and was payable by April 1, 2019. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PERS measurement date of June 30, 2017, the City's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$157,164.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$89,224.86.

**Police and Firemen's Retirement System** - The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the active member contribution rate was 10% in State fiscal year 2018. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

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

The City's contractually required contribution rate for the year ended December 31, 2018 was 27.63% of the City's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Based on the most recent PFRS measurement date of June 30, 2018, the City's contractually required contribution to the pension plan for the year ended December 31, 2018 is \$573,102.00, and was payable by April 1, 2019. Due to the basis of accounting described in note 1, no liability has been recorded in the financial statements for this amount. Based on the PFRS measurement date of June 30, 2017, the City's contractually required contribution to the pension plan for the year ended December 31, 2017 was \$486,085.00, which was paid on April 1, 2018. Employee contributions to the Plan during the year ended December 31, 2018 were \$207,430.90.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the City, for the year ended December 31, 2018 was 3.08% of the City's covered payroll.

**Note 8: PENSION PLANS (CONT'D)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - Based on the most recent PFRS measurement date of June 30, 2018, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2018 is \$63,813.00, and was payable by April 1, 2019. Based on the PFRS measurement date of June 30, 2017, the State's contractually required contribution, on-behalf of the City, to the pension plan for the year ended December 31, 2017 was \$47,491.00, which was paid on April 1, 2018.

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, Plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the City contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the year ended December 31, 2018, employee contributions totaled \$14,522.48, and the City's contributions were \$7,203.25. There were no forfeitures during the year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees' Retirement System** - At December 31, 2018, the City's proportionate share of the PERS net pension liability was \$3,520,063.00. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2018 measurement date, the City's proportion was 0.0178778653%, which was an increase of 0.0009127149% from its proportion measured as of June 30, 2017.

At December 31, 2018, the City's proportionate share of the PERS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$51,106.00. This expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the City's contribution to PERS was \$157,164.00, and was paid on April 1, 2018.

**Police and Firemen's Retirement System** - At December 31, 2018, the City's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

City's Proportionate Share of Net Pension Liability	\$ 7,932,323.00
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the City	<u>1,077,475.00</u>
	<u>\$ 9,009,798.00</u>

**Note 8: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Police and Firemen's Retirement System (Cont'd)** - The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. For the June 30, 2018 measurement date, the City's proportion was 0.0586205251%, which was an increase of 0.003698119% from its proportion measured as of June 30, 2017. Likewise, at June 30, 2018, the State of New Jersey's proportion, on-behalf of the City, was 0.0586205251%, which was an increase of 0.003698119% from its proportion, on-behalf of the City, measured as of June 30, 2017.

At December 31, 2018, the City's proportionate share of the PFRS pension expense, calculated by the Plan as of the June 30, 2018 measurement date is \$677,178.00. This expense is not recognized by the City because of the regulatory basis of accounting as described in note 1; however, as previously mentioned, for the year ended December 31, 2018, the City's contribution to PFRS was \$486,085.00, and was paid on April 1, 2018.

At December 31, 2018, the State's proportionate share of the PFRS pension expense, associated with the City, calculated by the Plan as of the June 30, 2018 measurement date is \$1,077,475.00. This on-behalf expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

**Deferred Outflows of Resources and Deferred Inflows of Resources** - At December 31, 2018, the City had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	PERS	PFRS	Total	PERS	PFRS	Total
Differences between Expected and Actual Experience	\$ 67,128.00	\$ 80,701.00	\$ 147,829.00	\$ 18,151.00	\$ 32,826.00	\$ 50,977.00
Changes of Assumptions	580,048.00	680,883.00	1,260,931.00	1,125,529.00	2,032,918.00	3,158,447.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	-	-	33,018.00	43,397.00	76,415.00
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions	169,294.00	661,930.00	831,224.00	432,785.00	490,946.00	923,731.00
City Contributions Subsequent to the Measurement Date	88,914.00	286,551.00	375,465.00	-	-	-
	<u>\$ 905,384.00</u>	<u>\$ 1,710,065.00</u>	<u>\$ 2,615,449.00</u>	<u>\$ 1,609,483.00</u>	<u>\$ 2,600,087.00</u>	<u>\$ 4,209,570.00</u>

\$88,914.00 and \$286,551.00 for PERS and PFRS, respectively, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the year ending December 31, 2019. These amounts were based on an estimated April 1, 2020 contractually required contribution, prorated from the pension plans' measurement date of June 30, 2018 to the City's year end of December 31, 2018.

**Note 8: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - The City will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	PERS		PFRS	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience				
Year of Pension Plan Deferral:				
June 30, 2014	-	-	-	-
June 30, 2015	5.72	-	-	5.53
June 30, 2016	5.57	-	-	5.58
June 30, 2017	5.48	-	5.59	-
June 30, 2018	-	5.63	5.73	-
Changes of Assumptions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	-	6.17	-
June 30, 2015	5.72	-	5.53	-
June 30, 2016	5.57	-	5.58	-
June 30, 2017	-	5.48	-	5.59
June 30, 2018	-	5.63	-	5.73
Net Difference between Projected and Actual Earnings on Pension Plan Investments				
Year of Pension Plan Deferral:				
June 30, 2014	-	5.00	-	5.00
June 30, 2015	5.00	-	5.00	-
June 30, 2016	5.00	-	5.00	-
June 30, 2017	-	5.00	-	5.00
June 30, 2018	-	5.00	-	5.00
Changes in Proportion and Differences between City Contributions and Proportionate Share of Contributions				
Year of Pension Plan Deferral:				
June 30, 2014	6.44	6.44	6.17	6.17
June 30, 2015	5.72	5.72	5.53	5.53
June 30, 2016	5.57	5.57	5.58	5.58
June 30, 2017	5.48	5.48	5.59	5.59
June 30, 2018	5.63	5.63	5.73	5.73

**Note 8: PENSION PLANS (CONT'D)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<b>Year Ending Dec 31,</b>	<b><u>PERS</u></b>	<b><u>PFRS</u></b>	<b><u>Total</u></b>
2019	\$ (119,602.00)	\$ 130,141.00	\$ 10,539.00
2020	(157,917.00)	(252,383.00)	(410,300.00)
2021	(284,339.00)	(660,849.00)	(945,188.00)
2022	(186,865.00)	(338,224.00)	(525,089.00)
2023	(44,290.00)	(55,258.00)	(99,548.00)
	<u>\$ (793,013.00)</u>	<u>\$ (1,176,573.00)</u>	<u>\$ (1,969,586.00)</u>

**Actuarial Assumptions**

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<b><u>PERS</u></b>	<b><u>PFRS</u></b>
Inflation Rate	2.25%	2.25%
Salary Increases:		
Through 2026	1.65% - 4.15% Based on Age	2.10% - 8.98% Based on Age
Thereafter	2.65% - 5.15% Based on Age	3.10% - 9.98% Based on Age
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2011 - June 30, 2014	July 1, 2010 - June 30, 2013



**Note 8: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

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

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

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

**Note 8: PENSION PLANS (CONT'D)****Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
	<u>100.00%</u>	

**Discount Rate** - The discount rate used to measure the total pension liability at June 30, 2018 was 5.66% for PERS and 6.51% for PFRS. For both PERS and PFRS, the respective single blended discount rates were based on the long-term expected rate of return on pension Plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rates 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 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current Plan members through 2046 for PERS and through 2062 for PFRS; therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through 2046 for PERS and through 2062 for PFRS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liabilities.

**Note 8: PENSION PLANS (CONT'D)****Sensitivity of City's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

**Public Employees' Retirement System (PERS)** - The following presents the City's proportionate share of the net pension liability at June 30, 2018, the Plan's measurement date, calculated using a discount rate of 5.66%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<b>PERS</b>		
	<b>1% Decrease (4.66%)</b>	<b>Current Discount Rate (5.66%)</b>	<b>1% Increase (6.66%)</b>
City's Proportionate Share of the Net Pension Liability	<u>\$ 4,426,073.00</u>	<u>\$ 3,520,063.00</u>	<u>\$ 2,759,978.00</u>

**Police and Firemen's Retirement System (PFRS)** - As previously mentioned, PFRS has a special funding situation, where the State of New Jersey pays a portion of the City's annual required contribution. As such, the net pension liability as of June 30, 2018, the Plan's measurement date, for the City and the State of New Jersey, calculated using a discount rate of 6.51%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	<b>PFRS</b>		
	<b>1% Decrease (5.51%)</b>	<b>Current Discount Rate (6.51%)</b>	<b>1% Increase (7.51%)</b>
City's Proportionate Share of the Net Pension Liability	\$ 10,616,430.00	\$ 7,932,323.00	\$ 5,718,424.00
State of New Jersey's Proportionate Share of Net Pension Liability associated with the City	<u>1,442,066.58</u>	<u>1,077,475.00</u>	<u>776,753.36</u>
	<u>\$ 12,058,496.58</u>	<u>\$ 9,009,798.00</u>	<u>\$ 6,495,177.36</u>

**Pension Plan Fiduciary Net Position**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and PFRS and additions to/deductions from PERS and PFRS' respective fiduciary net position have been determined on the same basis as they are reported by PERS and PFRS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS and PFRS, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.nj.gov/treasury/pensions/financial-reports.shtml>.

**Note 8: PENSION PLANS (CONT'D)****Supplementary Pension Information**

In accordance with GASBS 68, the following information is also presented for the PERS and PFRS Pension Plans. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

***Schedule of the City's Proportionate Share of the Net Pension Liability - Public Employees' Retirement System (PERS) (Last Six Years)***

	<u>Measurement Date Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's Proportion of the Net Pension Liability	0.0178778653%	0.0169651504%	0.0176553942%
City's Proportionate Share of the Net Pension Liability	\$ 3,520,063.00	\$ 3,949,216.00	\$ 5,229,021.00
City's Covered Payroll (Plan Measurement Period)	\$ 1,225,468.00	\$ 1,212,368.00	\$ 1,291,768.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	287.24%	325.74%	404.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%
	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0201589611%	0.0218380822%	0.0220856683%
City's Proportionate Share of the Net Pension Liability	\$ 4,525,283.00	\$ 4,088,686.00	\$ 4,221,010.00
City's Covered Payroll (Plan Measurement Period)	\$ 1,396,868.00	\$ 1,507,984.00	\$ 1,489,952.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	323.96%	271.14%	283.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

**Note 8: PENSION PLANS (CONT'D)****Supplementary Pension Information (Cont'd)*****Schedule of the City's Contributions - Public Employees' Retirement System (PERS) (Last Six Years)***

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's Contractually Required Contribution	\$ 177,827.00	\$ 157,164.00	\$ 156,848.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(177,827.00)</u>	<u>(157,164.00)</u>	<u>(156,848.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 1,186,347.00	\$ 1,209,175.00	\$ 1,203,612.00
City's Contributions as a Percentage of Covered Payroll	14.99%	13.00%	13.03%
	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 173,313.00	\$ 180,030.00	\$ 166,411.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(173,313.00)</u>	<u>(180,030.00)</u>	<u>(166,411.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 1,252,365.00	\$ 1,395,890.00	\$ 1,449,515.00
City's Contributions as a Percentage of Covered Payroll	13.84%	12.90%	11.48%

**Note 8: PENSION PLANS (CONT'D)****Supplementary Pension Information (Cont'd)*****Schedule of the City's Proportionate Share of the Net Pension Liability - Police and Firemen's Retirement System (PFRS) (Last Six Years)***

	<u>Measurement Date Ended June 30,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's Proportion of the Net Pension Liability	0.0586205251%	0.0549237132%	0.0565954895%
City's Proportionate Share of the Net Pension Liability	\$ 7,932,323.00	\$ 8,479,159.00	\$ 10,811,186.00
State's Proportionate Share of the Net Pension Liability associated with the City	1,077,475.00	949,737.00	907,872.00
Total	<u>\$ 9,009,798.00</u>	<u>\$ 9,428,896.00</u>	<u>\$ 11,719,058.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 1,866,000.00	\$ 1,777,864.00	\$ 1,808,932.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	425.10%	476.93%	597.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.48%	58.60%	52.01%
	<u>Measurement Date Ended June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Proportion of the Net Pension Liability	0.0616458731%	0.0586861285%	0.0558535402%
City's Proportionate Share of the Net Pension Liability	\$ 10,268,054.00	\$ 7,382,171.00	\$ 7,425,224.00
State's Proportionate Share of the Net Pension Liability associated with the City	900,474.00	794,936.00	692,121.00
Total	<u>\$ 11,168,528.00</u>	<u>\$ 8,177,107.00</u>	<u>\$ 8,117,345.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 1,952,208.00	\$ 1,806,132.00	\$ 1,752,872.00
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	525.97%	408.73%	423.60%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.31%	62.41%	58.70%

**Note 8: PENSION PLANS (CONT'D)****Supplementary Pension Information (Cont'd)*****Schedule of the City's Contributions - Police and Firemen's Retirement System (PFRS) (Last Six Years)***

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's Contractually Required Contribution	\$ 573,102.00	\$ 486,085.00	\$ 461,446.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(573,102.00)</u>	<u>(486,085.00)</u>	<u>(461,446.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 2,074,309.00	\$ 1,929,184.00	\$ 1,816,346.00
City's Contributions as a Percentage of Covered Payroll	27.63%	25.20%	25.41%
	<u>Year Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
City's Contractually Required Contribution	\$ 501,089.00	\$ 450,750.00	\$ 407,495.00
City's Contribution in Relation to the Contractually Required Contribution	<u>(501,089.00)</u>	<u>(450,750.00)</u>	<u>(407,495.00)</u>
City's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll (Calendar Year)	\$ 1,806,574.00	\$ 1,935,921.00	\$ 1,817,580.00
City's Contributions as a Percentage of Covered Payroll	27.74%	23.28%	22.42%

**Note 8: PENSION PLANS (CONT'D)****Other Notes to Supplementary Pension Information*****Public Employees' Retirement System (PERS)***Changes in Benefit Terms

None

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 5.39% 2014, 4.90% 2015, 3.98% 2016, 5.00% 2017 and 5.66% 2018.

The Long-term Expected Rate of Return changed at June 30<sup>th</sup> over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

For 2016, demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the Plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter.

For 2015, the social security wage base was set at \$118,500.00 for 2015, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$265,000.00 for 2015, increasing 3.00% per annum, compounded annually.

***Police and Firemen's Retirement System (PFRS)***Changes in Benefit Terms

In 2017, Chapter 26, P.L. 2016 increased the accidental death benefit payable to children if there is no surviving spouse to 70% of final compensation.

Changes in Assumptions

The Discount Rate changed at June 30th over the following years, 6.32% 2014, 5.79% 2015, 5.55% 2016, 6.14% 2017 and 6.51% 2018.

The Long-term Expected Rate of Return changed at June 30<sup>th</sup> over the following years, 7.90% 2014 and 2015, 7.65% 2016, 7.00% 2017 and 2018.

For 2016, the mortality improvement scale incorporated the Plan actuary's modified 2014 projection scale. Further, salary increases were assumed to increase between 2.10% and 8.98% (based on age) through fiscal year 2026 and 3.10% and 9.98% (based on age) for each fiscal year thereafter.

For 2015, demographic assumptions were revised in accordance with the results of the July 1, 2010 - June 30, 2013 experience study.



**Note 9: LENGTH OF SERVICE AWARDS PROGRAM**

**Plan Description** - The City's length of service awards program (the "Plan"), which is a defined contribution plan reported in the City's trust fund, was created by a City Resolution adopted on August 17, 2000 pursuant to Section 457(e)(11)(B) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the length of service award program as enacted into federal law in 1997. The accumulated assets of the Plan are not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

The voters of the City approved the adoption of the Plan at the general election held on November 7, 2000, and the first year of eligibility for entrance into the length of service awards program by qualified volunteers was calendar year 2001. The City's Plan was amended by City Ordinance adopted on September 6, 2007 and approved by the voters at the general election held on November 6, 2007. The Plan provides tax deferred income benefits to active volunteer firefighters and emergency medical personnel, and is administered by Lincoln National Life Insurance Company ("Plan Administrator"), a State of New Jersey approved length of service awards program provider. The City's practical involvement in administering the Plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the Plan Administrator.

The tax deferred income benefits for emergency service volunteers of the City of Absecon Volunteer Fire Department and the Absecon VFW Volunteer Ambulance Squad, come from contributions made solely by the governing body of the City, on behalf of those volunteers who meet the criteria of the Plan created by that governing body. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**Plan Amendments** - The City may make minor amendments to the provisions of the Plan at any time, provided, however, that no amendment affects the rights of participants or their beneficiaries regarding vested accumulated deferrals at the time of the amendment. The Plan can only be amended by resolution of the governing body of the City, and the following procedures must be followed: (a) any amendment to the Plan shall be submitted for review and approval by the Director of Local Government Services, State of New Jersey (the "Director") prior to implementation by the City's governing body, provided, however, that any amendment required by the IRS, may be adopted by the City's governing body without the advance approval of the Director (although such amendment shall be filed with the Director); (b) the documentation submitted to the Director shall identify the regulatory authority for the amendment and the specific language of the change; and (c) the City shall adopt the amendment by resolution of the governing body, and a certified copy of the resolution shall be forwarded to the Director. The City may amend the Plan agreement to accommodate changes in the Internal Revenue Code, Federal statutes, state laws or rules or operational experience. In cases of all amendments to the Plan, the City shall notify all participants in writing prior to making any amendment to the Plan.

**Contributions** - If an active member meets the year of active service requirement, a length of service awards program must provide a benefit between the minimum contribution of \$100.00 and a maximum contribution of \$1,150.00 per year. While the maximum amount is established by statute, it is subject to periodic increases that are related to the consumer price index (N.J.S.A. 40A:14-185(f)). The Division of Local Government Services of the State of New Jersey will issue the permitted maximum annually.

The City elected to contribute between \$447.35 and \$1,371.88 for the year ended December 31, 2018, per eligible volunteer, into the Plan, depending on the awarding and accumulation of points as outlined by City Ordinance. Participants direct the investment of the contributions into various investment options offered by the Plan. The City has no authorization to direct investment contributions on behalf of eligible volunteers nor has the ability to purchase or sell investment options offered by the Plan. The types of investment options, and the administering of such investments, rests solely with the Plan Administrator.

For the year ended December 31, 2018, the City's total expenditure to the Plan was \$16,074.84.

**Note 9: LENGTH OF SERVICE AWARDS PROGRAM (CONT'D)**

**Participant Accounts** - Each participant's account is credited with the City's contribution and Plan earnings, and charged with administrative expenses. For the year ended December 31, 2018, the City elected to pay substantially all of the Plan's administrative costs. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. The City has placed the amounts deferred, including earnings, in a trust maintained by a third-party administrator for the exclusive benefit of the Plan participants and their beneficiaries. The contributions from the City to the Plan, and the related earnings, are not irrevocable, and such funds are not legally protected from the creditors of the City. These funds, however, are not available for funding the operations of the City.

**Vesting** - The City, in accordance with N.J.S.A. 40A:14-188 and N.J.A.C. 5:30-11.63 may make a yearly contribution to the length of service awards program account in the deferred income program for an active volunteer who has satisfied the requirements for receipt of an award, but the volunteer shall not be able to receive a distribution of the funds until the completion of a five year vesting period or be in accordance with changes to vesting conveyed through the issuance of a Local Finance Notice and/or publication of a public notice in the New Jersey Register, with payment of that benefit only being as otherwise permitted by the Plan.

**Payment of Benefits** - Upon separation from volunteer service, retirement or disability, termination of the Plan, participants may select various payout options of vested accumulated deferrals, which include lump sum, periodic, or annuity payments. In the case of death, with certain exceptions, any amount invested under the participant's account is paid to the beneficiary or the participant's estate.

In the event of an unforeseeable emergency, as outlined in the Plan document, a participant or a beneficiary entitled to vested accumulated deferrals may request the local plan administrator to payout a portion of vested accumulated deferrals.

**Forfeited Accounts** - For the year ended December 31, 2018, no accounts were forfeited.

**Investments** - The investments of the length of service awards program reported in the trust - other funds on the statements of assets, liabilities, reserves, and fund balance - regulatory basis are recorded at fair value.

**Plan Information** - Additional information about the City's length of service awards program can be obtained by contacting the Plan Administrator.

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS****General Information about the OPEB Plan**

**Plan Description and Benefits Provided** - The City does not provide postemployment benefits to its retirees, however, the State of New Jersey (the "State") provides these benefits to certain City retirees and their dependents under a special funding situation as described below.

The State of New Jersey, on-behalf of the City, contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which 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* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug benefit 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.

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.

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****General Information about the OPEB Plan (Cont'd)**

**Contributions** - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.

*Special Funding Situation Component* - The State of New Jersey makes contributions to cover those employees eligible under Chapter 330, P.L. 1997, as disclosed below. Local employers remit employer contributions on a monthly basis. Retired member contributions are generally received on a monthly basis. Partially funded benefits are also available to local police officers and firefighters who retire with 25 years of service or on disability from an employer who does not provide coverage under the provisions of Chapter 330, P.L. 1997. Upon retirement, these individuals must enroll in the OPEB plan.

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% 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, the City is 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 City does not contribute under this legislation directly to the Plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the City is required disclose:

- a) the State's proportion (percentage) of the collective net OPEB liability that is associated with the City,
- b) the State's proportionate share of the collective net OPEB liability that is associated with the City, and
- c) the State's proportionate share of the OPEB expense that is associated with the City.

The amount of actual contributions to the OPEB Plan made by the State, on-behalf of the City, is not known, however, under the Special Funding Situation, the State's OPEB expense, on-behalf of the City, is \$297,878.00 for the year ended December 31, 2018 representing 14.36% of the City's covered payroll.

**OPEB Liability and OPEB Expense**

**OPEB Liability** - At December 31, 2018 the State's proportionate Share of the Net OPEB liability associated with the City is \$9,840,306.00. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****OPEB Liability and OPEB Expense (Cont'd)**

**OPEB Liability (Cont'd)** - The State's proportion of the net OPEB liability, on-behalf of the City, was based on the ratio of the plan members of an individual employer to the total members of the Plan's special funding situation during the measurement period July 1, 2017 through June 30, 2018. For the June 30, 2018 measurement date, the State's proportion on-behalf of the City was .158361% which was a decrease of -.003306% from its proportion measured as of the June 30, 2017 measurement date.

**OPEB Expense** - At December 31, 2018, the State's proportionate share of the OPEB expense, associated with the City, calculated by the Plan as of the June 30, 2018 measurement date, is \$297,878.00. This on-behalf expense is not recognized by the City because of the regulatory basis of accounting as described in note 1.

**Actuarial Assumptions**

The actuarial assumptions vary for each plan member depending on the pension plan in which the member is enrolled. The actuarial valuation at June 30, 2018 used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%
Salary Increases *	
Through 2026	1.65% - 8.98%
Thereafter	2.65% - 9.98%

\* Salary Increases are Based on the Defined Benefit Plan that the Member is Enrolled in and his or her Age.

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

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

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

All of the Plan's investments are in the State of New Jersey Cash Management Fund ("CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. Government and Agency Obligations, Commercial Paper, Corporate Obligations and Certificates of Deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pay interest to participants on a monthly basis.

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Actuarial Assumptions (Cont'd)**

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

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

**Sensitivity of the net OPEB Liability to Changes in the Discount Rate**

As previously mentioned, the OPEB Plan has a special funding situation where the State of New Jersey pays the City's contributions for certain eligible employees. As such, the proportionate share of the net OPEB liability as of June 30, 2018, the Plans measurement date, calculated using a discount rate of 3.87%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used, is as follows:

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
State of New Jersey's Proportionate Share of the Net OPEB Liability Associated with the City	\$ 11,545,280.71	\$ 9,840,306.00	\$ 8,478,417.49

**Sensitivity of the net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The net OPEB Liability as of June 30, 2018, the Plans measurement date, using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
State of New Jersey's Proportionate Share of the Net OPEB Liability Associated with the City	\$ 8,208,392.61	\$ 9,840,306.00	\$ 11,952,244.28

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****OPEB Plan Fiduciary Net Position**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about the Plan, please refer to the Plan's Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

**Supplementary OPEB Information**

In accordance with GASBS No. 75, the following information is also presented for the State Health Benefits Local Government Retired Employees Plan. These schedules are presented to illustrate the requirements to show information for 10 years; however, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

***Schedule of the State's Proportionate Share of the net OPEB Liability Associated with the City (Last 2 Years)***

	<u>Measurement Date Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.000000%	0.000000%
State's Proportion of the Net Pension Liability Associated with the City	100.000000%	100.000000%
	<u>100.000000%</u>	<u>100.000000%</u>
City's Proportionate Share of the Net OPEB Liability	\$ -	\$ -
State's Proportionate Share of the Net OPEB Liability Associated with the City	9,840,306.00	14,057,614.00
Total	<u>\$ 9,840,306.00</u>	<u>\$ 14,057,614.00</u>
City's Covered Payroll (Plan Measurement Period)	\$ 2,008,153.00	\$ 1,885,576.00
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	0.00%	0.00%
State's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	490.018%	745.534%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.03%

**Note 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D)****Supplementary OPEB Information (Cont'd)*****Schedule of the State's Contributions Associated with the City (Last 2 Years)***

The amount of actual contributions that the State made on-behalf of the City is not known.

**Other Notes to Supplementary OPEB Information****Changes in Benefit Terms**

None

**Changes in Assumptions**

In 2017, the discount rate changed to 3.58% from 2.85%. In 2018, the discount rate changed to 3.87% from 3.58%, there were changes in the census, claims and premiums experience and a decrease in the assumed health care cost trend and excise tax assumptions.

**Note 11: COMPENSATED ABSENCES**

Under the existing policy of the City, full-time employees are entitled to accumulate annual unused sick leave and vacation days. Unused sick leave may be accumulated and carried forward to the subsequent year. Vacation days not used during the year may be accumulated and carried forward, but the carry-forward is limited to the equivalent of one year's accrued vacation days.

The City compensates employees for unused sick leave and vacation days upon termination or retirement. For unused sick leave, however, the current policy provides one compensated day for every two days accumulated.

The City has established a compensated absences trust fund to set aside funds for future payments of compensated absences. At December 31, 2018, the balance of the fund was \$260,945.50. It is estimated that, at December 31, 2018, accrued benefits for compensated absences are valued at \$778,132.72.

**Note 12: DEFERRED COMPENSATION SALARY ACCOUNT**

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457, which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the City or its creditors. Since the City does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the City's financial statements.



**Note 13: CAPITAL DEBT****General Improvement Bonds**

General Improvement Bonds, Series 2008 - On May 29, 2008, the City issued \$4,400,000.00 of general improvement bonds, with interest rates ranging from 3.25% to 3.50%. The bonds were issued for the purpose of funding various capital ordinances. The final maturity of the bonds was August 1, 2018.

The following schedule represents the City's summary of debt for the current and two previous years:

	<u>2017</u>	<u>2017</u>	<u>2016</u>
<b><u>Issued</u></b>			
General:			
Bonds and Notes	\$ 6,375,675.00	\$ 6,070,030.00	\$ 4,939,530.00
Sewer Utility:			
Bonds and Notes	-	-	-
Total Issued	<u>6,375,675.00</u>	<u>6,070,030.00</u>	<u>4,939,530.00</u>
<b><u>Authorized but not Issued</u></b>			
General:			
Bonds and Notes	-	-	-
Sewer Utility:			
Bonds and Notes	-	-	-
Total Authorized but not Issued	<u>-</u>	<u>-</u>	<u>-</u>
Total Issued and Authorized but not Issued	<u>6,375,675.00</u>	<u>6,070,030.00</u>	<u>4,939,530.00</u>
<b><u>Deductions</u></b>			
Total Deductions	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Debt</b>	<u>\$ 6,375,675.00</u>	<u>\$ 6,070,030.00</u>	<u>\$ 4,939,530.00</u>

**Summary of Statutory Debt Condition - Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the annual debt statement and indicated a statutory net debt of .86%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
School Purposes	\$ 4,230,000.00	\$ 4,230,000.00	
Self-Liquidating	-	-	
General	<u>6,375,675.00</u>		<u>\$ 6,375,675.00</u>
	<u>\$ 10,605,675.00</u>	<u>\$ 4,230,000.00</u>	<u>\$ 6,375,675.00</u>

Net debt \$6,375,675.00 divided by the equalized valuation basis per N.J.S.A.40A:2-2, as amended, \$741,740,750.67, equals .86%.

**Note 13: CAPITAL DEBT (CONT'D)****Borrowing Power Under N.J.S.A. 40A:2-6 as Amended**

3 1/2% of Equalized Valuation Basis (Municipal)	\$	25,960,926.27
Less: Net Debt		<u>6,375,675.00</u>
Remaining Borrowing Power	\$	<u><u>19,585,251.27</u></u>

**Calculation of "Self-Liquidating Purpose,"  
Sewer Utility Per N.J.S.A. 40:2-45**

Cash Receipts from Fees, Rents, Fund Balance Anticipated, Interest and Other Investment Income, and Other Charges for the Year	\$	2,002,845.14
Deductions:		
Operating and Maintenance Cos	\$	1,560,000.00
Debt Service		<u>-</u>
Total Deductions		<u>1,560,000.00</u>
Excess in Revenue	\$	<u><u>442,845.14</u></u>

**Note 14: SCHOOL TAXES**

Local District School tax has been raised and the liability deferred by statutes, resulting in the school tax payable set forth in the current fund liabilities as follows:

	<b><u>Balance December 31,</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Balance of Tax	\$ 6,087,226.53	\$ 5,960,245.53
Deferred	<u>2,826,535.94</u>	<u>2,826,535.94</u>
Taxes Payable	<u><u>\$ 3,260,690.59</u></u>	<u><u>\$ 3,133,709.59</u></u>

**Note 15: 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.

**Joint Insurance Pool** - The City is a member of the Atlantic County Insurance Pool Joint Insurance Fund. The Fund provides the City with the following coverage:

Workers' Compensation and Employer's Liability  
 Crime Coverage  
 Property - Blanket Building and Grounds  
 General and Automobile Liability  
 Cyber Liability

Environmental Impairment Liability coverage is provided to the Fund's member local units by the Fund's membership in the New Jersey Municipal Environmental Risk Management Fund.

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Banking and Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through the Municipal Excess Liability Joint Insurance Fund, which is an insurance pool formed by all the other joint insurance funds.

For more information regarding claims, coverages and deductibles, the Fund publishes its own financial report for the year ended December 31, 2018, which can be obtained on the Fund's website:

Atlantic County Municipal Joint Insurance Fund  
[www.acmjif.org](http://www.acmjif.org)

**Note 16: CONTINGENCIES**

**Grantor Agencies** - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

**Note 17: CONCENTRATIONS**

The City depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

**Note 18: SUBSEQUENT EVENTS**

**Authorization of Debt** - Subsequent to December 31, the City authorized additional bonds and notes as follows:

<u>Purpose</u>	<u>Adoption</u>	<u>Authorization</u>
<b>General Improvements</b>		
Acquisition of Property and Construction of Firehouse	02/21/19	\$ 3,000,000.00
Various Capital Improvements	04/18/19	1,710,000.00

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION**



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

July 30, 2020

Mayor and City Council  
of the City of Absecon  
Absecon, New Jersey

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the authorization, sale, issuance and delivery of the \$11,455,000 aggregate principal amount of General Obligation Bonds, Series 2020 (the "Bonds") of the City of Absecon, in the County of Atlantic (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, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), (ii) the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq., as amended and supplemented (the "Redevelopment Law"), (iii) the Redevelopment Area Bond Financing Law, N.J.S.A. 40A:12A-64 et seq., as amended and supplemented (the "RAB Law"), and (iv) various bond ordinances of the City duly adopted on the dates set forth herein and published as required by law, and by a resolution duly adopted by the City Council of the City on May 21, 2020.

The proceeds of the Bonds, along with other available funds of the City in the amount of \$649,495, will be used to: (i) currently refund the City's \$6,683,145 Bond Anticipation Note, dated July 31, 2019 and maturing July 31, 2020; (ii) finance various capital improvements in and by the City in the amount of \$5,729,350; and (iii) pay the costs associated with the authorization, sale and issuance of the Bonds.

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 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, 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 (15<sup>th</sup>) day of January and July in each year (each an “Interest Payment Date”), commencing January 15, 2021, until maturity or prior redemption. The Bonds shall mature on July 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 Rates</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
2021	\$270,000	4.000%	2034	\$525,000	2.000%
2022	270,000	4.000	2035	535,000	2.000
2023	290,000	4.000	2036	535,000	2.000
2024	315,000	4.000	2037	535,000	2.000
2025	340,000	4.000	2038	535,000	2.000
2026	365,000	4.000	2039	535,000	2.000
2027	390,000	4.000	2040	535,000	2.125
2028	415,000	4.000	2041	535,000	2.125
2029	440,000	4.000	2042	535,000	2.125
2030	460,000	3.000	2043	535,000	2.250
2031	485,000	3.000	2044	535,000	2.250
2032	500,000	2.000	2045	525,000	2.250
2033	515,000	2.000			

The Bonds of this issue maturing prior to July 15, 2028 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after July 15, 2028 are subject to redemption at the option of the City, in whole or in part, on any date on or after July 15, 2027, upon notice as required therein at one hundred percent (100%) of the principal amount being redeemed (the “Redemption Price”), plus accrued interest to the date fixed for redemption.

We have examined such matters of law, certified copies of the proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the authorization, issuance and sale 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, issuance and sale of the Bonds pursuant to the Local Bond Law, the Redevelopment Law and the RAB 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 July 15 in the years 2021 through 2034, 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 July 15 in the years 2036 through 2045, inclusive (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 each of the Bonds, as executed by the City, and, in our opinion, the form of each Bond and their execution are regular and proper.

Very truly yours,

WILENTZ, GOLDMAN & SPITZER, P.A.

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate dated July 30, 2020 (the "Disclosure Certificate") is executed and delivered by the City of Absecon, in the County of Atlantic, State of New Jersey (the "City" or the "Issuer") in connection with the issuance of its \$11,455,000 aggregate principal amount of General Obligation Bonds, Series 2020 (the "Bonds"), all such Bonds being dated their date of delivery. The Bonds are being issued pursuant to various bond ordinances duly adopted by the City Council, approved by the Mayor, and published as required by law, and a resolution entitled, "RESOLUTION PROVIDING FOR THE COMBINATION OF CERTAIN BOND ORDINANCES AND DETERMINING THE FORM AND OTHER DETAILS OF THE OFFERING OF \$11,763,000 GENERAL OBLIGATION BONDS, SERIES OF THE CITY OF ABSECON, IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY AND PROVIDING FOR THEIR SALE" (the "Resolution"), being duly adopted by the City Council on May 21, 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 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 with the MSRB through EMMA (both 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 with the MSRB through EMMA pursuant to Section 5 of this Disclosure Certificate.

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

“*Dissemination Agent*” shall mean, initially, 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](http://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) 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.

“Underwriter(s)” shall mean any of the original underwriter(s) 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 two hundred seventy (270) days, if no Dissemination Agent is appointed, or two hundred sixty (260) days, if a Dissemination Agent is appointed, after the end of its fiscal year (currently December 31), for each fiscal year 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, 2019). 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 July \_\_\_\_, 2020, prepared in connection with the sale of the Bonds (the "Official Statement") consisting of (1) City indebtedness; (2) property valuation information; and (3) tax rate, levy and collection data.

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

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

1. Principal and interest payment delinquencies;
2. 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, 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, 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 the MSRB, through the EMMA system, 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, prior redemption 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 (if the Dissemination Agent is not the City), which notice shall be filed by the City or the Dissemination Agent, as applicable, with the MSRB, through the EMMA system, 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), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the City:

Ms. Jessica Thompson  
Chief Financial Officer  
City of Absecon  
500 Mill Road  
Absecon, New Jersey 08201  
Email: [jthompson@abseconnj.org](mailto:jthompson@abseconnj.org)

(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 ABSECON**

By: \_\_\_\_\_  
**JESSICA THOMPSON,**  
**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 Absecon,  
in the County of Atlantic, State of New Jersey

Name of Issue: \$11,455,000 General Obligation Bonds, Series 2020  
Dated: July 30, 2020  
(CUSIP Number: 003860DE0)

Date of Issuance: July 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 for the Bonds dated July 30, 2020, which was executed by the City and acknowledged and accepted by the Dissemination Agent (the "Certificate"). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Certificate.

DATED: \_\_\_\_\_

\_\_\_\_\_  
**DISSEMINATION AGENT**  
(on behalf of the City)

cc: The City