

**NEW ISSUE – Book-Entry-Only**

**RATING: S&P: “A+”  
(See “RATING” herein)**

In the opinion of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions existing as of the date hereof and assuming continuing compliance by the Township of Egg Harbor with certain covenants described herein, interest on the Bonds (as defined below) (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) interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds. 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 of the Bonds are not includable in gross income under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof. See “TAX MATTERS” herein.

**\$5,990,000\***

**TOWNSHIP OF EGG HARBOR  
in the County of Atlantic, State of New Jersey  
GENERAL OBLIGATION BONDS, SERIES 2019  
(BOOK-ENTRY-ONLY) (BANK QUALIFIED) (NON-CALLABLE)**

**Dated: Date of Delivery**

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

The \$5,990,000\* General Obligation Bonds, Series 2019, (the “Bonds”), are valid and legally binding general obligations of the Township of Egg Harbor, in the County of Atlantic, State of New Jersey (the “Township”) and are secured by a pledge of the full faith and credit of the Township for the payment of the principal thereof and interest thereon.

The principal of and interest on the Bonds are payable, if not paid from other sources, from *ad valorem* taxes to be levied upon all the taxable property within the Township without limitation as to rate or amount. Interest on the Bonds will be payable each June 15 and December 15, commencing June 15, 2020, to and including their respective dates of maturity. Interest on the Bonds will be credited to the participants of DTC (as hereinafter defined) as listed on the records of DTC as of each next preceding June 1 and December 1 (the “Record Dates” for the payment of interest on the Bonds). The Bonds will be issued in the form of one certificate for the principal amount of Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as Securities Depository. See “DEPOSITORY TRUST COMPANY INFORMATION-Book-Entry-Only System” herein. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof except, where necessary, also in the amount of \$1,000.

The Bonds are being issued to provide funds which will be used to: (i) currently refund the Township’s \$3,090,000 Bond Anticipation Note, dated June 20, 2018 and maturing June 19, 2019; (ii) provide new money in the amount of \$2,900,000 to finance various capital improvements in and by the Township; and (iii) pay the costs associated with the authorization, sale and issuance of the Bonds.

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

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

The Bonds are offered when, as and if issued, and delivered to the Underwriter, as defined herein, subject to withdrawal or modification of the offer without notice, to the prior approval of legality by the law firm of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the Township by its Attorney, Marc Friedman Law Offices, Linwood, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey served as Municipal Advisor to the Township in connection with the Bonds. It is expected that delivery of the Bonds in book-entry only form will be made at DTC in New York, New York on or about June 18, 2019.

**BID PROPOSALS WILL BE ACCEPTED ONLY BY ELECTRONIC SUBMISSION VIA THE PARITY  
ELECTRONIC BID SYSTEM ON TUESDAY, JUNE 4, 2019 UNTIL 11:00 A.M. FOR MORE DETAILS ON HOW TO  
BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED ON WWW.MUNIHUB.COM**

\* Preliminary, subject to change.

**\$5,990,000\***  
**TOWNSHIP OF EGG HARBOR**  
**in the County of Atlantic, State of New Jersey**  
**GENERAL OBLIGATION BONDS, SERIES 2019**  
**(BOOK-ENTRY-ONLY) (BANK QUALIFIED) (NON-CALLABLE)**

**MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIPS\*\***

<u>Year</u>	<u>Par Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2020	\$375,000	%	%	282305
2021	375,000			282305
2022	400,000			282305
2023	450,000			282305
2024	700,000			282305
2025	700,000			282305
2026	740,000			282305
2027	750,000			282305
2028	750,000			282305
2029	750,000			282305

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\* Preliminary, subject to change.

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

**TOWNSHIP OF EGG HARBOR, IN THE  
COUNTY OF ATLANTIC, NEW JERSEY**

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**MAYOR**

Paul W. Hodson

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**TOWNSHIP COMMITTEE**

Laura Pfrommer – Deputy Mayor  
Frank Balles  
Joseph Cafero  
Andrew Parker

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**TOWNSHIP ADMINISTRATOR**

Peter J. Miller

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**TOWNSHIP CHIEF FINANCIAL OFFICER**

Jennifer McIver

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**TOWNSHIP CLERK**

Eileen M. Tedesco

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**TOWNSHIP SOLICITOR**

Marc Friedman Law Offices  
Linwood, New Jersey

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**TOWNSHIP AUDITOR**

Ford, Scott & Associates, L.L.C.  
Ocean City, New Jersey

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**BOND COUNSEL**

Fleishman Daniels Law Offices, LLC  
Linwood, New Jersey

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**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

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

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

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

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, will not be listed on the stock or other securities exchange and neither the Securities and Exchange Commission or any other federal, state, municipal or other governmental entity, other than the Township, will have passed upon the accuracy or adequacy of the Official Statement.

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

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**OFFICIAL STATEMENT**  
**Relating to**  
**\$5,990,000\***  
**TOWNSHIP OF EGG HARBOR**  
**in the County of Atlantic, State of New Jersey**  
**GENERAL OBLIGATION BONDS, SERIES 2019**  
**(BOOK-ENTRY-ONLY) (BANK QUALIFIED) (NON-CALLABLE)**

**INTRODUCTION**

This Official Statement, which includes the cover page, inside front cover page and the appendices attached hereto, has been prepared by the Township of Egg Harbor (the “Township”), in the County of Atlantic, in the State of New Jersey (the “State”) in connection with the sale and issuance of \$5,990,000\* General Obligation Bonds, Series 2019 (the “Bonds”). This Official Statement has been executed by and on behalf of the Township by the Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

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 Township from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future, and is not necessarily indicative of future or continuing trends in the financial position of the Township.

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

**THE BONDS**

**General Description**

The Bonds shall be dated and shall bear interest from their date of delivery, and will mature on June 15 in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest, which is payable semiannually on the fifteenth (15<sup>th</sup>) day of June and December in each year (each constituting an “Interest Payment Date”), commencing June 15, 2020, at the interest rates set forth on the inside front cover page hereof. The record dates for payment of the interest on the Bonds shall be June 1 and December 1 next preceding the interest payment dates. The Bonds may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple thereof, except where necessary, also in the amount of \$1,000, through book-entries made on the books and the records of The Depository Trust Company, New York, New York (“DTC”) and its participants. See “Book-Entry-Only-System”. The Township will act as the “Bond Registrar/Paying Agent” for the Bonds.

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\* Preliminary, subject to change.

## **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, 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 Township. Accordingly, the Township does not make any representations as to the completeness or accuracy of such information.

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

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

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

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\* Source: The Depository Trust Company

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Township 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).

Payments of principal or redemption price of and interest with respect to 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 Township 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 or the Township, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or Redemption Price of and interest with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township, 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 Township, or the Township's hereafter designated paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Township believes to be reliable, but the Township does not take any responsibility for the accuracy thereof.



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

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

#### **Discontinuation of Book-Entry-Only System**

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

#### **Redemption**

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

### **AUTHORIZATION AND PURPOSE OF THE BONDS**

#### **Authorization**

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by the bond ordinances duly adopted by the Township Committee on the dates set forth in the chart on the following page and published and approved as required by law, and by a resolution duly adopted by the Township Committee on May 1, 2019.

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 Township. Such estoppel period has concluded as of the date of this Official Statement.

#### **Purpose of the Bonds**

The Bonds are being issued to provide funds which will be used to: (i) currently refund the Township's \$3,090,000 Bond Anticipation Note, dated June 20, 2018 and maturing June 19, 2019; (ii)

provide new money in the amount of \$2,900,000 to finance various capital improvements in and by the Township; 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 Township, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount to be issued. The bond ordinances are:

<b>Bond Ordinances</b>		
<b><u>Ordinance No.</u></b>	<b><u>Description and Date of Adoption</u></b>	<b><u>Amount to be Issued</u></b>
18-2018	Providing for various capital improvements and purchases within the Township, including improvements to various roadways, recreation improvements and purchases of equipment and vehicles for Fire, Police and Public Works Departments, finally adopted on May 2, 2018.	\$3,090,000
11-2019	Providing for various capital improvements and purchases within the Township, including improvements and repairs to various roadways, and purchases of vehicles and equipment, finally adopted on May 1, 2019.	2,900,000
<b>TOTAL BONDS:</b>		<b><u>\$5,990,000</u></b>

## **SECURITY AND SOURCE OF PAYMENT**

### **Taxing Power**

The Bonds are valid and binding general obligation bonds of the Township, and the Township has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The Bonds are direct obligations of the Township and, unless paid from other sources, the Township is required by law to levy *ad valorem* taxes upon all the real property taxable within the Township for the payment of the principal of and the interest on the Bonds without limitation as to rate or amount. Enforcement of a claim for the payment of principal of or interest on bonds or notes of the Township is subject to applicable provisions of Federal bankruptcy law and to the provisions of statutes, if any, hereafter enacted by the Congress of the United States or the Legislature of the State of New Jersey, providing extension with respect to the payment of principal of or interest on the Bonds or imposing other constraints upon enforcement of such contracts insofar as any such constraints may be constitutionally applied. Under State law, a county, municipality or other political subdivision may file a petition under Federal bankruptcy laws and a plan for readjustment of its debt, but only after first receiving the approval of the State Municipal Finance Commission.

## **PROVISIONS FOR THE PROTECTION OF GENERAL OBLIGATION DEBT**

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

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature

within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds issued by the Township are general full faith and credit obligations.

### **Debt Limits**

The authorized bonded indebtedness of the Township for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As shown in Appendix "B", the Township has not exceeded its statutory debt limit as of December 31, 2018.

### **Exceptions to Debt Limits - Extensions of Credit**

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

### **Short Term Financing**

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

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

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

appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

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

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

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

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

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

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

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of

the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, was adopted on July 13, 2010, which, among other things, imposes a two percent (2%) cap on the tax levy that municipalities, counties, fire districts and solid waste collection districts may impose, with very limited exceptions and subject to certain adjustments.

Exclusions from the two percent (2%) tax levy cap include: (i) increases required to be raised by taxation for capital expenditures, including debt service as defined by law; (ii) increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; (iii) increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and (iv) and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate. The amendments to the tax levy sections of the "Cap Law" (specifically, N.J.S.A. 40A:4-45-46) in 2010 no longer permit municipalities, counties, fire districts and solid waste collection districts to request approval from the Local Finance Board for a waiver to increase the amount to be raised by taxation in excess of the two percent (2%) cap. However, counties, municipalities, fire districts and solid waste collection districts may request, through a public question submitted to the voters, an increase in the amount to be raised by taxes above the two percent (2%) tax levy cap. Such approval must be achieved by an affirmative vote in excess of fifty percent (50%) of those voting on such public question.

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

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

### **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A revaluation of all property in the Township was last completed in 2013.

Upon the filing of certified adopted budgets by the local school district, regional 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 with the special districts.

Tax bills are mailed annually in June by the Township’s Tax Collector. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year’s total tax liability. The preliminary taxes are due February 1 and May 1 of the succeeding year, are based upon one-half of the current year’s total tax.

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any excess of \$1,500.00. These interest and penalties are the highest permitted under New Jersey statutes. If a delinquency is in excess of \$10,000.00 and remains in arrears after December 31<sup>st</sup>, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey Statutes.

### **Tax Appeals**

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 in each year for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal

may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

## **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 governs anticipation of delinquent tax collections: "The maximum which may be anticipated is the sum produced by 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."

N.J.S.A. 40A:4-41 provides with regard to current taxes that: "Receipts from the collection of taxes levied or to be levied in the municipality, or in the case of a county for general county purposes and payable in the fiscal year shall be anticipated in an amount which is not in excess of the percentage of taxes levied and payable during the next preceding fiscal year which was received in cash by the last day of such preceding fiscal year."

This provision and N.J.S.A. 40A:4-40 require 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 revenue will at least be equal to the tax levy required to balance the budget.

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

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

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2017 for the Township is on file with the Clerk and is available for review during business hours.

## **Operation of Utilities**

Municipal public utilities are supported by the revenue generated by the respective operations of the utilities in addition to the general taxing power upon real property.

For each utility, there is established a separate budget. The anticipated revenues and appropriations for each utility are set forth in the separate budget. The budget is required to be balanced and to provide fully for debt service. The regulations regarding anticipation of revenues and deferral of charges apply equally to the budgets of the utilities.

Deficits or anticipated deficits in utility operations which cannot be provided for from utility surplus, if any, are required to be raised in the "Current" or operating budget.

## **TAX MATTERS**

### **Federal Tax Exemption**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Township to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Township will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of issuance of the Bonds, as to various tax requirements. The Township has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Fleishman Daniels Law Offices, LLC ("Bond Counsel") will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Township with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Township observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Discount**

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

### **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "Premium Bonds"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-



trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

### **Additional Federal Income Tax Consequence of Holding the 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 certain 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 companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

### **Changes in Federal Tax Law Regarding the Bonds**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

### **State Taxation**

Bond Counsel is of the opinion that, based upon existing law as enacted and construed on the date hereof, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. Except as provided above, no opinion is expressed with respect to other State and local tax consequences of owning the Bonds.

**THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE**

**OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS (INCLUDING, BUT NOT LIMITED TO, THOSE LISTED ABOVE) OR REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.**

### **BANK QUALIFICATION**

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

### **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 Township including the Bonds, and such Bonds are authorized security for any and all public deposits.

### **SECONDARY MARKET DISCLOSURE**

The Township has covenanted for the benefit of bondholders to provide certain financial information and operating data of the Township by 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 and within the timeframe established in the Continuing Disclosure Certificate (the "Disclosure Certificate") to be executed on behalf of the Township by its Chief Financial Officer, in the form appearing in Appendix D hereto, such Disclosure Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the Township to assist the purchaser of the Bonds in complying with the Rule.

The Township has previously entered into continuing disclosure undertakings under the Rule. The Township appointed Phoenix Advisors, LLC, Bordentown, New Jersey in September of 2014 to act as Continuing Disclosure Agent/Dissemination Agent to assist in the filing of certain information on EMMA as required under its obligations

### **LITIGATION**

To the knowledge of Marc Friedman Law Offices, Linwood, New Jersey (the "Township Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority of the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Township or the title of any of the present officers. Moreover, to the knowledge of the Township Attorney, no litigation is presently pending or threatened that, in the opinion of the Township Attorney, would have a material adverse impact on the financial condition of the Township if adversely

decided. A certificate to such effect will be executed by the Township Attorney and delivered to the purchaser of the Bonds at the closing.

On February 18, 2014, a private citizen organization calling itself the “Seaview Harbor Realignment Committee”, representing at least 60% of the legal voters residing in the “Seaview Harbor” section of the Township (“Seaview Harbor”), filed a petition with the Township Committee and Municipal Clerk to seek deannexation of Seaview Harbor from the Township, with the stated intention, upon successful deannexation, to annex Seaview Harbor to the Borough of Longport. Said petition was filed pursuant to N.J.S.A. 40A:7-12 *et seq.*, the controlling statute governing the municipal annexation/deannexation process in New Jersey. After receiving a recommendation from the Township Planning Board to deny the petition for deannexation, on November 30, 2016, the Township Committee denied the Seaview Harbor Realignment Committee’s petition for deannexation. On January 11, 2017, the Seaview Harbor Realignment Committee then filed a Complaint now pending before the New Jersey Superior Court. Seaview Harbor comprises approximately 2.2% of total assessed value in the Township. If the deannexation effort by Seaview Harbor were to be ultimately successful, the Township does not anticipate that the loss in tax revenue would have a material impact on the Township’s ability to pay principal of and interest on the Bonds.

### **MUNICIPAL BANKRUPTCY**

The undertakings of the Township should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, *et seq.* (the “Bankruptcy Code”), as amended by Public Law 94-260, approved April 8, 1976 and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor’s rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy 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 debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 *et seq.*, which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

**Reference to the Bankruptcy Code or the State statute should not create any implication that the Township expects to utilize the benefits of their provisions.**

### **PREPARATION OF OFFICIAL STATEMENT**

The Township hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the Underwriter, by certificates signed by the Chief Financial Officer, that to such officer’s knowledge such descriptions and

statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Ford, Scott & Associates, L.L.C., Ocean City, New Jersey assisted in the preparation of information contained in this Official Statement and takes responsibility for the audited financial statements to the extent specified in their Independent Auditor's Report.

The Township 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 thereto, 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.

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

All other information has been obtained from sources which the Township considers to be reliable and they make no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

## **RATING**

S&P Global Ratings (the "Rating Agency"), has assigned its municipal bond rating of "A+" 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 Township by \_\_\_\_\_, \_\_\_\_\_, (the "Underwriter") at a purchase price of \$ \_\_\_\_\_ (the "Purchase Price") in accordance with the Notice of Sale. The Purchase Price of the Bonds reflects the par amount of the Bonds plus a bid premium of \$ \_\_\_\_\_. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement, which yields may be changed from time to time by the Underwriter without notice.

## **MUNICIPAL ADVISOR**

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

engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey, Bond Counsel to the Township, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix "C". Certain legal matters will be passed on for the Township by the Township Attorney.

Bond Counsel has not verified the accuracy, completeness or fairness of the statements contained in this Official Statement and will express no opinion relating thereto.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgement of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgement of the transaction opined upon, or the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **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.

### **CERTIFICATES OF THE TOWNSHIP**

Upon the delivery of the Bonds, the Underwriter shall receive a certificate, in form satisfactory to Bond Counsel and signed by officials of the Township, stating to the best knowledge of said officials, that 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 therein, 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 Township from that set forth in or contemplated by this Official Statement. In addition, the Underwriter shall also receive certificates in form satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefore, 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 Bonds 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 Township, nor the title of any of the said officers to the respective offices, is being contested.

### **FINANCIAL STATEMENTS**

Appendix "B" contains certain unaudited financial data of the Township for the Township's fiscal year ending December 31, 2018 and certain audited financial data of the Township for the Township's fiscal year ending December 31, 2017. The unaudited financial data was compiled by Ford, Scott and Associates LLC, Ocean City, New Jersey (the "Auditor") and the audited financial data was extracted

from the report prepared by the Auditor, to the extent and for the period set forth in their report appearing in Appendix “B”, and are included herein in reliance upon the authority of such firm.

#### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Jennifer McIver, Chief Financial Officer, Township of Egg Harbor, 3515 Bargaintown Road, Egg Harbor Township, New Jersey, (609) 926-4027 or Phoenix Advisors, LLC, 625 Farnsworth, Bordentown, New Jersey (609) 291-0130.

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

#### **MISCELLANEOUS**

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

#### **THE TOWNSHIP OF EGG HARBOR IN THE COUNTY OF ATLANTIC, NEW JERSEY**

**By:** \_\_\_\_\_  
Jennifer McIver, Chief Financial Officer

**Dated:** June \_\_, 2019

## **APPENDIX A**

### **GENERAL INFORMATION REGARDING THE TOWNSHIP**

## **INFORMATION REGARDING THE TOWNSHIP<sup>1</sup>**

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

### **General Information**

The Township is situated in the southeast portion of the County and is approximately 7 miles from Atlantic City. With a land area of 67.94 square miles, it is the second largest municipality in the County. The Township is bounded by Hamilton Township and Galloway Township to the west and north, respectively, the cities of Absecon, Pleasantville, Northfield, Linwood and Somers Point to the east and the City of Estell Manor to the south. Residential and commercial developments in the Township are concentrated in its northern and eastern portions, with the southern and western areas containing farms and open green space. In addition, the Federal Aviation Administration Technical Center, including the Atlantic City International Airport, occupies 3,615 acres in the Township's northern section. The Township falls within the Primary Metropolitan Statistical Area ("PMSA"), an area coterminous with Atlantic and Cape May Counties.

### **Form of Government**

The Township is governed by an elected, five-member committee form of government, with the Mayor appointed annually by the committee members. The committee is comprised of five individuals serving three year terms. Two committee members are elected annually except for every third year when one committee person is elected.

### **Transportation**

The Atlantic City Expressway ("Expressway") crosses the northern section of the Township and provides a direct east-west access to Atlantic City (7 miles) and Philadelphia (55 miles). The Garden State Parkway ("Parkway") runs north/south along the eastern section of the Township. Both the Expressway and the Parkway interchange in the Township's commercial and retail areas. Forms of public transportation include County-wide bus service on New Jersey Transit and commercial airline service at the Atlantic City International Airport.

### **Services**

A number of services are provided by the Township and paid from general revenues. Among them are police, street lighting, road and park maintenance, garbage and trash collection, recreation and playgrounds, snow removal, health and welfare facilities, building and zoning protection and any emergency service affecting the community. The Township also provides dispatching services to four municipalities outside of the Township.

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<sup>1</sup> Source: The Township, unless otherwise indicated.



Additional Township services are fire protection, staffed by approximately 150 volunteer firefighters in 5 companies and Ambulance Services, with an estimated 1 full-time and 50 part-time members. The Township also provides Ambulance Services to Somers Point City.

Water service for the Township is provided in part by the New Jersey American Water Company.

The Egg Harbor Township Municipal Utilities Authority (EHTMUA) operates and maintains the public sewer system in the Township. The raw sewage collected within the collector lines throughout the Township is pumped to the Atlantic County Utilities Authority Treatment Plant located in Atlantic City.

### **Accounting and Reporting Practices**

The accounting policies of the Township conform to the accounting principles that have been prescribed for municipalities by the New Jersey Division of Local Government Services. A modified accrual basis of accounting is followed with minor exceptions. Revenues are recorded as received in cash, except for certain amounts which are accrued. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's current fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are subject to accrual are also recorded as revenue only when received. Expenditures are generally recorded on the accrual basis, except that unexpended appropriations on December 31 unless cancelled 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 New Jersey, the Township does not record obligations for accumulated unused vacation and sick pay. However, financial liabilities are limited by contract and Township ordinance.

Under this method of accounting, the Township accounts for its financial transactions through the following separate funds:

- Current Fund: Receipts and expenditures for governmental operations of a general nature including all Federal and State aid.
- Trust Fund: Receipts, custodianship, and disbursement of monies in accordance with the purpose for which each trust was created.
- Capital Fund: Receipts and disbursements of capital facilities other than those acquired in the Capital Fund.

### **Retirement Systems**

All full-time permanent or qualified Township employees who began employment after 1944 must enroll in one of three retirement systems depending upon their employment status.

These systems were established by acts of the State Legislature. Benefits, contributions, means of funding and the manner of administration are set by State law. The Division of Pensions, within the New Jersey Department of Treasury (the “Division”), is the administrator of the funds with the benefit and contribution levels set by the State. The Township is enrolled in the Public Employees' Retirement System (“PERS”), the Police and Firemen's Retirement System (“PFRS”) and the Defined Contribution Retirement Program (“DCRP”).

### **Pension Information<sup>2</sup>**

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

### **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Township</u></b>				
2018	19,993	18,925	1,068	5.3%
2017	19,886	18,603	1,283	6.5%
2016	20,575	19,196	1,379	6.7%
2015	21,141	19,270	1,871	8.9%
2014	21,945	19,791	2,154	9.8%
<b><u>County</u></b>				
2018	118,969	111,968	7,001	5.9%
2017	118,622	110,060	8,562	7.2%
2016	122,574	113,483	9,091	7.4%
2015	126,383	114,274	12,109	9.6%
2014	131,786	117,879	13,907	10.6%
<b><u>State</u></b>				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%

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

<sup>2</sup> Source: State of New Jersey Department of Treasury, Division of Pensions and Benefits

### **Income (as of 2017)**

	<b><u>Township</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$78,099	\$57,514	\$76,475
Median Family Income	93,482	70,984	94,337
Per Capita Income	31,703	29,941	39,069

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

### **Population**

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

	<b><u>Township</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
<b><u>Year</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2017 Estimate	43,651	0.76%	266,328	-2.99%	9,005,644	2.43%
2010	43,323	41.00	274,549	8.71	8,791,894	4.49
2000	30,726	25.19	252,552	12.58	8,414,350	8.85
1990	24,544	26.64	224,327	15.56	7,730,188	4.96
1980	19,381	96.12	194,119	10.90	7,365,001	2.75

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

### **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2018 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
US Realty Financial Corp	\$28,000,000	0.69%
English Creek LLC	16,857,800	0.41%
AHIP 3008 Properties	15,311,000	0.38%
Lowe's Home Centers, Inc.	14,700,000	0.36%
Atlanticare Health Services, Inc.	13,682,100	0.34%
Home Depot Development Co of MD	10,500,000	0.26%
Margate Bridge Company	9,710,900	0.24%
Egg Harbor Associates, LLC	9,613,100	0.24%
Cardiff Center LLC	9,450,000	0.23%
AHIP 3022 Properties	9,269,900	0.23%
<b>Total</b>	<b><u>\$137,094,800</u></b>	<b><u>3.37%</u></b>

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

### **Comparison of Tax Levies and Collections**

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year % of Collection</u></b>
2018U	\$127,888,838	\$127,100,006	99.38%
2017	128,279,866	126,656,188	98.73%
2016	123,462,483	122,275,718	99.04%
2015	121,381,430	120,587,111	99.35%
2014	119,150,819	118,410,757	99.38%

U: Unaudited

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

### **Delinquent Taxes and Tax Title Liens**

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2018U	\$1,150,715	\$516,270	\$1,666,985	1.30%
2017	972,645	476,617	1,449,262	1.13%
2016	800,848	295,713	1,096,561	0.89%
2015	651,737	40,129	691,866	0.57%
2014	461,293	83,606	544,899	0.46%

U: Unaudited

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

### **Property Acquired by Tax Lien Liquidation**

<b><u>Year</u></b>	<b><u>Amount</u></b>
2018U	\$8,658,035
2017	8,248,596
2016	8,248,596
2015	8,248,596
2014	8,248,596

U: Unaudited

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

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

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

<u>Year</u>	<u>Municipal</u>	<u>Municipal Open Space</u>	<u>Local School</u>	<u>County</u>	<u>Total</u>
2019	\$0.580	\$0.020	\$2.060	\$0.520	\$3.180
2018	0.565	0.020	2.016	0.541	3.142
2017	0.550	0.020	2.002	0.559	3.131
2016	0.540	0.020	1.924	0.521	3.005
2015	0.530	0.020	1.908	0.505	2.963

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

### **Valuation of Property**

<u>Year</u>	<u>Aggregate Assessed Valuation of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2018	\$4,059,719,050	\$4,071,526,477	99.71%	\$8,661,779	\$4,080,188,256
2017	4,063,448,615	4,040,418,231	100.57	8,514,802	4,048,933,033
2016	4,080,616,500	4,096,181,992	99.62	8,434,662	4,104,616,654
2015	4,065,629,600	4,165,177,338	97.61	8,586,762	4,173,764,100
2014	4,076,664,100	4,153,080,786	98.16	8,175,829	4,161,256,615

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

### **Classification of Ratables**

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2018	\$128,740,600	\$3,090,670,100	\$6,362,200	\$777,298,250	\$40,806,400	\$15,841,500	\$4,059,719,050
2017	144,125,200	3,098,196,000	5,836,400	755,978,515	43,120,500	16,192,000	4,063,448,615
2016	141,631,800	3,079,654,400	5,936,000	793,693,100	43,509,200	16,192,000	4,080,616,500
2015	151,264,300	3,060,839,600	6,191,700	787,632,800	43,509,200	16,192,000	4,065,629,600
2014	166,478,000	3,046,695,000	5,639,000	798,150,900	43,509,200	16,192,000	4,076,664,100

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

## **Financial Operations**

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

### **Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
Fund Balance Utilized	\$300,000	\$560,000	\$725,000	\$1,450,000	\$1,450,000
Miscellaneous Revenues	16,390,935	17,016,823	16,650,609	16,334,035	17,603,032
Receipts from Delinquent Taxes	210,000	174,904	179,617	241,617	208,206
Amount to be Raised by Taxation	<u>21,611,347</u>	<u>22,096,097</u>	<u>22,412,526</u>	<u>22,953,400</u>	<u>23,437,539</u>
Total Revenue:	<u>\$38,512,282</u>	<u>\$39,847,824</u>	<u>\$39,967,752</u>	<u>\$40,979,052</u>	<u>\$42,698,777</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$30,936,006	\$31,733,906	\$32,336,005	\$32,574,436	\$32,861,727
Operations (Excluded from CAPS)	1,574,981	2,328,680	1,725,662	2,305,181	3,608,945
Deferred Charges and Statutory Expenditures	306,170	0	0	0	0
Capital Improvement Fund	331,000	355,000	500,000	450,000	450,000
Municipal Debt Service	4,625,784	4,630,160	4,624,007	4,931,435	4,982,605
Reserve for Uncollected Taxes	<u>738,341</u>	<u>800,078</u>	<u>782,078</u>	<u>718,000</u>	<u>795,500</u>
Total Appropriations:	<u>\$38,512,282</u>	<u>\$39,847,824</u>	<u>\$39,967,752</u>	<u>\$40,979,052</u>	<u>\$42,698,777</u>

Source: Annual Adopted Budgets of the Township

## **Fund Balance**

### **Current Fund**

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

<b><u>Year</u></b>	<b><u>Fund Balance - Current Fund</u></b>	
	<b><u>Balance</u></b>	<b><u>Utilized in Budget</u></b>
	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2018U	\$2,050,559	\$1,450,000
2017	2,714,461	1,450,000
2016	1,405,435	725,000
2015	771,436	560,000
2014	325,596	300,000

U: Unaudited

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

## **Township Indebtedness as of December 31, 2018**

### **General Purpose Debt**

Serial Bonds	\$28,340,000
Bond Anticipation Notes	3,090,000
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	<u>618,473</u>
Total:	\$32,048,473

### **Local School District Debt**

Serial Bonds	\$67,175,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$67,175,000

### **Self-Liquidating Debt**

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

### **TOTAL GROSS DEBT**

**\$99,223,473**

### **Less: Statutory Deductions**

General Purpose Debt	\$0
Local School District Debt	67,175,000
Self-Liquidating Debt	<u>0</u>
Total:	\$67,175,000

### **TOTAL NET DEBT**

**\$32,048,473**

Source: Annual Debt Statement of the Township

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**Overlapping Debt (as of December 31, 2018)<sup>3</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Township Percentage</u></b>	<b><u>Township Share</u></b>
Local School District	\$67,175,000	100.00%	\$67,175,000
Egg Harbor Twp Municipal Utilities Authority	4,455,688	100.00%	4,455,688
Egg Harbor Twp Golf Corp.	6,390,000	100.00%	6,390,000
County	154,921,554	12.95%	<u>20,055,135</u>
Net Indirect Debt			\$98,075,823
Net Direct Debt			<u>32,048,473</u>
Total Net Direct and Indirect Debt			<b><u>\$130,124,296</u></b>

**Debt Limit (as of December 31, 2018)**

Average Equalized Valuation Basis (2016, 2017, 2018)	\$4,069,375,567
Permitted Debt Limitation (3 1/2%)	142,428,145
Less: Net Debt	<u>32,048,473</u>
Remaining Borrowing Power	<u>\$110,379,672</u>
Percentage of Net Debt to Average Equalized Valuation	0.788%
 Gross Debt Per Capita based on 2010 population of 43,323	 \$2,290
Net Debt Per Capita based on 2010 population of 43,323	\$740

Source: Annual Debt Statement of the Township

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



## **APPENDIX B**

### **FINANCIAL DATA OF THE TOWNSHIP**

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**UNAUDITED FINANCIAL DATA OF THE TOWNSHIP  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**TOWNSHIP OF EGG HARBOR**

**ATLANTIC COUNTY**

**NEW JERSEY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2018**

**TOWNSHIP OF EGG HARBOR  
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**EXHIBIT A - CURRENT FUND**

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**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 10,426,679	14,410,909
Payroll	267	267
Change	300	300
Petty Cash Funds	2,725	2,725
Total Cash	<u>10,429,971</u>	<u>14,414,201</u>
Other Receivables:		
Due from State - Veterans and Senior Citizens	28,191	32,570
Total Other Receivables	<u>28,191</u>	<u>32,570</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	516,270	476,617
Tax Title and Other Liens	1,150,715	972,645
Property Acquired for Taxes - at Assessed Valuation	8,658,035	8,248,596
Due from Municipal Utilities Authority	40,164	-
Revenue Accounts Receivable	442,604	386,334
Interfund Receivable:		
Animal Control Fund	3,954	5,176
Total Receivables and Other Assets	<u>10,811,742</u>	<u>10,089,368</u>
Total Regular Fund	<u>21,269,904</u>	<u>24,536,139</u>
Federal and State Grant Fund:		
Cash	722,744	819,735
Federal and State Grants Receivable	1,191,817	1,249,355
Total Federal and State Grant Fund	<u>1,914,561</u>	<u>2,069,090</u>
Total Current Fund	<u>\$ 23,184,465</u>	<u>26,605,229</u>

**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,969,568	1,333,547
Reserve for Encumbrances/Accounts Payable	779,053	933,816
Taxes Collected in Advance	1,040,118	3,623,728
Overpaid Taxes	891,613	907,703
Payroll Taxes Payable	198,238	77,096
County Added Tax Payable	102,376	140,242
Due to State:		
DCA Training Fees	13,089	12,699
Marriage Licenses	1,325	1,425
Interfund Payable:		
Third Party Inspectors	17,623	14,962
General Capital Fund	1,927,506	2,937,034
Municipal Open Space Trust	-	5,037
Other		
Surety Bond Payable	291,449	291,449
EHT MUA	-	229,755
Court Settlements	168,803	241,667
Curb and Sidewalk Surety Deposits	34,830	32,830
Curb and Sidewalk in Lieu	617,837	625,347
Street Opening Surety	71,778	56,778
In Lieu - Other	30,800	30,800
Tax Sale Fees	4,920	-
State Tax Appeals Pending	119,105	119,105
Property Sales	126,107	114,531
Payment of Debt	2,759	2,759
	<u>8,408,897</u>	<u>11,732,310</u>
Reserve for Receivables and Other Assets	10,811,742	10,089,368
Fund Balance	<u>2,049,265</u>	<u>2,714,461</u>
Total Regular Fund	<u>21,269,904</u>	<u>24,536,139</u>
Federal and State Grant Fund:		
Unappropriated Reserves	-	-
Appropriated Reserves	685,603	842,692
Encumbrances Payable	26,633	24,073
Due to General Capital	<u>1,202,325</u>	<u>1,202,325</u>
Total Federal and State Grant Fund	<u>1,914,561</u>	<u>2,069,090</u>
Total Current Fund	<u>\$ 23,184,465</u>	<u>26,605,229</u>

**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized		
Fund Balance	\$ 1,450,000	725,000
Miscellaneous Revenue Anticipated	15,938,684	16,712,996
Receipts from Delinquent Taxes	138,068	213,325
Receipts from Current Taxes	127,100,006	126,656,188
Non Budget Revenue	1,085,160	2,573,664
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	798,545	1,119,564
Prior Year Interfunds Returned in 2018	4,673	40,064
Cancellation of Prior Year Liability	104	500
Total Income	<u>146,515,240</u>	<u>148,041,301</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	15,866,526	15,612,083
Other Expenses	11,899,300	12,105,434
Deferred Charges & Statutory Expenditures	4,408,610	4,230,488
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	2,427,738	2,154,640
Capital Improvements	450,000	500,000
Debt Service	4,931,393	4,612,006
Deferred Charges	-	-
Local District School Tax	81,995,515	81,516,410
Municipal Open Space Tax	815,721	819,410
County Tax	22,043,777	22,731,673
County Share of Added Tax	102,376	140,242
Receivable Advances Originating in 2018	40,164	-
Refund of Prior Year's Revenue	749,316	1,583,730
Cancelled Prior Year Grant Balances	-	1,159
Total Expenditures	<u>145,730,436</u>	<u>146,007,275</u>
Excess in Revenue	<u>784,804</u>	<u>2,034,026</u>

**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES**  
**IN FUND BALANCE - REGULATORY BASIS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>784,804</u>	<u>2,034,026</u>
Fund Balance January 1	<u>2,714,461</u>	<u>1,405,435</u>
	3,499,265	3,439,461
Decreased by:		
Utilization as Anticipated Revenue	<u>1,450,000</u>	<u>725,000</u>
Fund Balance December 31	<u>\$ 2,049,265</u>	<u>2,714,461</u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
Fund Balance Anticipated	\$ 1,450,000		-
Total Fund Balance Anticipated	1,450,000	-	-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	89,064		(2,000)
Other	887,510		(14,849)
Fees and Permits	212,966		(40,277)
Fines and Costs:			
Municipal Court	674,022		(56,805)
Interest and Costs on Taxes	305,889		(28,660)
Interest Earned on Investments	87,328		53,069
Hotel Occupancy Tax	505,462		(19,496)
Ambulance Fees	1,325,000		(377,919)
Total Section A: Local Revenues	4,087,241	-	(486,937)
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	6,013,285		6,013,285
Watershed Moratorium Offset Aid	16,779		16,779
Garden State Preservation Trust Fund	9,001		9,001
Total Section B: State Aid Without Offsetting Appropriations	6,039,065	-	-
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	662,256		(96,596)
Total Section C: Uniform Construction Code Fees	662,256	-	(96,596)

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section D: Special Items of General Revenue Anticipated with Prior Written Consent of the Director of Local Government Services - Interlocal Municipal Service Agreements Offset with Appropriations				
City of Northfield Dispatch Services	\$ 392,532		392,532	-
City of Linwood Dispatch Services	344,755		344,755	-
Borough of Longport Dispatch Services	254,925		254,925	-
Egg Harbor Township Board of Education Solid Waste Disposal	140,000		141,300	1,300
State of New Jersey - Motor Vehicle Commission	97,451		97,451	-
County of Atlantic Nutrition Site	14,755		14,733	(22)
<b>Total Section D: Shared Service Agreements Offset with Appropriations</b>	<b>1,244,418</b>	<b>-</b>	<b>1,245,696</b>	<b>1,278</b>
Section F: Special Items - Public and Private Programs Off-Set with Appropriations				
Recycling Tonnage Grant	39,781		39,781	
Drunk Driving Enforcement Fund	20,195		20,195	
Clean Communities Program	101,240		101,240	
Safe Corridor Grant	30,711		30,711	
Municipal Alliance on Alcoholism and Drug Abuse	24,679		24,679	
Safe and Secure Communities Program-PL 1994, Ch 220	60,000		60,000	
Atlantic County Office of Cultural & Heritage Affairs	6,400		6,400	
Bootcamp for Roadway Safety	48,260	48,260	96,520	
Drive Sober or get Pulled Over		5,500	5,500	
Cops in Shops - Summer Shore Initiative		4,400	4,400	
Cedar Bay, LLC Landscaping Donation		5,000	5,000	
N.J. Transportation Trust Fund Authority Act	300,000		300,000	
Sustainable Jersey Small Grants Program		2,000	2,000	
Community Development Block Grant	226,794		226,794	
Distracted Driver	6,600		6,600	
Body Armor Fund		12,352	12,352	

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Bulletproof Vest Partnership		11,895	11,895	
Click It Ticket		5,500	5,500	
Eagles Glen Tree Planting		25,000	25,000	
JIOF Safety Incentive		2,650	2,650	
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	864,660	122,557	987,217	-
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government				
Services - Other Special Items	74,177		82,817	8,640
Uniform Fire Safety Act	2,145,281		2,186,698	41,417
Host Community Fees	300,000		300,000	-
Environmental Trust Account	100,000		100,000	-
Open Space Trust Fund	250,000		250,000	-
Appropriation of Authority Assets	84,520		92,950	8,430
Towing Fees	96,543		98,859	2,316
Cell Tower Leases	29,004		29,106	102
Tax Abatement Payments	40,000		40,000	-
ACUA PILOT	180,750		180,750	-
Cable Franchise Fees	20,000		20,000	-
Capital Surplus	67,960		67,960	-
Renewable Jersey @ Egg Harbor LLC PILOT Payment	48,160		51,602	3,442
Michaels Development Co., 1 LLC PILOT Payment				
Total Section G: Other Special Items	3,436,395	-	3,500,742	64,347
Total Miscellaneous Revenues:	16,334,035	122,557	15,938,684	(517,908)
Receipts from Delinquent Taxes	241,617		138,068	(103,549)

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	22,953,400		22,860,617	(92,783)
Total Amount to be Raised by Taxes for Support of Municipal Budget	<u>22,953,400</u>	<u>-</u>	<u>22,860,617</u>	<u>(92,783)</u>
Budget Totals	<u>40,979,052</u>	<u>122,557</u>	<u>40,387,369</u>	<u>(714,240)</u>
Non- Budget Revenues:				
Other Non- Budget Revenues:			1,085,160	1,085,160
	<u>\$ 40,979,052</u>	<u>122,557</u>	<u>41,472,529</u>	<u>370,920</u>



**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	127,100,006
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Less: Reserve for Tax Appeals Pending		-
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Net Revenue from Collections		127,100,006
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Allocated to:

School, County and Other Taxes		104,957,389
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Balance for Support of Municipal Budget Appropriations		22,142,617
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Increased by:

Appropriation "Reserved for Uncollected Taxes"		718,000
--	--	---------

Amount for Support of Municipal Budget Appropriations		22,860,617
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	32,831	
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Tax Title Lien Collections	105,237	
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Total Receipts from Delinquent Taxes		138,068
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Revenue Accounts Receivable:

Miscellaneous Tax Collector Receipts	30,922	
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Treasurer:

Municipal Utilities Authority (MUA)

Rental and Fuel	50,000	
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Cygnus Arts Center Janitorial Services	14,130	
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Motor Vehicle Inspection Fund	1,977	
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Tax Sale Costs	1,200	
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Golf Course Rental	24,000	
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Workers Compensation Reimbursement	155,973	
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County-wide Registration Program	327,000	
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Foreclosure Fees	2,700	
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Fire Inspections	46,560	
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Police Department	294,573	
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Prescription Reimbursements	114,497	
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Military Leave Reimbursements	1,850	
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Other Miscellaneous	19,778	
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Total Miscellaneous Revenue Not Anticipated:	\$	1,085,160
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**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT</b>						
Governing Body						
Salaries and Wages	\$ 94,500	94,500	92,079	-	2,421	
Other Expenses	8,475	8,475	7,039	106	1,330	
<b>DEPARTMENT OF ADMINISTRATION AND FINANCE</b>						
Administrator's Office						
Salaries and Wages	363,613	363,613	336,022	-	27,591	
Other Expenses	10,000	10,800	10,319	-	481	
Office of Township Clerk						
Salaries and Wages	316,614	316,614	310,298	-	6,316	
Other Expenses	58,600	67,600	57,207	1,286	9,107	
Office of Information Technology						
Salaries and Wages	160,600	130,600	120,754	-	4,846	5,000
Other Expenses	94,050	94,050	51,886	35,297	6,867	
Division of Treasury						
Salaries and Wages	243,952	243,952	239,721	-	4,231	
Other Expenses	59,900	59,900	48,959	5,953	4,988	
Auditor						
Other Expenses	65,500	65,500	57,000	-	-	8,500
Division of Collections						
Salaries and Wages	242,113	242,113	240,099	-	2,014	
Other Expenses	50,100	50,100	40,820	5,819	3,461	
Division of Assessments						
Salaries and Wages	142,520	142,520	140,090	-	2,430	
Other Expenses						
Miscellaneous Other Expenses	82,450	84,950	79,371	4,657	922	
Division of Law						
Other Expenses	495,000	515,000	359,904	12,992	142,104	
Rent Leveling Board						
Other Expenses	25,100	30,100	23,865	1,425	4,810	
Economic Development Committee						
Other Expenses	15,000	15,000	15,000	-	-	
<b>DEPARTMENT OF PUBLIC WORKS</b>						
Division of Roads						
Salaries and Wages	754,564	754,564	722,393	-	32,171	
Other Expenses	176,190	176,190	107,471	33,284	35,435	
Division of Buildings and Grounds						

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Salaries and Wages	883,657	917,657	903,438	-	14,219	
Other Expenses	183,400	183,400	166,114	9,706	7,580	
Division of Equipment Maintenance						
Salaries and Wages	395,611	395,611	388,135	-	7,476	
Other Expenses	296,900	336,900	284,471	45,048	7,381	
Division of Solid Waste						
Salaries and Wages	815,375	767,691	659,156	-	108,535	
Other Expenses	40,000	40,000	29,565	4,615	5,820	
Landfill/Solid Waste Disposal Costs						
Other Expenses	1,450,000	1,450,000	1,285,844	117,596	31,560	15,000
Animal Control						
Other Expenses	24,000	24,000	21,725	1,975	300	
Engineering Services						
Other Expenses	66,000	66,000	28,183	-	27,817	10,000
<b>DEPARTMENT OF RECREATION</b>						
Salaries and Wages	134,500	134,500	114,060	-	10,440	10,000
Other Expenses	77,975	77,975	64,897	12,698	380	
Celebration of Events						
Other Expenses	2,500	2,500	1,215	319	966	
<b>DEPARTMENT OF POLICE</b>						
Salaries and Wages	9,210,543	9,321,543	8,709,775	46,208	565,560	
Other Expenses	672,620	672,620	442,877	195,121	34,622	
<b>DEPARTMENT OF POLICE DISPATCH/911</b>						
Salaries and Wages	358,700	358,700	322,716	533	25,984	10,000
Other Expenses	39,500	39,500	23,042		15,925	
<b>DEPARTMENT OF FIRE</b>						
Other Expenses	194,000	194,000	148,154	45,086	760	
Aid	151,150	226,150	226,150	-	-	
Ambulance Services						
Salaries and Wages	531,800	531,800	495,959	-	35,841	
Other Expenses	117,500	137,500	67,778	33,857	35,865	
Municipal Court						
Salaries and Wages	551,400	551,400	466,788	-	44,612	40,000
Other Expenses	51,800	51,800	25,215	7,355	19,230	
Public Defender						
Other Expenses	5	5	-	-	5	

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget				Encumbered	Reserved	
<b>DEPARTMENT OF COMMUNITY DEVELOPMENT</b>							
Division of Planning							
Salaries and Wages	128,331		128,331	119,163	-	9,168	
Other Expenses	26,250		26,250	17,070	708	8,472	
Division of Zoning							
Salaries and Wages	47,387		47,387	25,924	-	1,463	20,000
Other Expenses	5,800		5,800	3,481	600	1,719	
<b>ACCUMULATED LEAVE COMPENSATION</b>							
Salaries and Wages	100,000		100,000	48,859	-	31,141	20,000
Insurance							
Other Insurance Premiums (JIF)	657,246		657,246	528,528	1,000	77,718	50,000
Worker Compensation Insurance (JIF)	1,210,596		1,210,596	1,210,596	-	-	
Group Insurance for Employees	3,740,000		3,432,200	3,189,913	-	115,787	126,500
Group Insurance Opt-Out Payments	195,000		195,000	190,482	-	4,518	
Division of Inspections							
Salaries and Wages	390,292		390,292	334,338	-	15,954	40,000
Other Expenses	38,450		38,450	14,376	580	23,494	
Uniform Fire Safety Act (PL 1983, CH383)							
Fire Prevention Program							
Salaries and Wages	78,138		78,138	76,006	-	2,132	
Other Expenses	5,700		5,700	5,045	250	405	
<b>UNCLASSIFIED</b>							
Electricity	410,000		410,000	347,534	-	37,466	25,000
Street Lighting	320,000		320,000	278,265	24,500	17,235	
Telephone	130,000		130,000	92,417	14,698	17,885	5,000
Water	30,000		30,000	27,567	2,000	433	
Gas	60,000		60,000	57,384	-	2,616	
Sewerage	4,000		4,083	4,082	-	1	
Gasoline	395,000		460,000	357,228	67,619	35,153	
Fire Hydrant Service	303,960		303,960	266,058	20,000	17,902	
Condominium Services Act (PL 1989, CH 299)	170,000		170,000	160,222	9,778	-	
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>28,153,927</b>		<b>28,150,826</b>	<b>25,290,092</b>	<b>762,669</b>	<b>1,713,065</b>	<b>385,000</b>
Contingent	-		-	-	-	-	

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>28,153,927</b>	<b>28,150,826</b>	<b>25,290,092</b>	<b>762,669</b>	<b>385,000</b>
Detail:					
Salaries and Wages	15,944,210	16,011,526	14,865,773	46,208	145,000
Other Expenses	12,209,717	12,139,300	10,424,319	716,461	240,000
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>					
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	928,307	928,308	928,307	-	1.00
Social Security System (O.A.S.I.)	1,250,000	1,250,000	1,206,956	-	28,044
Consolidated Police and Firemen's Pension Fund	2,161,202	2,164,302	2,161,202	-	3,100
Unemployment Compensation Insurance	72,000	72,000	63,690	-	8,310
Defined Contribution Retirement Program	9,000	9,000	8,179	-	821
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>	<b>4,420,509</b>	<b>4,423,610</b>	<b>4,368,334</b>	<b>-</b>	<b>15,000</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>32,574,436</b>	<b>32,574,436</b>	<b>29,658,426</b>	<b>762,669</b>	<b>400,000</b>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
(A) Operations - Excluded from "CAPS"					
Recycling Tax	43,533	43,533	43,533	-	-
Length of Service Award Program	140,000	140,000	-	-	140,000
Shared Services:					
City of Northfield Dispatch Service	392,532	392,532	367,123	-	25,409
City of Linwood Dispatch Service	344,755	344,755	319,346	-	25,409
Borough of Longport Dispatch Service	254,925	254,925	229,516	-	25,409
Egg Harbor Township Board of Education					
Solid Waste Disposal	140,000	140,000	129,333	10,667	-
State of NJ Motor Vehicle Commission	97,451	97,451	97,451	-	-
County of Atlantic - Nutrition Site	14,755	14,755	14,755	-	-
	<b>1,427,951</b>	<b>1,427,951</b>	<b>1,201,057</b>	<b>10,667</b>	<b>-</b>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(A) Public and Private Programs Off-Set by Revenues						
State of NJ - Division of Motor Vehicles	20,195	20,195	20,195			
Drunk Driving Enforcement Fund						
Egg Harbor Township Municipal Alliance	24,679	24,679	24,679			
Municipal Alliance	6,170	6,170	6,170			
Local Match	39,781	39,781	39,781			
Recycling Tonnage Grant	30,711	30,711	30,711			
Safe Corridor Grant	101,240	101,240	101,240			
Clean Communities Act (NJSA 13:13-99.1 et. seq.)	60,000	60,000	60,000			
Safe and Secure Communities Program	226,794	226,794	226,794			
Community Development Block Grant	6,400	6,400	6,400			
Atlantic County Office of Cultural & Heritage Affairs	6,400	6,400	6,400			
Atlantic County Office of Cultural & Heritage - Match	48,260	96,520	96,520			
Bootcamp for Roadway Safety	6,600	6,600	6,600			
Distracted Driver		11,895	11,895			
Bulletproof Vest Partnership	300,000	300,000	300,000			
NJ DOT - Reconstruction of Blackman Road		5,000	5,000			
Cedar Bay, LLC Landscaping Donation		5,500	5,500			
Click It Ticket		5,500	5,500			
Drive Sober or Get Pulled Over		2,650	2,650			
JIF Safety Incentive		2,000	2,000			
Sustainable Jersey Small Grants Program		25,000	25,000			
Eagles Glen Tree Planting		4,400	4,400			
COPS in Shops Summer Shore Initiative		12,352	12,352			
Body Armor Fund		999,787	999,787			
Revenues	877,230	999,787	999,787	-	-	-
Total Operations - Excluded from "CAPS"	2,305,181	2,427,738	2,200,844	10,667	216,227	-
Detail:						
Salaries and Wages						
Other Expenses	2,305,181	2,427,738	2,200,844	10,667	216,227	-
(C) Capital Improvements						
Capital Improvement Fund	450,000	450,000	450,000			
Total Capital Improvements	450,000	450,000	450,000	-	-	-
(D) Debt Service						

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Payment of Bond Principal	3,805,000	3,805,000	3,805,000	-	-
Interest on Bonds	1,021,863	1,021,863	1,021,823	-	40
Interest on Notes	-	-	-	-	-
Green Trust Loan Program:					
Loan Repayments for Principal and Interest	104,572	104,572	104,570	-	2.00
Total Debt Service	4,931,435	4,931,435	4,931,393	-	42
(E) Deferred Charges					
Emergency Authorizations		-			
Special Emergency Authorizations - 5 years		-			
Total Deferred Charges	-	-	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	7,686,616	7,809,173	7,582,237	10,667	216,227
SUBTOTAL GENERAL APPROPRIATIONS	40,261,052	40,383,609	37,240,663	773,336	400,042
(M) Reserve for Uncollected Taxes	718,000	718,000	718,000	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 40,979,052	41,101,609	37,958,663	773,336	400,042
Budget		40,979,052		Cancelled	400,042
Appropriations by 40A:4-87		122,557		Overexpended	-
		41,101,609			400,042
Reserve for Uncollected Taxes		718,000			
Federal and State Grants		999,787			
Capital Improvement Fund		450,000			
Disbursements		35,790,876			
		37,958,663			

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**EXHIBIT B - TRUST FUND**

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**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Animal Control Fund:		
Cash	\$ <u>17,142</u>	<u>17,831</u>
	<u>17,142</u>	<u>17,831</u>
Assessment Trust Fund:		
Assessments Receivable	5,110	5,110
Assessment Liens	<u>2,589</u>	<u>2,589</u>
	<u>7,699</u>	<u>7,699</u>
Length of Service Award Program (LOSAP) (unaudited)		
Investments		
Mutual Funds	1,895,305	1,957,301
Employer Contribution Receivable	<u>115,128</u>	<u>124,346</u>
	<u>2,010,433</u>	<u>2,081,647</u>
Other Funds:		
Cash - Treasurer	7,126,765	6,508,887
Cash - Collector	1,768,060	2,378,629
Change Fund - Recreation	200	-
Due from Atlantic County Utilities Authority		
Environmental Trust Fund	51,334	47,298
Amount Due from Current Fund -		
Municipal Open Space Trust	-	5,037
Third Party Inspections	<u>17,623</u>	<u>14,962</u>
	<u>8,963,982</u>	<u>8,954,813</u>
	\$ <u><u>10,999,256</u></u>	<u><u>11,061,990</u></u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Animal Control Fund:		
Due to Current Fund	\$ 3,954	5,176
Due to State of New Jersey	4	8
Reserve for Expenditures	<u>13,184</u>	<u>12,647</u>
	<u>17,142</u>	<u>17,831</u>
Assessment Trust Fund:		
Reserve for Liens and Costs	2,589	2,589
Reserve for Assessments Receivable	<u>5,110</u>	<u>5,110</u>
	<u>7,699</u>	<u>7,699</u>
Length of Service Award Program (LOSAP) (unaudited)		
Net Assets Available for Benefits	<u>2,010,433</u>	<u>2,081,647</u>
Other Funds:		
Deposits for Redemption of		
Tax Sale Certificates	231,080	417,441
Premiums on Tax Sale Deposits	1,536,980	1,961,188
Reserves - Miscellaneous	7,195,922	6,576,184
	<u>8,963,982</u>	<u>8,954,813</u>
	<u>\$ 10,999,256</u>	<u>11,061,990</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**EXHIBIT C - CAPITAL FUND**

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**GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Due from Current Fund	\$ 1,927,506	2,937,034
Due from Grant Fund	1,202,325	1,202,325
Deferred Charges to Future Taxation -		
Funded	28,958,472	32,854,330
Unfunded	3,800,000	-
Due from NJDEP Bureau of Dam Safety and Flood Control	627,195	627,195
Due From FEMA	907,060	907,060
Prospective Assessments to be Raised by Taxation	212,000	-
	<u>37,634,558</u>	<u>38,527,944</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	3,381,144	3,566,432
Bond Anticipation Notes Payable	3,090,000	-
Serial Bonds Payable	28,340,000	32,145,000
Green Trust Program Loans Payable	618,472	709,330
Reserve for Prospective Assessments to be Raised by Taxation	212,000	-
Improvement Authorizations:		
Funded	431,816	2,012,914
Unfunded	1,443,731	-
Capital Improvement Fund	57,467	72,517
Fund Balance	59,928	21,751
	<u>\$ 37,634,558</u>	<u>38,527,944</u>

There were bonds and notes authorized but not issued at December 31

2017	-
2018	710,000.00

**GENERAL CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Beginning Balance January 1	\$ 21,751	141,751
Increased by:		
Funded Improvement Authorizations		
Cancelled	58,177	-
Decreased by:		
Surplus budgeted in Current Fund	20,000	120,000
Ending Balance December 31	<u>\$ 59,928</u>	<u>21,751</u>



**EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP**

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**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
General Fixed Assets:		
Land	\$ 2,902,953	2,902,953
Buildings	25,347,738	25,210,582
Improvements Other than Buildings	357,677	357,677
Vehicles	20,772,011	19,113,927
Machinery and Equipment	<u>15,414,620</u>	<u>14,932,656</u>
Total General Fixed Assets	<u><u>64,794,999</u></u>	<u><u>62,517,795</u></u>
Investment in General Fixed Assets	\$ <u><u>64,794,999</u></u>	<u><u>62,517,795</u></u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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## **NOTES TO FINANCIAL STATEMENTS**

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**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**A. Reporting Entity**

The Township of Egg Harbor was incorporated in 1710 and is situated in the southeast portion of Atlantic County. The population estimate by the US Department of Census as of July 2010 is 43,323. The Township provides to its citizens the following services: public safety, recreation, public improvements, planning and zoning and general administrative services.

The Township is governed by an elected, five member committee form of government, with the Mayor appointed annually by the committee members. The committee is comprised of five individuals serving three year terms. Two committee members are elected annually except for every third year when one committee person is elected. The Township Administrator monitors the daily administrative responsibilities.

Except as noted below, the financial statements of the Township of Egg Harbor include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Township of Egg Harbor, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. The Egg Harbor Township Golf Corporation and Municipal Utilities Authority are component units of the Township however they are not presented as part of the financial statements of the Township of Egg Harbor. The Golf Corporation does have an independent audit performed however the Corporation is not a public body as defined in the Open Public Records Act (OPRA). The Municipal Utilities Authority also has an independent audit performed and a copy is available at the Authority's office.

**B. Description of Funds**

The accounting policies of the Township of Egg Harbor conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the Township of Egg Harbor accounts for its financial transactions through the following separate funds:

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

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

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

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

**EGG HARBOR TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**C. Basis of Accounting**

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

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

Revenues -- are recorded as received in cash except for certain amounts that are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts that may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

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 Township 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 the foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Asset Account Group.

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

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

General Fixed Assets -- The Township has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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



**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value at the time the land is foreclosed or donated. Land purchased by the Township is valued at cost. Expenditures for long lived assets with an original cost in excess of \$2,500 are capitalized.

No depreciation has been provided for in the financial statements.

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

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

The following schedules are a summarization of the changes in general fixed assets for the years ended December 31, 2018 and 2017.

	Balance as of 12/31/17	Additions / Transfers	Disposal / Transfers	Balance as of 12/31/18
Land	\$ 2,902,953			2,902,953
Buildings	25,210,582	137,156		25,347,738
Improvements other than Buildings	357,677			357,677
Vehicles	19,113,927	1,732,347	74,263	20,772,011
Machinery and Equipment	14,932,656	500,355	18,391	15,414,620
	<u>\$ 62,517,795</u>	<u>2,369,858</u>	<u>92,654</u>	<u>64,794,999</u>

	Balance as of 12/31/16	Additions / Transfers	Disposal / Transfers	Balance as of 12/31/17
Land	\$ 2,902,953			2,902,953
Buildings	24,249,222	961,360		25,210,582
Improvements other than Buildings	357,677			357,677
Vehicles	17,504,546	1,609,381		19,113,927
Machinery and Equipment	16,425,423	411,586	1,904,353	14,932,656
	<u>\$ 61,439,821</u>	<u>2,982,327</u>	<u>1,904,353</u>	<u>62,517,795</u>

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et seq.

**EGG HARBOR TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the Township of Egg Harbor to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after the due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after the due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy of the Township of Egg Harbor to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **D. Required Financial Statements**

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

#### **E. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Township's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

#### **F. Recent Accounting Pronouncements Not Yet Effective**

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the Township's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Township's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the Township's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred before the End of a Construction Period". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the Township's financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Township's financial reporting.

**Note 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$718,000 and \$782,078. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$1,450,000 and \$725,000.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1, these transfers can be made in the form of a resolution and approved by Township Committee. The following significant budget transfers were approved in the 2018 and 2017 calendar years:

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**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
Division of Solid Waste		
Salaries and Wages	\$ (47,684)	\$ -
Insurance		
Group Insurance	(307,800)	(71,873)
Division of Equipment Maintenance		
Other Expenses	40,000	-
Gasoline	-	(95,750)
Department of Police		
Salaries and Wages	111,000	
Department of Fire		
Other Expenses	75,000	
Unclassified		
Gasoline	65,000	

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2018, the Township Committee approved total budget insertions in the amount of \$122,557. The Township Committee approved total budget insertions in the amount of \$428,978 during the 2017 calendar year. The following schedule details the significant budget insertions:

<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
Bootcamp for Roadway Safety	\$ 48,260	
Bulletproof Vest Partnership	11,895	13,923
Click it or Ticket	5,500	5,500
Cedar Bay, LLC Landscaping Donation	5,000	
JIF Safety Incentive	2,650	
Sustainable Jersey Small Grants Program	2,000	
Community Development Block Grant		113,900
Justice Assistance Grant		21,006
Walmart Grant		500
Distracted Driver		11,000
Body Armor	12,352	7,249
Drive Sober or Get Pulled Over	5,500	6,600
COPS in Shops Summer Shore Initiative	4,400	3,000
COPS in Shops Fall/College Initiative		4,400
Eagles Glen Tree Planting	25,000	
NJ DOT - Reconstruction of Doughty Road		241,000

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The Township Committee did not approve any emergency appropriations during the 2018 and 2017 calendar years.

**Note 3: INVESTMENTS**

**Interest Rate Risk.** The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk.** New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America or the local unit or school Townships of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk.** The municipality places no limit on the amount the Township may invest in any one issuer.

**Unaudited Investments**

As more fully described in Note 23, the Township has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Township. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2018 and 2017 amounted to \$1,895,305 and \$1,957,301, respectively.

**Note 4: CASH**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered 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 trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2018, \$4,963,902 of the municipality's bank balance of \$21,018,475 was exposed to custodial credit risk. As of December 31, 2017, \$4,767,497 of the municipality's bank balance of \$22,871,277 was exposed to custodial credit risk.

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 5: LONG TERM DEBT**

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

	Balance 12/31/17	Issued	Retired	Balance 12/31/18	Amounts Due Within One Year
Bonds payable:					
General	\$ 32,145,000		3,805,000	28,340,000	4,785,000
Green Trust Loan	709,330		90,858	618,472	87,974
Other liabilities:					
Compensated Absences Payable	3,753,387	2,267,634	2,141,442	3,879,579	
Total long-term liabilities	<u>\$ 36,607,717</u>	<u>2,267,634</u>	<u>6,037,300</u>	<u>32,838,051</u>	<u>4,872,974</u>
	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
Bonds payable:					
General	\$ 32,165,000	7,245,000	7,265,000	32,145,000	3,805,000
Green Trust Loan	802,970		93,640	709,330	90,858
Other liabilities:					
Compensated Absences Payable	3,814,156	2,326,388	2,387,157	3,753,387	
Total long-term liabilities	<u>\$ 36,782,126</u>	<u>9,571,388</u>	<u>9,745,797</u>	<u>36,607,717</u>	<u>3,895,858</u>

**Paid by Current Fund:**

\$9,885,000 General Improvement Bonds, Series 2008 dated 9/1/08 payable in annual installments through 9/1/23. Interest is paid semiannually at varying rates from 4.00% to 4.125% per annum. Bonds maturing on or after 9/1/19 are redeemable at the option of the Township in whole or in part on any date on or after 9/1/18. During 2017 the Township elected to advance refund the amounts due after 9/1/18 in the amount of \$3,600,000. The balance remaining as of December 31, 2018 was \$0.

\$7,800,000 General Improvement Bonds, Series 2012 dated 9/1/12 payable in annual installments through 9/1/23. Interest is paid semiannually at 2.00% per annum. The bonds are not subject to redemption prior to their stated maturities. The balance remaining on this issue as of December 31, 2018 was \$4,250,000.

\$11,560,000 Refunding Bonds, Series 2014 dated 8/1/2014 payable in annual installments through 2/1/26. Interest is paid semiannually at varying rates from 2.00% to 5.00% per annum. These bonds were issued to advance refund the callable portion of the General Improvement Bonds, Series 2006. The bonds that were called had maturities from 2/1/2014 to 2/1/2016 in the total amount of \$14,156,000. The total net present value savings on the issue is \$688,012. The balance remaining on the issue as of December 31, 2018 was \$9,400,000.

\$5,350,000 General Improvement Bonds, Series 2014 dated 7/15/14 payable in annual installments through 9/1/23. Interest is paid semiannually at varying rates from 2.00% to 3.00% per annum. The bonds are callable. The balance remaining on this issue as of December 31, 2018 was \$4,000,000.

**EGG HARBOR TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

\$4,770,000 General Improvement Bonds, Series 2016 dated 10/26/16 payable in annual installments through 10/15/26. Interest is paid semiannually at varying rates from 2.00% to 5.00% per annum. The bonds are callable. The balance remaining on this issue as of December 31, 2018 was \$3,670,000.

\$3,645,000 General Improvement Bonds, Series 2017 dated 9/28/17 payable in annual installments through 9/1/27. Interest is paid semiannually at varying rates from 2.00% to 4.00% per annum. The bonds are noncallable. The balance remaining on this issue as of December 31, 2018 was \$3,420,000.

\$3,600,000 Refunding Bonds, Series 2017 dated 9/28/17 payable in annual installments through 9/1/23. Interest is paid semiannually at varying rates from 3.00% to 4.00% per annum. These bonds were issued to advance refund the callable portion of the General Improvement Bonds, Series 2008. The bonds that were called had maturities from 9/1/2019 to 9/1/2023 in the total amount of \$3,600,000. The total net present value savings on the issue is \$231,759. The balance remaining on the issue as of December 31, 2018 was \$3,600,000.

\$150,000 Loan Payable dated January 22, 1999 through the New Jersey Department of Environmental Protection payable in semi annual installments through June 22, 2018. Payments of \$4,663.74 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2018 was \$0.

\$150,000 Loan Payable dated October 9, 2002 through the New Jersey Department of Environmental Protection payable in semi annual installments through July 11, 2021. Payments of \$4,870.21 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2018 was \$28,226.

\$500,000 Loan Payable dated October 11, 2002 through the New Jersey Department of Environmental Protection payable in semi annual installments through July 11, 2022. Payments of \$15,545.80 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2018 was \$118,951.

\$700,000 Loan Payable dated November 7, 2007 through New Jersey Department of Environmental Protection payable in semi annual installments through August 13, 2027. Payments of \$21,764 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2018 was \$356,895.

\$250,000 Loan Payable dated November 26, 2007 through the New Jersey Department of Environmental Protection payable in semiannual installments through November 26, 2026. Payments of \$7,772.90 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2018 was \$114,400.

**EGG HARBOR TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

<u>Year</u>	<u>Green Trust Program</u> <u>Loans</u>		<u>General Capital Fund</u>		<u>Total All Debt</u> <u>Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	87,974	11,932	3,875,000	946,069	4,920,975
2020	89,742	10,164	3,905,000	842,612	4,847,518
2021	91,546	8,360	3,970,000	725,193	4,795,099
2022	83,598	6,567	4,010,000	603,837	4,704,002
2023	54,031	5,043	4,135,000	466,200	4,660,274
2024-2027	211,581	9,169	8,445,000	590,050	9,255,800
	<u>\$ 618,472</u>	<u>51,235</u>	<u>28,340,000</u>	<u>4,173,961</u>	<u>33,183,668</u>

As of December 31, 2018, the carrying value of the above bonds approximates the fair value of the bonds.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Summary of Municipal Debt</u>			
Bonds & Notes Issued	\$ 32,048,473	32,854,330	32,967,970
Bonds & Notes Authorized But Not Issued	-	-	-
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 32,048,473</u>	<u>32,854,330</u>	<u>32,967,970</u>

For Debt Statement purposes, total Gross General Debt includes the total amount of outstanding debt of the Egg Harbor Township Golf Corporation as more fully explained in Note 20. The total amount of that debt guarantee is a deduction from gross debt for debt statement purposes.

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.788%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 67,175,000	67,175,000	-
General Debt	32,048,473	-	32,048,473
	<u>\$ 99,223,473</u>	<u>67,175,000</u>	<u>32,048,473</u>

Net Debt \$32,048,473 / Equalized Valuation Basis per NJSA 40A:2-2 as amended, \$4,069,375,567 = 0.788%.



**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 ½ % of Equalized Valuation Basis (Municipal)	\$ 142,428,145
Net Debt	32,048,473
Remaining Borrowing Power	<u>\$ 110,379,672</u>

**Note 6: SHORT TERM FINANCING**

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18
Bond Anticipation Notes	\$ -	3,090,000		3,090,000
	<u>\$ -</u>	<u>3,090,000</u>	<u>-</u>	<u>3,090,000</u>

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17
Bond Anticipation Notes	\$ 2,225,000		2,225,000	-
	<u>\$ 2,225,000</u>	<u>-</u>	<u>2,225,000</u>	<u>-</u>

At December 31, 2018 the Township had a bond anticipation note held by Amboy Bank for \$3,090,000. The note matures on 6/19/2019 with interest at 2.00% per annum.

**Note 7: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2018 and 2017 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current Fund	\$1,450,000	\$1,450,000

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the Township to appropriate in the 2019 budget is \$2,049,265.

# EGG HARBOR TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2018 AND 2017

#### **Note 8: SCHOOL TAXES**

Local District School Tax in the amount of \$81,995,515 has been raised for the 2018 calendar year and \$81,995,515 was remitted to the school district. Local District School Tax in the amount of \$81,516,410 was raised for the 2017 calendar year and \$81,516,410 was remitted to the school district. Since the school district operates on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

#### **Note 9: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/18	Balance 12/31/17
Prepaid Taxes	\$1,040,118	\$3,623,728
Cash Liability for Taxes Collected in Advance	<u>\$1,040,118</u>	<u>\$3,623,728</u>

#### **Note 10: PENSION FUNDS**

##### Description of Plans

Substantially all of the Township's employees participate in the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) cost sharing multiple-employer defined benefit plans which have been established by State Statute and are administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at – <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

##### Public Employees' Retirement System

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

##### Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

*Defined Contribution Retirement Program (DCRP)*

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

*Funding Policy*

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.36% through June 30, 2018 and 7.50% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 13.37% of covered payroll. The Township's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$928,307, \$894,620, and \$869,447.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The Township's contributions to PFRS for the year ended December 31, 2018, 2017, and 2016 were \$2,161,202, \$2,019,367, and \$2,035,497.

The total payroll for the year ended December 31, 2018, 2017, and 2016 was \$16,974,718, \$17,403,042, and \$16,523,960. Payroll covered by PFRS was \$7,628,054, \$7,707,930, and \$7,618,818. Covered payroll by PERS was \$6,738,293, \$6,715,135, and \$6,708,719.

*Significant Legislation*

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60<sup>th</sup> from 1/55<sup>th</sup>, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

**NOTE 11: POST-RETIREMENT BENEFITS**

*Plan Description*

The Township of Egg Harbor contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2000 the Township of Egg

# EGG HARBOR TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2018 AND 2017

Harbor authorized participation in the State Health Benefit Program and Local Prescription Drug Program through resolution 110-2000. The Township does not offer post-retirement benefits to retirees.

The New Jersey State Health Benefits Plan issues a stand-alone financial report under GASB 43. To view the report, go to <http://www.state.nj.us/treasury/pensions/health-benefits.shtml>.

#### **Note 12: DEFERRED COMPENSATION**

Employees of the Township of Egg Harbor may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the Township. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the Township has an obligation of due care in selecting the third-party administrator. In the opinion of the Township's legal counsel, the Township has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

#### **Note 13: LABOR CONTRACTS**

As of December 31, 2018, the Township's employees are organized in three collective bargaining units. The contracts with the Policeman's Benevolent Association (PBA) expires December 31, 2020. Government Workers Union (GWU) will expire December 31, 2020. The contract with the Communications Workers Union (CWA) expires December 31, 2021.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>
PBA	Police	All uniformed police excluding Chief and Captain
GWU	General	All other employees except confidential employees
CWA	Management	Most Department Heads

#### **Note 14: ACCRUED SICK AND VACATION BENEFITS**

The Township has permitted full time employees to accrue unused sick and vacation time, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the current cost of such unpaid compensation at December 31, 2018 would approximate \$3,879,578. The estimated cost of unpaid compensation as of December 31, 2017 was \$3,753,387. The Township has sick leave payment caps in place, which limits the amount of unused sick leave that will be paid upon conclusion of one's employment with the Township. This amount is not reported either as an expenditure or liability. Employees covered under the CWA and PBA contracts are permitted to accumulate up to 240 and 225 days of sick time, respectively. Payment will be made upon separation at varying levels, based on years of service. Employees covered under the GWU contract are permitted to accrue sick time to a maximum of 240 days. Payment will be made upon separation based on years of service. The PBA contract permits employees to accumulate

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

vacation time from one year to the next, up to 30 days. Payment will be made upon separation, provided adequate notice is given. New Jersey Municipalities are permitted to accrue a compensated absences liability. The Township has begun to accumulate funds for accrued absences. As of December 31, 2018 and 2017 the total amount accumulated was \$3,759 and \$3,759, respectively. The Township did not fund an increase in the reserve during 2018. The Township annually appropriates \$100,000 to cover the cost of accumulated absence payouts.

**Note 15: ECONOMIC DEPENDENCY**

The Township of Egg Harbor is not economically dependent on any one business or industry as a major source of tax revenue for the Township.

**Note 16: HOST COMMUNITY BENEFIT**

The Township of Egg Harbor has entered into a Host Community Benefit Agreement with the Atlantic County Utilities Authority with respect to waste accepted at the transfer station. The Authority, as owner of the transfer station located in the Township, agrees to provide the Township with a "host community" benefit for each ton of waste it shall accept for disposal at any of its transfer stations. For the most recent period beginning January 1, 2018 through December 31, 2019, the amount of the benefit was \$7.94 per ton of waste. \$6.94 per ton is permitted to be used for current operations of the Township. \$1.00 per ton is retained in the environmental trust fund and is to be used for the purpose of funding environmental projects to benefit the residents of Egg Harbor Township; specifically public water supply and public sewer. A \$2.00 per ton reduction has been granted to volume customers who deliver their waste to the transfer station. The benefit rate for the 2017 calendar year was \$7.83 per ton of waste of which \$6.83 per ton was used for current operations and \$1.00 per ton was retained in the environmental trust fund.

**Note 17: ASSESSMENT PROJECTS**

Several assessment improvement projects had been undertaken by the Township of Egg Harbor. These projects were for sewer and water extensions in various areas of the Township. The amount of the remaining project as assessed to property owners is as follows:

Date		Amount	Balance
<u>Confirmed</u>	<u>Project</u>	<u>Confirmed</u>	<u>12/31/18</u>
2/28/96	Town Hall Sewer Service	\$ 878,668	7,699
		\$ 878,688	7,699

**Note 18: CONTINGENT LIABILITIES**

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a material contingent liability to the Township.

**Note 19: RISK MANAGEMENT**

The Township 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. During the 2018 and 2017 calendar years, the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**Property and Liability Insurance** – The Township maintains commercial insurance coverage for property, liability and surety bonds.

**EGG HARBOR TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

The Township is a member of the Atlantic County Municipal Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The Township is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The Township has a general liability limit of \$300,000 under JIF, with a coverage limitation of \$5,000,000 under MEL. There was no reduction in coverage and no claims in excess of coverage during 2018. The Joint Insurance Fund issues its own financial report which may be obtained from the Atlantic County Joint Insurance Fund, Arthur J. Gallagher Risk Management Services, Inc., PO Box 530, 6000 Sagemore Drive, Suite 6203, Marlton, NJ 08053.

**New Jersey Unemployment Compensation Insurance** – The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the Township is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for the years ended December 31, 2018 and 2017 was \$63,690 and \$51,119.

**NOTE 20: RELATED PARTIES**

A separate not for profit entity, the Egg Harbor Township Golf Corporation, has been formed as a 63-20 corporation based on the Internal Revenue Service Code. The entity was formed to construct and oversee the operation of a golf course. A separate management company operated the golf course through October 2009. To obtain the most favorable bond rates, the corporation financed the construction with a tax exempt borrowing from the Atlantic County Improvement Authority. With the approval of the State of New Jersey Local Finance Board, Egg Harbor Township guarantees the borrowing of \$10,550,000. This amount will not be a direct liability of the Township and, as long as the guarantee is not activated, the amount will not impair the borrowing capacity of the Township. Based on the terms of the guarantor agreement, if it becomes necessary for the Township to make payments on this debt service, the payment is to be made within one hundred twenty (120) days of the notice and will be applied to the Debt Service Reserve Fund. The Golf Corporation is obligated to reimburse the Township at the earliest practicable date. During the 2018 and 2017 calendar years, the Township budgeted and paid \$700,000 and \$250,000 towards the Golf Corporation principal and interest payment through the Open Spaces Trust Fund. As of December 31, 2018, the accumulated debt service payments made by the Township on behalf of the Golf Corporation was \$4,350,000.

As of December 31, 2018, the Golf Corporation had outstanding notes in the amount of \$6,390,000.

In May 2006, the Atlantic County Improvement Authority refinanced \$9,785,000 of the originally issued bonds. This issue was to advance refund all of the outstanding callable principal amounts of the original issue with a maturity date on or after November 1, 2011. Principal payments are due November 1 of each year commencing in 2006 and continuing through 2030. Interest is due each May 1 and November 1 at rates ranging from 3.5% to 5.00% per annum.

In March 2017, the Atlantic County Improvement Authority refinanced \$7,270,000 of the previously refunded bonds. This issue was used to refund all outstanding callable principal amounts of the previously issued bonds. Principal payments are due November 1 of each year commencing with 2017 and continuing through 2030. Interest is due each May 1 and November 1 at rates ranging from 3.00% to 5.00% per annum.

**Note 21: OPEN SPACE TAXING DISTRICT**

The voters of the Township approved the establishment of an Open Space, Recreation, Farmland and Historic Preservation Trust Fund Taxing District effective January 1, 2002. The amount assessed each year, \$.02 per \$100 of assessed valuation, will be placed in an interest-bearing account for the acquisition, development, capital maintenance and payment of debt service on lands acquired for recreation and

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

conservation purposes. The amount to be raised by taxation during 2018 was \$815,721 and \$819,410 was levied in 2016. The unexpended amount of \$28,032 is reserved for future use.

**Note 22: INTERFUND BALANCES**

As of December 31, 2018, the following interfunds were included on the balance sheets of the various funds of the Township of Egg Harbor:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Animal Control Fund	\$ 3,954	
Third Party Inspectors		17,623
General Capital		1,927,506
Grant Fund:		
General Capital		1,202,325
Trust Fund:		
Current Fund -		
Animal Control Fund		3,954
Third Party Inspections	17,623	
General Capital:		
Grant Fund	1,202,325	
Current Fund	1,927,506	
	<u>\$ 3,151,408</u>	<u>3,151,408</u>

The amounts due to or from the general capital fund and grant fund are due to the fact that there is no separate capital or grant bank account. All other interfunds are due to cash being transferred between accounts. It is anticipated that all other interfunds will be liquidated during the calendar year.

**Note 23: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)**

During the 2001 calendar year, the voters of the Township of Egg Harbor approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which is defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The Township appropriated \$140,000 and \$140,000 in 2018 and 2017 budgets, respectively for contributions to the LOSAP for volunteers who have met the established criteria.

The LOSAP is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the Township subject only to the claims of the Township's



**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the Township, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The Township believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

As part of its fiduciary role, the Township has an obligation of due care in selecting the third party administrator. In the opinion of the Township's legal counsel, the Township has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

The Township of Egg Harbor issues a separate unaudited financial report that includes the statement of net assets available for benefits for the LOSAP. The financial report may be obtained by contacting the Township of Egg Harbor, 3515 Bargaintown Road, Egg Harbor Township, NJ 08234.

**Note 24: SUBSEQUENT EVENTS**

The Township has evaluated subsequent events through April 29, 2019, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

**AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**TOWNSHIP OF EGG HARBOR**

**ATLANTIC COUNTY**

**NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2017**

**TOWNSHIP OF EGG HARBOR  
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# FORD - SCOTT

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## Independent Auditor's Report

The Honorable Mayor and  
Members of Township Committee  
Township of Egg Harbor, New Jersey

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

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

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Township of Egg Harbor as of December 31, 2017 and 2016, or changes in financial position for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As described in Note 24 of the financial statements, the Township participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$2,081,647 and \$1,870,186 for 2017 and 2016 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2017 and 2016, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2017 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Very truly yours,

FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Harvey C. Cocozza, Jr.*

Harvey C. Cocozza, Jr.  
Certified Public Accountant  
Registered Municipal Accountant  
No. 551

April 26, 2018



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**EXHIBIT A - CURRENT FUND**

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**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 14,410,909	10,612,229
Payroll	267	267
Change	300	300
Petty Cash Funds	2,725	2,700
Total Cash	<u>14,414,201</u>	<u>10,615,496</u>
Other Receivables:		
Due from State - Veterans and Senior Citizens	32,570	29,737
Total Other Receivables	<u>32,570</u>	<u>29,737</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	476,617	295,713
Tax Title and Other Liens	972,645	800,848
Property Acquired for Taxes - at Assessed Valuation	8,248,596	8,248,596
Due from Municipal Utilities Authority	-	34,040
Revenue Accounts Receivable	386,334	236,176
Interfund Receivable:		
Animal Control Fund	5,176	6,028
Total Receivables and Other Assets	<u>10,089,368</u>	<u>9,621,401</u>
Total Regular Fund	<u>24,536,139</u>	<u>20,266,634</u>
Federal and State Grant Fund:		
Cash	819,735	1,082,641
Federal and State Grants Receivable	1,249,355	1,592,300
Total Federal and State Grant Fund	<u>2,069,090</u>	<u>2,674,941</u>
Total Current Fund	<u>\$ 26,605,229</u>	<u>22,941,575</u>

**CURRENT FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2017</u>	<u>2016</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,333,547	1,566,717
Reserve for Encumbrances/Accounts Payable	933,816	785,641
Taxes Collected in Advance	3,623,728	1,121,584
Overpaid Taxes	907,703	690,955
Payroll Taxes Payable	77,096	113,340
County Added Tax Payable	140,242	87,673
Due to State:		
DCA Training Fees	12,699	12,422
Marriage Licenses	1,425	1,175
Interfund Payable:		
Third Party Inspectors	14,962	22,816
General Capital Fund	2,937,034	3,397,446
Municipal Open Space Trust	5,037	-
Other		
Surety Bond Payable	291,449	291,449
EHT MUA	229,755	-
Court Settlements	241,667	241,667
Curb and Sidewalk Surety Deposits	32,830	33,830
Curb and Sidewalk in Lieu	625,347	577,347
Street Opening Surety	56,778	56,778
In Lieu - Other	30,800	30,800
State Tax Appeals Pending	119,105	119,105
Property Sales	114,531	86,831
Payment of Debt	2,759	2,222
	<u>11,732,310</u>	<u>9,239,798</u>
Reserve for Receivables and Other Assets	10,089,368	9,621,401
Fund Balance	<u>2,714,461</u>	<u>1,405,435</u>
Total Regular Fund	<u>24,536,139</u>	<u>20,266,634</u>
Federal and State Grant Fund:		
Unappropriated Reserves	-	-
Appropriated Reserves	842,692	1,253,963
Encumbrances Payable	24,073	218,653
Due to General Capital	<u>1,202,325</u>	<u>1,202,325</u>
Total Federal and State Grant Fund	<u>2,069,090</u>	<u>2,674,941</u>
Total Current Fund	<u>\$ 26,605,229</u>	<u>22,941,575</u>

**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized		
Fund Balance	\$ 725,000	560,000
Miscellaneous Revenue Anticipated	16,712,996	17,887,043
Receipts from Delinquent Taxes	213,325	160,979
Receipts from Current Taxes	126,656,188	122,275,718
Non Budget Revenue	2,573,664	1,545,586
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,119,564	727,787
Prior Year Interfunds Returned in 2017	40,064	-
Cancellation of Prior Year Liability	500	-
Total Income	<u>148,041,301</u>	<u>143,157,113</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	15,612,083	15,268,612
Other Expenses	12,105,434	12,283,815
Deferred Charges & Statutory Expenditures	4,230,488	4,179,944
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	2,154,640	3,008,521
Capital Improvements	500,000	355,000
Debt Service	4,612,006	4,631,694
Deferred Charges	-	-
Local District School Tax	81,516,410	78,686,577
Municipal Open Space Tax	819,410	817,810
County Tax	22,731,673	21,316,637
County Share of Added Tax	140,242	87,673
Receivable Advances Originating in 2017	-	6,797
Refund of Prior Year's Revenue	1,583,730	1,320,034
Cancelled Prior Year Grant Balances	1,159	-
Total Expenditures	<u>146,007,275</u>	<u>141,963,114</u>
Excess in Revenue	<u>2,034,026</u>	<u>1,193,999</u>

**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	-	-
	<u>-</u>	<u>-</u>
Total Adjustments	<u>-</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>2,034,026</u>	<u>1,193,999</u>
Fund Balance January 1	<u>1,405,435</u>	<u>771,436</u>
	3,439,461	1,965,435
Decreased by:		
Utilization as Anticipated Revenue	<u>725,000</u>	<u>560,000</u>
Fund Balance December 31	\$ <u><u>2,714,461</u></u>	<u><u>1,405,435</u></u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
Fund Balance Anticipated	\$ 725,000		-
Total Fund Balance Anticipated	725,000	-	-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	90,500		(1,436)
Other	960,459		(72,949)
Fees and Permits	198,120		14,846
Fines and Costs:			
Municipal Court	753,072		(79,050)
Interest and Costs on Taxes	324,952		(19,062)
Interest Earned on Investments	38,988		48,340
Hotel Occupancy Tax	492,974		12,489
Ambulance Fees	1,220,000		106,103
Total Section A: Local Revenues	4,079,065	-	9,281
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	6,013,285		6,013,285
Watershed Moratorium Offset Aid	16,779		16,779
Garden State Preservation Trust Fund	9,001		9,001
Total Section B: State Aid Without Offsetting Appropriations	6,039,065	-	-
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	847,665		(185,409)
Total Section C: Uniform Construction Code Fees	847,665	-	(185,409)



**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section D: Special Items of General Revenue Anticipated with Prior Written Consent of the Director of Local Government Services - Interlocal Municipal Service Agreements				
Offset with Appropriations				
City of Northfield Dispatch Services	\$ 381,100		381,100	-
City of Linwood Dispatch Services	334,714		334,714	-
Borough of Longport Dispatch Services	247,500		247,500	-
Egg Harbor Township Board of Education Solid Waste Disposal	137,000		138,500	1,500
State of New Jersey - Motor Vehicle Commission	97,451		97,451	-
County of Atlantic Nutrition Site	14,495		20,388	5,893
Total Section D: Shared Service Agreements Offset with Appropriations	1,212,260	-	1,219,653	7,393
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	61,054		61,054	
Drunk Driving Enforcement Fund	20,195		20,195	
Clean Communities Program	119,168		119,168	
Safe Corridor Grant	38,603		38,603	
Municipal Alliance on Alcoholism and Drug Abuse	24,679		24,679	
Safe and Secure Communities Program-PL 1994, Ch 220	60,000		60,000	
Drive Sober or get Pulled Over		5,500	5,500	
Cops in Shops - Summer Shore Initiative		3,000	3,000	
Cops in Shops - Fall/College Initiative		4,400	4,400	
Justice Assistance Grant		21,006	21,006	
Walmart Grant		2,500	2,500	
Community Development Block Grant		113,900	113,900	
Distracted Driver		11,000	11,000	
Body Armor Fund		7,249	7,249	

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated		Excess or
	Budget	N.J.S. 40A:4-87	(Deficit)
Bulletproof Vest Partnership		13,923	13,923
Click It Ticket		5,500	5,500
NJ DOT - Reconstruction of Doughty Road		241,000	241,000
Total Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations	323,699	428,978	752,677
			-
Section G: Special Items of General Revenue Anticipated with			
Prior Written Consent of Director of Local Government			
Services - Other Special Items	68,271		74,178
Uniform Fire Safety Act	2,145,281		1,911,465
Host Community Fees	300,000		300,000
Environmental Trust Account	500,000		500,000
Open Space Trust Fund	250,000		250,000
Appropriation of Authority Assets	79,140		84,520
Towing Fees	97,509		96,544
Cell Tower Leases	378,154		393,748
Tax Abatement Payments	40,000		50,000
ACUA PILOT	170,500		170,544
Cable Franchise Fees	120,000		120,000
Capital Surplus			
			5,380
			(965)
			15,594
			10,000
			44
			-
Total Section G: Other Special Items	4,148,855	-	3,950,999
			(197,856)
Total Miscellaneous Revenues:	16,650,609	428,978	16,712,996
			(366,591)
Receipts from Delinquent Taxes	179,617		213,325
			33,708

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	22,412,526		22,230,531	(181,995)
Total Amount to be Raised by Taxes for Support of Municipal Budget	22,412,526	-	22,230,531	(181,995)
Budget Totals	39,967,752	428,978	39,881,852	(514,878)
Non- Budget Revenues:				
Other Non- Budget Revenues:			2,573,664	2,573,664
\$	39,967,752	428,978	42,455,516	2,058,786

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	126,656,188
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Less: Reserve for Tax Appeals Pending		-
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Net Revenue from Collections		126,656,188
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Allocated to:

School, County and Other Taxes		105,207,735
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Balance for Support of Municipal Budget Appropriations		21,448,453
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Increased by:

Appropriation "Reserved for Uncollected Taxes"		782,078
--	--	---------

Amount for Support of Municipal Budget Appropriations		22,230,531
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	13,752	
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Tax Title Lien Collections	199,573	
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Total Receipts from Delinquent Taxes		213,325
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Revenue Accounts Receivable:

Tax Searches	1,310	
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Treasurer:

Municipal Utilities Authority (MUA)

Rental and Fuel	50,000	
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Cygnus Arts Center Janitorial Services	13,860	
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Motor Vehicle Inspection Fund	22,835	
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Tax Sale Costs	28,950	
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Storm Reimbursements	1,526,825	
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Workers Compensation Reimbursement	120,968	
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County-wide Registration Program	446,700	
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Foreclosure Fees	22,195	
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Fire Inspections	38,406	
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Police Department	30,578	
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Prescription Reimbursements	96,316	
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Military Leave Reimbursements	21,868	
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Other Miscellaneous	152,853	
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Total Miscellaneous Revenue Not Anticipated:	\$	2,573,664
--	----	-----------

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT</b>						
Governing Body						
Salaries and Wages	\$ 94,500	94,500	94,500	-	-	-
Other Expenses	8,475	9,975	7,425	14	2,536	
<b>DEPARTMENT OF ADMINISTRATION AND FINANCE</b>						
Administrator's Office						
Salaries and Wages	352,818	349,818	342,287	-	7,531	
Other Expenses	10,000	11,500	7,670	186	3,644	
Office of Township Clerk						
Salaries and Wages	311,271	311,271	305,240	-	6,031	
Other Expenses	58,200	58,200	53,657	620	3,923	
Office of Information Technology						
Salaries and Wages	159,606	145,306	117,377	-	8,929	19,000
Other Expenses	85,000	85,000	66,983	8,803	9,214	
Division of Treasury						
Salaries and Wages	242,553	237,198	234,319	-	2,879	
Other Expenses	57,900	62,900	51,891	6,855	4,154	
Auditor						
Other Expenses	65,500	65,500	57,000	-	-	8,500
Division of Collections						
Salaries and Wages	239,230	239,230	234,440	-	4,790	
Other Expenses	48,800	55,100	49,871	4,309	920	
Division of Assessments						
Salaries and Wages	143,100	143,100	142,878	-	222	
Other Expenses						
Miscellaneous Other Expenses	80,110	82,610	75,785	5,340	1,485	
Division of Law						
Other Expenses	535,000	535,000	382,330	20,391	82,279	50,000
Rent Leveling Board						
Other Expenses	22,100	31,100	24,683	3,380	3,037	
Economic Development Committee						
Other Expenses	15,000	15,000	15,000	-	-	
<b>DEPARTMENT OF PUBLIC WORKS</b>						
Division of Roads						
Salaries and Wages	717,382	717,382	706,829	-	10,553	
Other Expenses	176,690	176,690	81,768	20,980	73,942	
Division of Buildings and Grounds						

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Salaries and Wages	858,613	858,613	839,204	-	19,409	
Other Expenses	180,400	180,400	139,748	17,919	22,733	
Division of Equipment Maintenance						
Salaries and Wages	365,144	365,144	360,182	-	4,962	
Other Expenses	290,900	300,900	271,316	18,986	10,598	
Division of Solid Waste						
Salaries and Wages	815,236	815,236	776,932	-	38,304	
Other Expenses	40,000	40,000	29,321	5,193	5,486	
Landfill/Solid Waste Disposal Costs						
Other Expenses	1,400,000	1,400,000	1,248,467	115,206	36,327	
Animal Control						
Other Expenses	24,000	24,000	21,725	1,975	300	
Engineering Services						
Other Expenses	66,000	66,000	46,775	2,890	8,335	8,000
<b>DEPARTMENT OF RECREATION</b>						
Salaries and Wages	134,818	134,818	111,169	-	13,649	
Other Expenses	77,975	85,475	49,552	35,885	38	10,000
Celebration of Events						
Other Expenses	2,500	2,500	2,254	121	125	
<b>DEPARTMENT OF POLICE</b>						
Salaries and Wages	9,097,545	9,097,545	8,724,678	1,226	371,641	
Other Expenses	659,594	683,594	236,852	348,407	98,335	
<b>DEPARTMENT OF POLICE DISPATCH/911</b>						
Salaries and Wages	351,688	351,688	323,784	-	27,904	
Other Expenses	39,500	39,500	23,563	6,661	9,276	
<b>DEPARTMENT OF FIRE</b>						
Other Expenses	194,000	194,000	140,902	52,573	525	
Aid	150,000	150,750	150,000	750	-	
Ambulance Services						
Salaries and Wages	525,000	525,000	502,953	-	22,047	
Other Expenses	117,200	124,200	102,547	13,065	8,588	
Municipal Court						
Salaries and Wages	539,960	539,960	519,094	-	20,866	
Other Expenses	51,800	51,800	20,435	19,430	11,935	
Public Defender						
Other Expenses	5	5	-	-	5	

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEPARTMENT OF COMMUNITY DEVELOPMENT						
Division of Planning						
Salaries and Wages	120,686	124,986	124,568	-	418	
Other Expenses	26,250	26,250	7,964	2,758	5,528	10,000
Division of Zoning						
Salaries and Wages	57,633	57,633	49,520	-	8,113	
Other Expenses	5,800	5,800	2,900	1,400	1,500	
ACCUMULATED LEAVE COMPENSATION						
Salaries and Wages	75,000	89,500	68,992	-	20,508	
Insurance						
Other Insurance Premiums (JIF)	675,000	675,000	527,375	469	12,156	135,000
Worker Compensation Insurance (JIF)	1,283,757	1,283,757	1,283,756	-	1	
Group Insurance for Employees	4,080,000	4,008,127	3,916,346	3,000	1,281	87,500
Group Insurance Opt-Out Payments	34,396	48,046	43,016	-	2,530	2,500
Division of Inspections						
Salaries and Wages	397,600	395,800	356,489	-	11,811	27,500
Other Expenses	37,350	61,350	12,716	27,243	21,391	
Uniform Fire Safety Act (PL 1983, CH383)						
Fire Prevention Program						
Salaries and Wages	74,855	74,855	72,259	-	2,596	
Other Expenses	5,700	5,700	1,976	3,686	38	
UNCLASSIFIED						
Electricity	418,000	418,000	348,260	-	39,740	30,000
Street Lighting	310,000	322,000	277,926	27,787	16,287	
Telephone	130,000	130,000	88,417	27,752	13,831	
Water	30,000	30,000	25,580	2,000	2,420	
Gas	60,000	60,000	39,467	7,000	13,533	
Sewerage	3,600	3,955	3,954	-	1	
Gasoline	455,000	359,250	303,473	30,113	25,664	
Fire Hydrant Service	298,000	298,000	266,406	25,000	6,594	
Condominium Services Act (PL 1989, CH 299)	170,000	170,000	159,111	10,889	-	
TOTAL OPERATIONS WITHIN "CAPS"						
	28,153,740	28,105,517	25,673,857	880,262	1,163,398	388,000
Contingent	-	-	-	-	-	

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Charged	Encumbered	Reserved		
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>28,153,740</b>	<b>28,105,517</b>	<b>25,673,857</b>	<b>880,262</b>	<b>1,163,398</b>		<b>388,000</b>
Detail:							
Salaries and Wages	15,674,238	15,668,583	15,007,694	1,226	603,163		
Other Expenses	12,479,502	12,436,934	10,666,163	879,036	560,235		
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>							
Statutory Expenditures:							
Contributions to:							
Public Employees' Retirement System	892,400	894,620	894,620	-	-		
Social Security System (O.A.S.I.)	1,200,000	1,238,000	1,227,030	-	10,970		
Consolidated Police and Firemen's Pension Fund	2,011,365	2,019,368	2,019,367	-	1		
Unemployment Compensation Insurance	70,000	70,000	51,119	-	18,881		
Defined Contribution Retirement Program	8,500	8,500	7,938	265	297		
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>	<b>4,182,265</b>	<b>4,230,488</b>	<b>4,200,074</b>	<b>265</b>	<b>30,149</b>		<b>-</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>32,336,005</b>	<b>32,336,005</b>	<b>29,873,931</b>	<b>880,527</b>	<b>1,193,547</b>		<b>388,000</b>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>							
(A) Operations - Excluded from "CAPS"							
Recycling Tax	43,533	43,533	43,533	-	-		
Length of Service Award Program	140,000	140,000	-	-	140,000		
<b>Shared Services:</b>							
City of Northfield Dispatch Service	381,100	381,100	358,130	22,970	-		
City of Linwood Dispatch Service	334,714	334,714	322,648	12,066	-		
Borough of Longport Dispatch Service	247,500	247,500	240,434	7,066	-		
Egg Harbor Township Board of Education							
Solid Waste Disposal	137,000	137,000	126,444	10,556	-		
State of NJ Motor Vehicle Commission	97,451	97,451	97,451	-	-		
County of Atlantic - Nutrition Site	14,495	14,495	14,495	-	-		
	<b>1,395,793</b>	<b>1,395,793</b>	<b>1,203,135</b>	<b>52,658</b>	<b>140,000</b>		<b>-</b>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement



**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(A) Public and Private Programs Off-Set by Revenues						
State of NJ - Division of Motor Vehicles	20,195	20,195	20,195			
Drunk Driving Enforcement Fund						
Egg Harbor Township Municipal Alliance	24,679	24,679	24,679			
Municipal Alliance	6,170	6,170	6,170			
Local Match	61,054	61,054	61,054			
Recycling Tonnage Grant	38,603	38,603	38,603			
Safe Corridor Grant	119,168	119,168	119,168			
Clean Communities Act (NJSA 13:13-99.1 et. seq.)	60,000	60,000	60,000			
Safe and Secure Communities Program	113,900	113,900	113,900			
Community Development Block Grant	21,006	21,006	21,006			
Justice Assistance Grant	11,000	11,000	11,000			
Distracted Driver	13,923	13,923	13,923			
Bulletproof Vest Partnership	241,000	241,000	241,000			
NJ DOT - Reconstruction of Doughty Road	2,500	2,500	2,500			
Walmart Grant	5,500	5,500	5,500			
Click It Ticket	5,500	5,500	5,500			
Drive Sober or Get Pulled Over	4,400	4,400	4,400			
COPS in Shops Fall/College Initiative	3,000	3,000	3,000			
COPS in Shops Summer Shore Initiative	7,249	7,249	7,249			
Body Armor Fund	329,869	758,847	758,847	-	-	-
Revenues						
Total Operations - Excluded from "CAPS"	1,725,662	2,154,640	1,961,982	52,658	140,000	-
Detail:						
Salaries and Wages						
Other Expenses	1,725,662	2,154,640	1,961,982	52,658	140,000	-
(C) Capital Improvements						
Capital Improvement Fund	500,000	500,000	500,000	-	-	-
Total Capital Improvements	500,000	500,000	500,000	-	-	-
(D) Debt Service						
Payment of Bond Principal	3,495,000	3,495,000	3,495,000	-	-	-
Interest on Bonds	1,007,773	1,007,773	1,007,772	-	-	1
Interest on Notes	12,000	12,000	-	-	-	12,000
Green Trust Loan Program:						

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Loan Repayments for Principal and Interest	109,234	109,234	109,234	-	-	-
Total Debt Service	4,624,007	4,624,007	4,612,006	-	-	12,001
(E) Deferred Charges						
Emergency Authorizations		-				
Special Emergency Authorizations - 5 years		-				
Total Deferred Charges	-	-	-	-	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	6,849,669	7,278,647	7,073,988	52,658	140,000	12,001
SUBTOTAL GENERAL APPROPRIATIONS	39,185,674	39,614,652	36,947,919	933,185	1,333,547	400,001
(M) Reserve for Uncollected Taxes	782,078	782,078	782,078	-	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 39,967,752	40,396,730	37,729,997	933,185	1,333,547	400,001
Budget		39,967,752			Cancelled	400,001
Appropriations by 40A:4-87		428,978			Overexpended	-
		40,396,730				400,001
Reserve for Uncollected Taxes		782,078				
Federal and State Grants		758,847				
Capital Improvement Fund		500,000				
Disbursements		35,689,072				
			37,729,997			

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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**EXHIBIT B - TRUST FUND**

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**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Animal Control Fund:		
Cash	\$ 17,831	18,668
	<u>17,831</u>	<u>18,668</u>
Assessment Trust Fund:		
Assessments Receivable	5,110	5,110
Assessment Liens	<u>2,589</u>	<u>2,589</u>
	<u>7,699</u>	<u>7,699</u>
Length of Service Award Program (LOSAP) (unaudited)		
Investments		
Mutual Funds	1,957,301	1,751,002
Employer Contribution Receivable	<u>124,346</u>	<u>119,184</u>
	<u>2,081,647</u>	<u>1,870,186</u>
Other Funds:		
Cash - Treasurer	6,508,887	6,640,109
Cash - Collector	2,378,629	3,297,918
Due from Atlantic County Utilities Authority		
Environmental Trust Fund	47,298	22,742
Amount Due from Current Fund -		
Municipal Open Space Trust	5,037	-
Third Party Inspections	<u>14,962</u>	<u>22,816</u>
	<u>8,954,813</u>	<u>9,983,585</u>
	<u>\$ 11,061,990</u>	<u>11,880,138</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Animal Control Fund:		
Due to Current Fund	\$ 5,176	6,028
Due to State of New Jersey	8	-
Reserve for Expenditures	<u>12,647</u>	<u>12,640</u>
	<u>17,831</u>	<u>18,668</u>
Assessment Trust Fund:		
Reserve for Liens and Costs	2,589	2,589
Reserve for Assessments Receivable	<u>5,110</u>	<u>5,110</u>
	<u>7,699</u>	<u>7,699</u>
Length of Service Award Program (LOSAP) (unaudited)		
Net Assets Available for Benefits	<u>2,081,647</u>	<u>1,870,186</u>
Other Funds:		
Deposits for Redemption of		
Tax Sale Certificates	417,441	154,258
Premiums on Tax Sale Deposits	1,961,188	3,143,660
Reserves - Miscellaneous	6,576,184	6,685,667
	<u>8,954,813</u>	<u>9,983,585</u>
	<u>\$ 11,061,990</u>	<u>11,880,138</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**EXHIBIT C - CAPITAL FUND**



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**GENERAL CAPITAL FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Due from Current Fund	\$ 2,937,034	3,397,446
Due from Grant Fund	1,202,325	1,202,325
Deferred Charges to Future Taxation -		
Funded	32,854,330	32,967,970
Unfunded	-	-
Due from NJDEP Bureau of Dam Safety and Flood Control	627,195	627,195
Due From FEMA	907,060	907,060
	<u>38,527,944</u>	<u>39,101,996</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	3,566,432	2,320,212
Bond Anticipation Notes Payable	-	2,225,000
Serial Bonds Payable	32,145,000	32,165,000
Green Trust Program Loans Payable	709,330	802,970
Improvement Authorizations:		
Funded	2,012,914	1,410,760
Unfunded	-	-
Capital Improvement Fund	72,517	36,303
Fund Balance	21,751	141,751
	<u>\$ 38,527,944</u>	<u>39,101,996</u>

There were bonds and notes authorized but not issued at December 31

2016	-
2017	-

**GENERAL CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$ 141,751	128,854
Increased by:		
Funded Improvement Authorizations		
Cancelled	-	12,897
Decreased by:		
Surplus budgeted in Current Fund	120,000	-
Ending Balance December 31	\$ <u>21,751</u>	<u>141,751</u>

**EXHIBIT G - GENERAL FIXED ASSETS ACCOUNT GROUP**

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**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS**  
**AS OF DECEMBER 31,**

	<u>2017</u>	<u>2016</u>
General Fixed Assets:		
Land	\$ 2,902,953	2,902,953
Buildings	25,210,582	24,249,222
Improvements Other than Buildings	357,677	357,677
Vehicles	19,113,927	17,504,546
Machinery and Equipment	<u>14,932,656</u>	<u>16,425,423</u>
Total General Fixed Assets	<u><u>62,517,795</u></u>	<u><u>61,439,821</u></u>
Investment in General Fixed Assets	\$ <u><u>62,517,795</u></u>	<u><u>61,439,821</u></u>

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## **NOTES TO FINANCIAL STATEMENTS**



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**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**A. Reporting Entity**

The Township of Egg Harbor was incorporated in 1710 and is situated in the southeast portion of Atlantic County. The population estimate by the US Department of Census as of July 2010 is 43,323. The Township provides to its citizens the following services: public safety, recreation, public improvements, planning and zoning and general administrative services.

The Township is governed by an elected, five member committee form of government, with the Mayor appointed annually by the committee members. The committee is comprised of five individuals serving three year terms. Two committee members are elected annually except for every third year when one committee person is elected. The Township Administrator monitors the daily administrative responsibilities.

Except as noted below, the financial statements of the Township of Egg Harbor include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Township of Egg Harbor, as required by N.J.S. 40A:5-5.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt or the levying of taxes. The Egg Harbor Township Golf Corporation and Municipal Utilities Authority are component units of the Township however they are not presented as part of the financial statements of the Township of Egg Harbor. The Golf Corporation does have an independent audit performed however the Corporation is not a public body as defined in the Open Public Records Act (OPRA). The Municipal Utilities Authority also has an independent audit performed and a copy is available at the Authority's office.

**B. Description of Funds**

The accounting policies of the Township of Egg Harbor conform to the accounting principles applicable to municipalities that have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the Township of Egg Harbor accounts for its financial transactions through the following separate funds:

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

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

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

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

**EGG HARBOR TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**C. Basis of Accounting**

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

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

Revenues -- are recorded as received in cash except for certain amounts that are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Township budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the Township which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering unencumbered appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts that may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis. Compensated absences are treated on a pay as you go basis with no amount charged to operations in the year incurred.

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 Township 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 the foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Asset Account Group.

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

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

General Fixed Assets -- The Township has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value at the time the land is foreclosed or donated. Land purchased by the Township is valued at cost. Expenditures for long lived assets with an original cost in excess of \$2,500 are capitalized.

No depreciation has been provided for in the financial statements.

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

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

The following schedules are a summarization of the changes in general fixed assets for the years ended December 31, 2017 and 2016.

	Balance as of 12/31/16	Additions / Transfers	Disposal / Transfers	Balance as of 12/31/17
Land	\$ 2,902,953			2,902,953
Buildings	24,249,222	961,360		25,210,582
Improvements other than Buildings	357,677			357,677
Vehicles	17,504,546	1,609,381		19,113,927
Machinery and Equipment	16,425,423	411,586	1,904,353	14,932,656
	<u>\$ 61,439,821</u>	<u>2,982,327</u>	<u>1,904,353</u>	<u>62,517,795</u>

	Balance as of 12/31/15	Additions / Transfers	Disposal / Transfers	Balance as of 12/31/16
Land	\$ 2,902,953			2,902,953
Buildings	24,624,897		375,675	24,249,222
Improvements other than Buildings	357,677			357,677
Vehicles	17,218,407	535,551	249,412	17,504,546
Machinery and Equipment	15,674,391	809,851	58,819	16,425,423
	<u>\$ 60,778,325</u>	<u>1,345,402</u>	<u>683,906</u>	<u>61,439,821</u>

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et seq.

**EGG HARBOR TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the Township of Egg Harbor to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500 of taxes becoming delinquent after the due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500 becoming delinquent after the due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Capitalization of Interest -- It is the policy of the Township of Egg Harbor to treat interest on projects as a current expense and the interest is included in the current operating budget.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles or the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**D. Required Financial Statements**

The State of New Jersey requires the following financial statements to be presented for each fund on the regulatory basis of accounting: Balance Sheet, Statement of Operations and Changes in Fund Balance, Statement of Revenue and Statement of Expenditures. These statements differ from those presented under Generally Accepted Accounting Principles, which requires a Statement of Net Position and Statement of Activities in addition to the fund financial statements.

**E. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Township's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenue-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

**F. Recent Accounting Pronouncements Not Yet Effective**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Township's financial reporting.

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, "Certain Asset Retirement Obligations". This statement is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the Township's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". This statement is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the Township's financial reporting.

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85, "Omnibus 2017". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86, "Certain Debt Extinguishment Issues". This statement is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the City's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, "Leases". This statement is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

**Note 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$782,078 and \$800,078. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$725,000 and \$560,000.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1, these transfers can be made in the form of a resolution and approved by Township Committee. The following significant budget transfers were approved in the 2017 and 2016 calendar years:

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**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Division of Law		
Other Expenses	\$ -	\$ 66,000
Insurance		
Group Insurance	(71,873)	(52,000)
Division of Equipment Maintenance		
Other Expenses	-	51,000
Gasoline	(95,750)	(133,685)

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2017, the Township Committee approved total budget insertions in the amount of \$428,978. The Township Committee approved total budget insertions in the amount of \$679,841 during the 2016 calendar year. The following schedule details the significant budget insertions:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Clean Communities Act	\$	14,956
Bootcamp for Roadway Safety		41,600
Bulletproof Vest Partnership	13,923	4,279
Click it or Ticket	5,500	5,000
Post Sandy Planning Grant		380,000
Smart Policing Initiative		17,500
Donation - Police K9		269
Community Development Block Grant	113,900	
Justice Assistance Grant	21,006	
Walmart Grant	2,500	
Distracted Driver	11,000	
Body Armor	7,249	7,237
Drive Sober or Get Pulled Over	6,600	10,000
COPS in Shops Summer Shore Initiative	3,000	3,000
COPS in Shops Fall/College Initiative	4,400	
NJ DOT - Reconstruction of Ridge Avenue		196,000
NJ DOT - Reconstruction of Doughty Road	241,000	

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. The Township Committee did not approve any emergency appropriations during the 2017 and 2016 calendar years.

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 3: INVESTMENTS**

**Interest Rate Risk.** The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk.** New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America or the local unit or school Townships of which the local unit is a part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk.** The municipality places no limit on the amount the Township may invest in any one issuer.

**Unaudited Investments**

As more fully described in Note 24, the Township has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Township. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by Lincoln Benefit Life, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2017 and 2016 amounted to \$1,957,301 and \$1,751,002, respectively.

**Note 4: CASH**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered 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 trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2017, \$4,767,497 of the municipality's bank balance of \$22,871,277 was exposed to custodial credit risk. As of December 31, 2016, \$6,258,949 of the municipality's bank balance of \$23,059,935 was exposed to custodial credit risk.



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**Note 5: LONG TERM DEBT**

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
Bonds payable:					
General	\$ 32,165,000	7,245,000	7,265,000	32,145,000	3,805,000
Green Trust Loan	802,970		93,640	709,330	90,860
Other liabilities:					
Compensated Absences Payable	3,814,156	2,326,388	2,387,157	3,753,387	-
Total long-term liabilities	<u>\$ 36,782,126</u>	<u>9,571,388</u>	<u>9,745,797</u>	<u>36,607,717</u>	<u>3,895,860</u>

	Balance 12/31/15	Issued	Retired	Balance 12/31/16	Amounts Due Within One Year
Bonds payable:					
General	\$ 30,985,000	4,770,000	3,590,000	32,165,000	3,495,000
Green Trust Loan	894,765		91,795	802,970	93,640
Other liabilities:					
Compensated Absences Payable	3,482,836	2,308,889	1,977,569	3,814,156	
Total long-term liabilities	<u>\$ 35,362,601</u>	<u>7,078,889</u>	<u>5,659,364</u>	<u>36,782,126</u>	<u>3,588,640</u>

**Paid by Current Fund:**

\$9,885,000 General Improvement Bonds, Series 2008 dated 9/1/08 payable in annual installments through 9/1/23. Interest is paid semiannually at varying rates from 4.00% to 4.125% per annum. Bonds maturing on or after 9/1/19 are redeemable at the option of the Township in whole or in part on any date on or after 9/1/18. During 2017 the Township elected to advance refund the amounts due after 9/1/18 in the amount of \$3,600,000. The balance remaining as of December 31, 2017 was \$720,000.

\$7,800,000 General Improvement Bonds, Series 2012 dated 9/1/12 payable in annual installments through 9/1/23. Interest is paid semiannually at 2.00% per annum. The bonds are not subject to redemption prior to their stated maturities. The balance remaining on this issue as of December 31, 2017 was \$5,100,000.

\$11,560,000 Refunding Bonds, Series 2014 dated 8/1/2014 payable in annual installments through 2/1/26. Interest is paid semiannually at varying rates from 2.00% to 5.00% per annum. These bonds were issued to advance refund the callable portion of the General Improvement Bonds, Series 2006. The bonds that were called had maturities from 2/1/2014 to 2/1/2016 in the total amount of \$14,156,000. The total net present value savings on the issue is \$688,012. The balance remaining on the issue as of December 31, 2017 was \$10,410,000.

\$5,350,000 General Improvement Bonds, Series 2014 dated 7/15/14 payable in annual installments through 9/1/23. Interest is paid semiannually at varying rates from 2.00% to 3.00% per annum. The bonds are callable. The balance remaining on this issue as of December 31, 2017 was \$4,450,000.

**EGG HARBOR TOWNSHIP**  
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\$4,770,000 General Improvement Bonds, Series 2016 dated 10/26/16 payable in annual installments through 10/15/26. Interest is paid semiannually at varying rates from 2.00% to 5.00% per annum. The bonds are callable. The balance remaining on this issue as of December 31, 2017 was \$4,220,000.

\$3,645,000 General Improvement Bonds, Series 2017 dated 9/28/17 payable in annual installments through 9/1/27. Interest is paid semiannually at varying rates from 2.00% to 4.00% per annum. The bonds are noncallable. The balance remaining on this issue as of December 31, 2017 was \$3,645,000.

\$3,600,000 Refunding Bonds, Series 2017 dated 9/28/17 payable in annual installments through 9/1/23. Interest is paid semiannually at varying rates from 3.00% to 4.00% per annum. These bonds were issued to advance refund the callable portion of the General Improvement Bonds, Series 2008. The bonds that were called had maturities from 9/1/2019 to 9/1/2023 in the total amount of \$3,600,000. The total net present value savings on the issue is \$231,759. The balance remaining on the issue as of December 31, 2017 was \$3,600,000.

\$150,000 Loan Payable dated January 22, 1999 through the New Jersey Department of Environmental Protection payable in semi annual installments through June 22, 2018. Payments of \$4,663.74 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2017 was \$4,619.

\$150,000 Loan Payable dated October 9, 2002 through the New Jersey Department of Environmental Protection payable in semi annual installments through July 11, 2021. Payments of \$4,870.21 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2017 was \$37,266.

\$500,000 Loan Payable dated October 11, 2002 through the New Jersey Department of Environmental Protection payable in semi annual installments through July 11, 2022. Payments of \$15,545.80 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2017 was \$147,238.

\$700,000 Loan Payable dated November 7, 2007 through New Jersey Department of Environmental Protection payable in semi annual installments through August 13, 2027. Payments of \$21,764 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2017 was \$392,746.

\$250,000 Loan Payable dated November 26, 2007 through the New Jersey Department of Environmental Protection payable in semiannual installments through November 26, 2026. Payments of \$7,772.90 are first applied to interest then to principal. The stated interest rate is 2.00% per annum. The balance remaining as of December 31, 2017 was \$127,461.

**EGG HARBOR TOWNSHIP  
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Schedule of Annual Debt Service for Principal and Interest for Bonded Debt Issued and Outstanding

<u>Year</u>	<u>Green Trust Program Loans</u>		<u>General Capital Fund</u>		<u>Total All Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2018	90,859	13,712	3,805,000	1,021,823	4,931,394
2019	87,974	11,932	3,875,000	946,069	4,920,975
2020	89,742	10,164	3,905,000	842,612	4,847,518
2021	91,546	8,360	3,970,000	725,193	4,795,099
2022	83,598	6,567	4,010,000	603,837	4,704,002
2023-2027	265,611	14,212	12,580,000	1,056,250	13,916,073
	<u>\$ 709,330</u>	<u>64,947</u>	<u>32,145,000</u>	<u>5,195,784</u>	<u>38,115,061</u>

As of December 31, 2017, the carrying value of the above bonds approximates the fair value of the bonds.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Summary of Municipal Debt</u>			
Bonds & Notes Issued	\$ 32,854,330	32,967,970	34,104,765
Bonds & Notes Authorized But Not Issued	-	-	-
Net Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 32,854,330</u>	<u>32,967,970</u>	<u>34,104,765</u>

For Debt Statement purposes, total Gross General Debt includes the total amount of outstanding debt of the Egg Harbor Township Golf Corporation as more fully explained in Note 21. The total amount of that debt guarantee is a deduction from gross debt for debt statement purposes.

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.801%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 72,945,000	72,945,000	-
General Debt	44,492,158	11,637,828	32,854,330
	<u>\$ 117,437,158</u>	<u>84,582,828</u>	<u>32,854,330</u>

Net Debt \$32,854,330 / Equalized Valuation Basis per NJSA 40A:2-2 as amended, \$4,100,592,520 = 0.801%.

**EGG HARBOR TOWNSHIP  
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Borrowing Power Under N.J.S.A. 40A:2-6 as Amended

3 ½ % of Equalized Valuation Basis (Municipal)	\$ 143,520,738
Net Debt	<u>32,854,330</u>
Remaining Borrowing Power	<u><u>\$ 110,666,408</u></u>

**Note 6: SHORT TERM FINANCING**

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17
Bond Anticipation Notes	\$ 2,225,000		2,225,000	-
	<u>\$ 2,225,000</u>	<u>-</u>	<u>2,225,000</u>	<u>-</u>

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16
Bond Anticipation Notes	\$ 2,225,000	2,225,000	2,225,000	2,225,000
	<u>\$ 2,225,000</u>	<u>2,225,000</u>	<u>2,225,000</u>	<u>2,225,000</u>

At December 31, 2016 the Township had a bond anticipation note held by the Township of South Brunswick for \$2,225,000. The note matured on 1/20/17 with interest at 0.00% per annum.

**Note 7: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2017 and 2016 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current Fund	\$1,450,000	\$725,000

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the Township to appropriate in the 2018 budget is \$2,715,461.

**EGG HARBOR TOWNSHIP  
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**Note 8: SCHOOL TAXES**

Local District School Tax in the amount of \$81,516,410 has been raised for the 2017 calendar year and \$81,516,410 was remitted to the school district. Local District School Tax in the amount of \$78,686,577 was raised for the 2016 calendar year and \$78,686,577 was remitted to the school district. Since the school district operates on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

**Note 9: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance 12/31/17	Balance 12/31/16
Prepaid Taxes	\$3,623,728	\$1,121,584
Cash Liability for Taxes Collected in Advance	<u>\$3,623,728</u>	<u>\$1,121,584</u>

**Note 10: PENSION FUNDS**

Description of Plans

Substantially all of the Township's employees participate in the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) cost sharing multiple-employer defined benefit plans which have been established by State Statute and are administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the system terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the systems. This report may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey 08625 or the report can be accessed on the internet at –

<http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

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

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate.

**EGG HARBOR TOWNSHIP  
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Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.20% through June 30, 2017 and 7.38% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 13.37% of covered payroll. The Township's contributions to PERS for the years ended December 31, 2017, 2016, and 2015 were \$894,620, \$869,447, and \$802,882.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The Township's contributions to PFRS for the year ended December 31, 2017, 2016, and 2015 were \$2,019,367, \$2,035,497, and \$1,949,780.

The total payroll for the year ended December 31, 2017, 2016, and 2015 was \$17,403,042, \$16,523,960, and \$14,777,178. Payroll covered by PFRS was \$7,707,930, \$7,618,818, and \$7,541,624. Covered payroll by PERS was \$6,715,135, \$6,708,719, and \$6,612,599.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

**EGG HARBOR TOWNSHIP  
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- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60<sup>th</sup> from 1/55<sup>th</sup>, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined a 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

**NOTE 11: PENSION LIABILITIES**

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the Township's pension liabilities. However, due to the fact that the Township reports on the regulatory basis of accounting, no financial statement impact will be recognized. GASB statement 68 requires that the June 30, 2017 actuarial valuation be used for this disclosure, but as of the date of this report the 2017 actuarial valuations are not yet available from the Division of Pensions. The Division of Local Government Services has stated that disclosing the 2016 valuation is in compliance with the Regulatory Basis of Accounting described in Note 1.

The following represents the municipality's pension liabilities as June 30, 2016:

**EGG HARBOR TOWNSHIP  
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**Public Employees' Retirement System**

The Township has a liability of \$28,638,467 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Township's proportion is 0.09669561130%, which was a decrease of 0.51% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Township would have recognized pension expense of \$2,891,164. At December 31, 2016, the Township would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 5,932,361	
Difference between Expected & Actual Experience	532,589	
Net difference between projected and actual earnings on pension plan investments	1,092,011	
Changes in proportion and differences between Twp. contributions and proportionate share of contributions	636,537	80,884
Total	<u>\$ 8,193,498</u>	<u>80,884</u>

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2017	\$	1,835,935
2018		1,835,935
2019		2,098,851
2020		1,756,389
2021		585,504
Total	<u>\$</u>	<u>8,112,614</u>



**EGG HARBOR TOWNSHIP  
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**Actuarial Assumptions**

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

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

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

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

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

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

*Discount Rate*

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**EGG HARBOR TOWNSHIP  
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*Sensitivity of the Township's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Township's proportionate share of the net pension liability calculated using the discount rate of 3.98%, as well as what the Township's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage point higher (4.98%) than the current rate:

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
Township's proportionate share of the net pension liability	\$ 34,320,446	28,638,467	23,952,537

*Pension plan fiduciary net position.*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Police and Firemen's Retirement System**

The Township has a liability of \$44,328,989 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Township's proportion of the net pension liability was based on a projection of the Township's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Township's proportion is 0.23205786840%, which is a decrease of 1.58% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Township would have recognized pension expense of \$4,859,429. At December 31, 2016, the Township would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 6,139,929	
Difference in Experience		290,583
Net difference between projected and actual earnings on pension plan investments	3,106,043	662,196
Changes in proportion and differences between City contributions and proportionate share of contributions	875,348	
Total	<u>\$ 10,121,320</u>	<u>952,779</u>

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Amounts that would be reported as deferred outflows of resources and deferred inflows of resources related to pensions would be recognized in pension expense as follows:

Year ended June 30,		
2017	\$	2,217,070
2018		2,217,070
2019		2,942,707
2020		1,723,903
Thereafter		67,791
Total	\$	<u>9,168,541</u>

**Actuarial Assumptions**

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

Inflation rate	3.08%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.65%

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation)

**EGG HARBOR TOWNSHIP  
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are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2016 are summarized in the following table:

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

*Discount Rate*

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the Township's proportionate share of the net pension liability to changes in the discount rate.*

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

**EGG HARBOR TOWNSHIP  
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	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
Townships's proportionate share of the net pension liability	\$ 56,353,525	44,328,989	34,527,642

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under 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 June 30, 2016 State special funding situation net pension liability amount of \$1,604,141, is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2016 State special funding situation pension expense of \$204,886,666 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. The pension expense is deemed to be a State administrative expense due to the special funding situation.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Township of Egg Harbor was 0.23205786840% for 2016. The net pension liability amounts allocated to the Township was \$3,722,539. For the fiscal year ending June 30, 2016 State special funding situation pension expense of \$475,456 is allocated to the Township.

*Pension plan fiduciary net position.*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PFRS financial report.

**NOTE 12: POST-RETIREMENT BENEFITS**

Plan Description

The Township of Egg Harbor contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. In 2000 the Township of Egg Harbor authorized participation in the State Health Benefit Program and Local Prescription Drug Program through resolution 110-2000. The Township does not offer post-retirement benefits to retirees.

The New Jersey State Health Benefits Plan issues a stand-alone financial report under GASB 43. To view the report, go to <http://www.state.nj.us/treasury/pensions/health-benefits.shtml>.

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 13: DEFERRED COMPENSATION**

Employees of the Township of Egg Harbor may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the Township. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employees.

As part of its fiduciary role, the Township has an obligation of due care in selecting the third-party administrator. In the opinion of the Township's legal counsel, the Township has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

**Note 14: LABOR CONTRACTS**

As of December 31, 2017, the Township's employees are organized in three collective bargaining units. The contracts with the Policeman's Benevolent Association (PBA) expires December 31, 2020. Government Workers Union (GWU) will expire December 31, 2020. The contract with the Communications Workers Union (CWA) expires December 31, 2021.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>
PBA	Police	All uniformed police excluding Chief and Captain
GWU	General	All other employees except confidential employees
CWA	Management	Most Department Heads

**Note 15: ACCRUED SICK AND VACATION BENEFITS**

The Township has permitted full time employees to accrue unused sick and vacation time, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the current cost of such unpaid compensation at December 31, 2017 would approximate \$3,753,387. The estimated cost of unpaid compensation as of December 31, 2016 was \$3,814,156. The Township has sick leave payment caps in place, which limits the amount of unused sick leave that will be paid upon conclusion of one's employment with the Township. This amount is not reported either as an expenditure or liability. Employees covered under the CWA and PBA contracts are permitted to accumulate up to 240 and 225 days of sick time, respectively. Payment will be made upon separation at varying levels, based on years of service. Employees covered under the GWU contract are permitted to accrue sick time to a maximum of 240 days. Payment will be made upon separation based on years of service. The PBA contract permits employees to accumulate vacation time from one year to the next, up to 30 days. Payment will be made upon separation, provided adequate notice is given. New Jersey Municipalities are permitted to accrue a compensated absences liability. The Township has begun to accumulate funds for accrued absences. As of December 31, 2017 and 2016 the total amount accumulated was \$3,759 and \$3,759, respectively. The Township did not fund an increase in the reserve during 2017. The Township annually appropriates \$75,000 to cover the cost of accumulated absence payouts.

# EGG HARBOR TOWNSHIP

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2017 AND 2016

#### **Note 16: ECONOMIC DEPENDENCY**

The Township of Egg Harbor is not economically dependent on any one business or industry as a major source of tax revenue for the Township.

#### **Note 17: HOST COMMUNITY BENEFIT**

The Township of Egg Harbor has entered into a Host Community Benefit Agreement with the Atlantic County Utilities Authority with respect to waste accepted at the transfer station. The Authority, as owner of the transfer station located in the Township, agrees to provide the Township with a "host community" benefit for each ton of waste it shall accept for disposal at any of its transfer stations. For the most recent period beginning January 1, 2017 through December 31, 2017, the amount of the benefit was \$7.83 per ton of waste. \$6.83 per ton is permitted to be used for current operations of the Township. \$1.00 per ton is retained in the environmental trust fund and is to be used for the purpose of funding environmental projects to benefit the residents of Egg Harbor Township; specifically public water supply and public sewer. A \$2.00 per ton reduction has been granted to volume customers who deliver their waste to the transfer station. The benefit rate for the 2016 calendar year was \$7.80 per ton of waste of which \$6.80 per ton was used for current operations and \$1.00 per ton was retained in the environmental trust fund.

#### **Note 18: ASSESSMENT PROJECTS**

Several assessment improvement projects had been undertaken by the Township of Egg Harbor. These projects were for sewer and water extensions in various areas of the Township. The amount of the remaining project as assessed to property owners is as follows:

<u>Date</u>		<u>Amount</u>	<u>Balance</u>
<u>Confirmed</u>	<u>Project</u>	<u>Confirmed</u>	<u>12/31/17</u>
2/28/96	Town Hall Sewer Service	\$ 878,668	5,110
		\$ 878,688	5,110

#### **Note 19: CONTINGENT LIABILITIES**

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a material contingent liability to the Township.

#### **Note 20: RISK MANAGEMENT**

The Township 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. During the 2017 and 2016 calendar years, the Township did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

**Property and Liability Insurance** – The Township maintains commercial insurance coverage for property, liability and surety bonds.

The Township is a member of the Atlantic County Municipal Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The Township is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The Township has a general liability limit of \$300,000 under JIF, with a coverage limitation of \$5,000,000 under MEL. There was no reduction in coverage and no claims in excess of coverage during 2017. The Joint Insurance Fund issues its own financial report which may be



**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
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obtained from the Atlantic County Joint Insurance Fund, Arthur J. Gallagher Risk Management Services, Inc., PO Box 530, 6000 Sagemore Drive, Suite 6203, Marlton, NJ 08053.

**New Jersey Unemployment Compensation Insurance** – The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the Township is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for the years ended December 31, 2017 and 2016 was \$51,119 and \$62,310.

**NOTE 21: RELATED PARTIES**

A separate not for profit entity, the Egg Harbor Township Golf Corporation, has been formed as a 63-20 corporation based on the Internal Revenue Service Code. The entity was formed to construct and oversee the operation of a golf course. A separate management company operated the golf course through October 2009. To obtain the most favorable bond rates, the corporation financed the construction with a tax exempt borrowing from the Atlantic County Improvement Authority. With the approval of the State of New Jersey Local Finance Board, Egg Harbor Township guarantees the borrowing of \$10,550,000. This amount will not be a direct liability of the Township and, as long as the guarantee is not activated, the amount will not impair the borrowing capacity of the Township. Based on the terms of the guarantor agreement, if it becomes necessary for the Township to make payments on this debt service, the payment is to be made within one hundred twenty (120) days of the notice and will be applied to the Debt Service Reserve Fund. The Golf Corporation is obligated to reimburse the Township at the earliest practicable date. During the 2017 and 2016 calendar years, the Township budgeted and paid \$250,000 and \$325,000 towards the Golf Corporation principal and interest payment through the Open Spaces Trust Fund. As of December 31, 2017, the accumulated debt service payments made by the Township on behalf of the Golf Corporation was \$4,100,000.

As of December 31, 2017, the Golf Corporation had outstanding notes in the amount of \$6,775,000.

In May 2006, the Atlantic County Improvement Authority refinanced \$9,785,000 of the originally issued bonds. This issue was to advance refund all of the outstanding callable principal amounts of the original issue with a maturity date on or after November 1, 2011. Principal payments are due November 1 of each year commencing in 2006 and continuing through 2030. Interest is due each May 1 and November 1 at rates ranging from 3.5% to 5.00% per annum.

In March 2017, the Atlantic County Improvement Authority refinanced \$7,270,000 of the previously refunded bonds. This issue was used to refund all outstanding callable principal amounts of the previously issued bonds. Principal payments are due November 1 of each year commencing with 2017 and continuing through 2030. Interest is due each May 1 and November 1 at rates ranging from 3.00% to 5.00% per annum.

**Note 22: OPEN SPACE TAXING DISTRICT**

The voters of the Township approved the establishment of an Open Space, Recreation, Farmland and Historic Preservation Trust Fund Taxing District effective January 1, 2002. The amount assessed each year, \$.02 per \$100 of assessed valuation, will be placed in an interest-bearing account for the acquisition, development, capital maintenance and payment of debt service on lands acquired for recreation and conservation purposes. The amount to be raised by taxation during 2017 was \$819,410 and \$817,840 was levied in 2016. The unexpended amount of \$95,548 is reserved for future use.

**EGG HARBOR TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Note 23: INTERFUND BALANCES**

As of December 31, 2017, the following interfunds were included on the balance sheets of the various funds of the Township of Egg Harbor:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Animal Control Fund	\$ 5,176	
Third Party Inspectors		14,962
General Capital		2,937,034
Municipal Open Space Trust		5,037
Grant Fund:		
General Capital		1,202,325
Trust Fund:		
Current Fund -		
Animal Control Fund		5,176
Third Party Inspections	14,962	
Municipal Open Space Trust	5,037	
General Capital:		
Grant Fund	1,202,325	
Current Fund	2,937,034	
	<u>\$ 4,164,534</u>	<u>4,164,534</u>

The amounts due to or from the general capital fund and grant fund are due to the fact that there is no separate capital or grant bank account. All other interfunds are due to cash being transferred between accounts. It is anticipated that all other interfunds will be liquidated during the calendar year.

**Note 24: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)**

During the 2001 calendar year, the voters of the Township of Egg Harbor approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which is defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. The Township appropriated \$140,000 and \$158,000 in 2017 and 2016 budgets, respectively for contributions to the LOSAP for volunteers who have met the established criteria.

The LOSAP is administered by an unrelated financial institution. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the Township subject only to the claims of the Township's

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general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the Township, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The Township believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

As part of its fiduciary role, the Township has an obligation of due care in selecting the third party administrator. In the opinion of the Township's legal counsel, the Township has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

The Township of Egg Harbor issues a separate unaudited financial report that includes the statement of net assets available for benefits for the LOSAP. The financial report may be obtained by contacting the Township of Egg Harbor, 3515 Bargaintown Road, Egg Harbor Township, NJ 08234.

**Note 25: SUBSEQUENT EVENTS**

The Township has evaluated subsequent events through April 26, 2018, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

# FLEISHMAN • DANIELS LAW OFFICES, LLC

A NEW JERSEY LIMITED LIABILITY COMPANY  
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Linwood, New Jersey 08221

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**Please refer to: 20018-43**

John W. Daniels, Esquire  
(2002-2016)

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

\_\_\_\_\_, 2019

The Mayor and Township Committee of the  
Township of Egg Harbor, in the  
County of Atlantic, New Jersey

**RE: Township of Egg Harbor in the County of Atlantic, New Jersey  
\$5,990,000<sup>1</sup> Aggregate Principal Amount General Obligation Bonds, Series 2019**

Ladies and Gentlemen:

This office has served as Bond Counsel in connection with the issuance and sale by the Township of Egg Harbor in the County of Atlantic, New Jersey (the "Township") of \$5,990,000<sup>1</sup> aggregate principal amount General Obligation Bonds, Series 2019 ("Bonds"), dated the date hereof.

The Bonds are authorized to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1, et seq. (the "Act"), Bond Ordinance No. 18-2018, duly adopted by the Township Committee on May 2, 2018, and Bond Ordinance No. 11-2019, duly adopted by the Township Committee on May 1, 2019, both duly published as required by law (collectively, the "Bond Ordinances"), and Resolution No. 207-2019, adopted by the Township Committee on May 1, 2019 (the "Bond Resolution"; and together with the Bond Ordinances being collectively referred to as the "Local Proceedings").

The Bonds are being issued: (i) for the purpose of providing funds to permanently finance the costs of certain general capital improvements as described in the Bond Ordinances (the "Projects"); and (ii) to pay the costs of issuance of the Bonds.

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<sup>1</sup> preliminary, subject to change

# FLEISHMAN ♦ DANIELS LAW OFFICES

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The Bonds are issued in fully registered 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 principal amount of each maturity. Purchases of the Bonds will be made in book-entry only form, without certificates, in principal denominations of \$1,000 with a minimum purchase of \$5,000 required. 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 Township as Paying Agent (or a duly appointed Paying Agent) directly to Cede & Co., as nominee for DTC. Disbursal of such payments to the DTC participants is the responsibility of DTC and disbursal of such payments to the beneficial owners of the Bonds is the responsibility of the DTC participants.

The Bonds are dated and shall bear interest from their date of delivery, which interest shall be payable semiannually on the fifteenth day of June and December (each an "Interest Payment Date"), commencing June 15, 2020, in each year until maturity. The Bonds shall mature on June 15 in each of the years, in the principal amounts and at the interest rates as follows:

<u>Year</u> <u>September 1<sup>st</sup></u>	<u>General</u> <u>Improvement</u> <u>Bonds</u>	<u>Interest</u> <u>Rates</u>
2020	\$375,000	
2021	\$375,000	
2022	\$400,000	
2023	\$450,000	
2024	\$700,000	
2025	\$700,000	
2026	\$740,000	
2027	\$750,000	
2028	\$750,000	
2029	\$750,000	

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

We have examined such matters of law, certified copies of the Local Proceedings, including all authorization proceedings for the Bonds, and other documents and proofs relative to the issuance and sale of the Bonds as we have deemed necessary or appropriate for the purposes of the opinions 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

# FLEISHMAN ♦ DANIELS LAW OFFICES

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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) the Local Proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the New Jersey Statutes, (ii) the Bonds have been duly authorized, executed and delivered and constitute valid and legally binding obligations of the Township enforceable in accordance with their terms, and (iii) the Township has pledged its 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 Township 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"), sets forth 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 the interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements could cause 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. On the date hereof, the Township has covenanted in its Arbitrage and Tax Certificate (the "Tax Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to the Code. In the event the Township continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Township in the Tax Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code.

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 is not includable in gross income under the New Jersey Gross Income Tax Act, 1976 N.J. Laws c. 47, as enacted and construed on the date hereof.

Except as stated in the preceding two (2) paragraphs, we express no opinion as to any federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local 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.

For purposes of this Opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization,

# FLEISHMAN ♦ DANIELS LAW OFFICES

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moratorium or similar laws or equitable principles now or hereafter enacted by any state or by the federal government relating to the enforcement of creditors' rights generally, and the phase "enforceable in accordance with their respective terms" shall not mean that specific performance would be available as a remedy in every situation (regardless of whether enforcement is considered in proceedings at law or in equity).

The opinions expressed above are being rendered on the basis of federal law and the laws of the State of New Jersey as presently enacted and construed, and we assume no responsibility to advise any party as to changes in fact or law subsequent to the date hereof that may affect the opinions expressed above.

This Opinion is rendered as of the date hereof and we express no opinion as to any matters not set forth above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy, or completeness of, the Preliminary Official Statement or the Official Statement prepared in respect of the Bonds, including the appendices thereto, and make no representation that we have independently verified the contents thereof.

FLEISHMAN ♦ DANIELS LAW OFFICES, LLC

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**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate ("**Disclosure Certificate**") is executed and delivered as of this \_\_\_ day of June, 2019, by the Township of Egg Harbor, County of Atlantic, New Jersey (the "**Township**") pursuant to Resolution No. 207-2019, entitled "RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$5,990,000 GENERAL OBLIGATION BONDS, SERIES 2019, OF THE TOWNSHIP OF EGG HARBOR, IN THE COUNTY OF ATLANTIC, NEW JERSEY AND PROVIDING FOR THEIR SALE", adopted on May 1, 2019, (the "**Bond Resolution**"); Bond Ordinance No. 18-2018, finally adopted on May 2, 2018; and Bond Ordinance No. 11-2019, finally adopted on May 1, 2019, in connection with the issuance and sale by the Issuer of \$5,990,000<sup>1</sup> aggregate principal amount General Obligation Bonds, Series 2019 (the "**Bonds**").

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

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

"**Annual Report**" shall mean any Annual Report provided by the Township 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.

"**Bondholder**" or "**Holder**" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond, including holders of beneficial interests in the Bonds.

"**Continuing Disclosure Information**" shall mean, collectively, (i) each Annual Report, (ii) any notice required to be filed by the Township with EMMA (as defined herein) pursuant to Section 3 of this Disclosure Certificate, and (iii) any notice of a Listed Event required to be filed by the Township with EMMA pursuant to Section 5 of this Disclosure Certificate.

"**Disclosure Representative**" shall mean the Chief Financial Officer of the Township or her designee, or such other person as the Township shall designate in writing from time to

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<sup>1</sup> Preliminary, Subject to change

time for the purposes of this Disclosure Certificate.

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

**“EMMA”** shall mean the Electronic Municipal Market Access system, an internet based filing system created and maintained by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The Township 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).

**“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.

**“Rule”** shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (“SEC”) 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”** shall mean the original underwriter 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 Township shall provide or cause to be provided to the Dissemination Agent not later than September 15 of each year, commencing September 15, 2020 (for the calendar year ending December 31, 2019), until termination of the Township's reporting obligations under this Disclosure Certificate pursuant to the provisions of Section 6 hereof, the Annual Report prepared for the preceding fiscal year of the Township. Each Annual Report provided to the Dissemination Agent by the Township 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 as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Township may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the Township are not available by such date, the Township shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the Township, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the Township.

(b) Not later than September 30 of each year (commencing September 30, 2020), the Dissemination Agent shall file with EMMA a copy of the Annual Report pursuant to subsection (a) hereof.

(c) If the Township does not provide or is unable to provide an Annual Report by the applicable date required in subsection (a) above, such that the Dissemination Agent cannot file the Annual Report with EMMA in accordance with subsection (b) above, the Dissemination Agent shall send a notice of such event to EMMA in substantially the form attached hereto as Exhibit A, with copies to the Township (if the Dissemination Agent is not the Township).

(d) Each year the Dissemination Agent shall file a report with the Township (if the Dissemination Agent is not the Township), certifying that the Annual Report has been provided to EMMA pursuant to this Disclosure Certificate, stating the date it was provided.

(e) If the fiscal year of the Township changes, the Township shall give written notice of such change to the Dissemination Agent and the Dissemination Agent shall, within five (5) business days after the receipt thereof from the Township, forward a notice of such change to EMMA in the manner provided in Section 5(e) hereof.

**SECTION 4. Content of Annual Reports.** The Township's Annual Report shall contain or incorporate by reference the following:

(1) The audited financial statements of the Township (as of December 31 of each year).

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) Certain financial information and operating data of the Township consisting of: (a) Township indebtedness; (b) the Township's most current adopted budget; (c) property valuation information; and (d) 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 Township is an "Obligated Person" (as defined by the Rule), which have been filed with EMMA or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Township 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. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
7. Modifications to the 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 Township;
13. The consummation of a merger, consolidation, or acquisition involving the Township or the sale of all or substantially all of the assets of the Township, 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<sup>2</sup> of the Township, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Township, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the Township, if any such event reflects financial difficulties.

The Township 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 in accordance with the provisions of Section 5 of this Disclosure Certificate. In determining the materiality of any of the Listed Events specified in subsection (a) of this Section 5, the Township may, but shall not be required to, rely conclusively on an opinion of counsel.

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

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

(e) If the Dissemination Agent has been instructed in writing by the Township to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with EMMA, with a copy to the Township (if the Dissemination Agent is not the Township). 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 Bond Resolution.

**SECTION 6. Termination of Reporting Obligation.** The Township's obligations under

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<sup>2</sup> The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

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

**SECTION 7. Dissemination Agent; Compensation.** The Township 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 Township 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. [Intentionally Omitted]**

**SECTION 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the Township 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 Township 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 Township or "Obligated Person," or by approving vote of the Beneficial Owners of the Bonds, as applicable pursuant to the terms of the Bond Resolution at the time of the amendment. The Township 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 hereof. 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 Township 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 Township. 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 hereof, 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 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the Township 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 Township 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 Township 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 11. Default.** In the event of a failure of the Township to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner of the Bonds may, at the Bondholder's or Beneficial Owner's cost and expense, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Township 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 Township to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 12. 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 Township agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the Township) 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 negligence or willful misconduct. To the extent permitted by law, the Township 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 Township under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 13. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the Township, the Dissemination Agent, the Underwriter and the Beneficial Owners of the Bonds, including Bondholders, and shall create no rights in any other person or entity.

**SECTION 14. 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 Township:

Township of Egg Harbor  
Egg Harbor Township Municipal Complex  
3515 Bargaintown Road  
Egg Harbor Township, New Jersey 08234  
Attn: Jennifer McIver, Chief Financial Officer  
Telecopy No.: (609) 926-2657  
Email: JMclver@ehtgov.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  
Attn: Anthony Inverso  
Telecopy No.: (609) 291-9940  
Email: ainverso@muniadvisors.com

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 15. Counterparts.** This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the Township 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 16. Severability.** If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the Township 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 17. 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.

IN WITNESS WHEREOF, THE TOWNSHIP OF EGG HARBOR, COUNTY OF ATLANTIC, has caused this Disclosure Certificate to be executed on its behalf by the Mayor and Chief Financial Officer and its corporate seal to be hereunto affixed, attested by the Township Clerk, all as of the day and year first above written.

**[SEAL]**  
Attest:

TOWNSHIP OF EGG HARBOR  
ATLANTIC COUNTY, NEW JERSEY

\_\_\_\_\_  
Eileen M. Tedesco, RMC  
Township Clerk

By: \_\_\_\_\_  
Paul W. Hodson, Mayor

By: \_\_\_\_\_  
Jennifer McIver  
Chief Financial Officer

**EXHIBIT "A"**

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

Name of Issuer: Township of Egg Harbor, County of Atlantic, New Jersey

Name of Bond Issue: \$\_\_\_\_\_ General Obligation Bonds, Series 2019

CUSIP No. 282305

Date of Issuance: June \_\_\_, 2019

NOTICE IS HEREBY GIVEN that the above designated Township has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate for the Bonds dated as of June \_\_\_, 2019 executed by the Township.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Dissemination Agent  
(on behalf of the Township)

cc: Township of Egg Harbor