

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 31, 2025**

**NEW ISSUE**

**SERIAL BONDS**

**Rating: S&P Global: “AA”  
(See “RATING” herein)**

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the City (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. Based upon existing law, 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. See “TAX MATTERS” herein.*

**CITY OF SEA ISLE CITY,  
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

**\$21,000,000\*  
GENERAL IMPROVEMENT BONDS, SERIES 2025  
(Book-Entry-Only) (Callable)**

**Dated Date: Date of Delivery**

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

The \$21,000,000\* General Improvement Bonds, Series 2025 (the “Bonds”), of the City of Sea Isle City, in the County of Cape May, New Jersey (the “City”), will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York (“DTC”), which will act as the securities depository. See “THE BONDS – Book-Entry-Only System” herein.

Proceeds from the sale and issuance of the Bonds, along with available funds of the City, will be used to: (i) currently refund a portion of the City’s \$40,500,000 Bond Anticipation Note, dated and issued on October 22, 2024 and maturing on October 21, 2025; and (ii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

Interest on the Bonds will be payable semiannually on the fifteenth day of February and August in each year until maturity or prior redemption, commencing February 15, 2026. The principal of and the interest due on the Bonds will be paid to DTC by the City or its designated paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are subject to optional redemption prior to their stated maturities. See “THE BONDS – Redemption” herein.

The Bonds are valid and legally binding obligations of the City and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the City for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

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

*The Bonds will be offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the City in connection with the issuance of the Bonds. Delivery is anticipated to be via DTC in Brooklyn, New York, on or about August 19, 2025.*

**BID PROPOSALS WILL BE ACCEPTED ONLY BY ELECTRONIC SUBMISSION VIA PARITY ELECTRONIC  
BID SYSTEM ON AUGUST 7, 2025 UNTIL 11:00 A.M. FOR MORE DETAILS ON HOW  
TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED AT [WWW.MUNIHUB.COM](http://WWW.MUNIHUB.COM).**

\* Preliminary, subject to change.

**CITY OF SEA ISLE CITY,  
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

**\$21,000,000\* GENERAL IMPROVEMENT BONDS, SERIES 2025**

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

<b><u>Year</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP Number</u>**</b>
2026	\$945,000	%	%	
2027	1,050,000			
2028	1,155,000			
2029	1,155,000			
2030	1,260,000			
2031	1,260,000			
2032	1,365,000			
2033	1,365,000			
2034	1,470,000			
2035	1,470,000			
2036	1,575,000			
2037	1,575,000			
2038	1,680,000			
2039	1,785,000			
2040	1,890,000			

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\* Preliminary, subject to change.

\*\* Registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds, and the City does not make any 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 various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

**CITY OF SEA ISLE CITY,  
IN THE COUNTY OF CAPE MAY, NEW JERSEY**

**Mayor**

Leonard C. Desiderio

**CITY COUNCIL**

Mary Tighe, Council President  
Ian Ciseck  
Frank P. Edwardi  
Michael A. Jargowsky  
William J. Kehner

**CITY ADMINISTRATOR**

George Savastano

**CHIEF FINANCIAL OFFICER**

Jennifer McIver

**MUNICIPAL CLERK**

Shannon Romano

**CITY ATTORNEY**

Paul J. Baldini, Esq.  
Wildwood, New Jersey

**AUDITOR**

Ford, Scott and Associates LLC  
Ocean City, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors,  
a division of First Security Municipal Advisors, Inc.  
Hamilton, New Jersey

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

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

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

THE 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 THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy or completeness thereof and, accordingly, expresses no opinion with respect thereto.

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**OFFICIAL STATEMENT**  
**Relating to the**  
**CITY OF SEA ISLE CITY,**  
**IN THE COUNTY OF CAPE MAY, NEW JERSEY**  
**\$21,000,000\* GENERAL IMPROVEMENT BONDS, SERIES 2025**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the City of Sea Isle City (the “City”), in the County of Cape May (the “County”), New Jersey (the “State”), in connection with the sale and issuance of \$21,000,000\* General Improvement Bonds, Series 2025 (the “Bonds”). This Official Statement has been executed by and on behalf of the City by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

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

**THE BONDS**

**General Description**

The Bonds shall be dated their date of issuance and will mature on August 15 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date, payable semiannually on each February 15 and August 15 (each, an “Interest Payment Date”), commencing February 15, 2026, in each year until maturity or prior redemption, at the interest rates shown on the inside front cover page hereof. Interest on the Bonds shall be computed on a 30-day month/360-day year basis.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry-only form in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries made on the books and records of The Depository Trust Company, Brooklyn, New York (“DTC”), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the City directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the “Record Dates” for the payment of interest on the Bonds). See “Book-Entry-Only System” herein.

**Redemption**

The Bonds maturing prior to August 15, 2033 are not subject to redemption prior to their stated maturities. The Bonds maturing on or after August 15, 2033 are redeemable at the option of the City, in whole or in part, on any date on or after August 15, 2032 upon notice as required herein at par, plus in each case unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to

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\* Preliminary, subject to change.

the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed bond registrar. Any failure of the securities depository to advise any of its Participants or any failure of any Participant to notify any Beneficial Owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the City determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the City. The Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the City shall send redemption notices only to Cede & Co.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with unpaid accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption. Payment shall be made upon surrender of the Bonds redeemed.

### **Book-Entry-Only System**

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each year of maturity of the Bonds, in the aggregate principal amount of each 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" and, together with the Direct Participants, the "DTC 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 the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial

Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or its paying agent, if any, as soon as possible after the applicable 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 applicable record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, if applicable, and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or paying agent, on payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if applicable, and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or its 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 information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City does not take any responsibility for the accuracy thereof.

THE CITY AS PAYING AGENT WILL NOT 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 FOR DTC, REFERENCES HEREIN TO THE HOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS “TAX MATTERS” AND “SECONDARY MARKET DISCLOSURE”) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

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

If the City, 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 City will attempt to locate another qualified securities depository. If the City fails to find such a securities depository, or if the City determines, in its sole discretion, that it is in the best interest of the City or that the interests of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the City undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the City shall notify DTC of the termination of the book-entry-only system.

### **SECURITY AND SOURCE OF PAYMENT**

The Bonds are valid and legally binding obligations of the City, and the City has pledged its full faith and credit for the payment of the principal of and the interest on the Bonds. The City is required by law to levy *ad valorem* taxes upon all the taxable property within the City for the payment of the principal of and the interest due on the Bonds without limitation as to rate or amount.

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

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the State Statutes, as amended) (the “Local Bond Law”), the bond ordinances adopted by the City Council referred to in the chart below and by a resolution duly adopted by the City Council on June 24, 2025 (the “Resolution”).

Proceeds from the sale and issuance of the Bonds will be used to: (i) currently refund a portion of the City’s \$37,800,000 General Improvement Bond Anticipation Note, dated and issued on October 22, 2024 and maturing on October 21, 2025 (the “Prior Notes”); and (ii) provide funds for the costs incurred in connection with the authorization, sale and issuance of the Bonds.

<b>Bond Ordinance Number</b>	<b>Description of Improvement and Date of Adoption of Bond Ordinance</b>	<b>Amount Funded from Bond Proceeds</b>
1634	Various capital improvements, finally adopted July 23, 2019.	\$1,020,000
1652	Various capital improvements, finally adopted May 12, 2020.	5,080,000
1675	Various capital improvements, finally adopted September 28, 2021.	2,660,000
1676	Construction of a community center, finally adopted February 8, 2022.	8,000,000

<b>Bond Ordinance Number</b>	<b>Description of Improvement and Date of Adoption of Bond Ordinance</b>	<b>Amount Funded from Bond Proceeds</b>
1688	Various capital improvements, finally adopted August 9, 2022.	<u>4,240,000</u>
	<b>Total:</b>	<b>\$21,000,000</b>

## **MARKET PROTECTION**

In addition to the Bonds, the City will be issuing Bond Anticipation Notes in October, 2025 to currently refund the remainder of the Prior Notes and to temporarily finance various capital improvements.

## **CERTAIN RISK FACTORS**

### **Recent Healthcare Developments**

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, the President of the United States declared a national public health emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State declared a state of emergency and a public health emergency on March 9, 2020. In response to the COVID-19 pandemic, federal and State legislation and executive orders were implemented to, among other things, provide relief to state and local governments, including the American Rescue Plan Act of 2021 (the "Plan"). The pandemic and certain mitigation measures, which altered the behavior of businesses and people, have had and may continue to have negative impacts on regional, State and local economies. The national public health emergency and the State public health emergency have since ended, while the state of emergency declared by the State and several executive orders signed by the Governor remain to manage COVID-19 on an endemic level.

To date, the overall finances and operations of the City have not been materially adversely affected by the COVID-19 pandemic. Nonetheless, there can be no assurance regarding the extent to which the COVID-19 pandemic, or any other national health crisis or pandemic, may impact the national, State or local economies in the future, nor how any such event may materially adversely impact municipalities, including the City. The City cannot quantify any such impacts at this time.

The Plan, signed into law on March 12, 2021, provided \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic. The City has received \$212,372.50 from the Plan. The deadline to obligate the funds was December 31, 2024, and such funds can only be spent on certain allowable uses as set forth in the Plan.

### **Cyber Security**

The City relies upon a large and complex technology environment to conduct its various operations. As a result, the City faces certain cybersecurity threats at various times, including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyberattacks, the City has invested in multiple forms of cybersecurity and operational safeguards. In addition, the City maintains certain insurance coverage for cyberattacks and related events. However, there can be no assurance that any existing safety or security measures will provide adequate protection in safeguarding against cybersecurity threats and attacks. Cybersecurity breaches of the City could cause material disruption of the City's finances and operations.

## Climate

The State is naturally susceptible to the effects of extreme weather events and natural disasters, including floods and hurricanes, which could result in negative economic impacts on communities. Such effects can be exacerbated by a longer-term shift in the climate over several decades (commonly referred to as "climate change"), including increasing global temperatures and rising sea levels. The occurrence of such extreme weather events could damage local infrastructure that provides essential services to the City as well as resulting in economic impacts such as loss of *ad valorem* tax revenue, interruption of municipal services and escalated recovery costs. The City has an Office of Emergency Management and also engages with the County Office of Emergency Management to plan for and respond to emergencies, including weather-related emergencies. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the City.

## MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

### 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. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the City are general full faith and credit obligations.

The authorized bonded indebtedness of the City 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. The average for the last three years of the equalized value of all taxable property and improvements and certain Class II railroad property within the boundaries of City, as annually determined by the State Director of Taxation, is included in Appendix “A”.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

As shown in Appendix “A”, the City has not exceeded its statutory debt limit. As noted above, the statutory limit is 3½%.

The City 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 City 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 City or substantially reduce the ability of the City to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the City 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).

The City 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 a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the bond ordinance creating such capital expenditure, as it may be amended and supplemented. A

local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the bond anticipation notes' maturity to the end of the tenth fiscal year in which the bond anticipation notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of bond anticipation notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the State local finance system is the annual cash basis budget. Every local unit 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.

The local unit is authorized to issue "emergency notes" and "special emergency notes" pursuant to the Local Budget Law.

"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 or her 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, drainage map preparation for flood control purposes and contractually required severance liabilities, 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.

Under legislation recently enacted to address the COVID-19 pandemic, P.L. 2020, c. 60 (A4175), a municipality may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director of the Division of Local Government Services and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten years. The Director may also promulgate guidelines modifying the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Emergency Management Agency Community Disaster Loan for which it executed a promissory note in 2013.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the fiscal year. Appropriation reserves may also be transferred during the first three months of the fiscal year to the previous year’s budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a “CAP” budget, no transfers may be made from excluded from “CAP” appropriations to within “CAP” appropriations nor can transfers be made between excluded from “CAP” appropriations.

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 year’s tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010, limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

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

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.

Upon the filing of certified adopted budgets by the City's local school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the 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 the State for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in July or following the adoption of the State budget, at which time State aid is certified by the City'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 due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax.

By State statute, 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 amount in excess of \$1,500.00, and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. These interest rates and penalties are the highest permitted under State statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State statutes.

### **Tax Appeals**

State statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the City 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 Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

### **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's 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 unit's financial procedures and must be filed with the Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2024 for the City is on file with the Municipal Clerk and is available for review during business hours.

## **TAX MATTERS**

### **Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes**

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 City 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 City 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 City 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. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the City 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 City observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC, Bond Counsel to the City, 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 alternative minimum tax; however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

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.

### **Bank-Qualification**

The Bonds **will not** be designated as qualified under Section 265 of the Code by the City for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

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



## **Additional Federal Income Tax Consequences 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. 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, 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.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL DECISIONS 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 REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

## **LITIGATION**

To the knowledge of the City Attorney, Paul J. Baldini, Esq., Wildwood, New Jersey (the “City 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 or 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 City or the title of any of the present officers. To the knowledge of the City Attorney, no litigation is presently pending or threatened that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided.

## SECONDARY MARKET DISCLOSURE

Solely for the purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the “Rule”), and provided that the Bonds are not exempt from the Rule and provided that the Bonds are not exempt from the following requirements in accordance with paragraph (d) of the Rule, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the City shall provide for the benefit of the holders of the Bonds and the beneficial owners thereof:

(a) On or prior to September 30 of each fiscal year, beginning September 30, 2025, electronically to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the City consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the City and certain financial information and operating data, consisting of (i) City and overlapping indebtedness; (ii) property valuation information; and (iii) tax rate, levy and collection data. The audited financial statements will be prepared in accordance with modified cash accounting as mandated by the State statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by State law.

(b) If any of the following events occur regarding the Bonds, a timely notice not in excess of ten business days after the occurrence of the event sent to EMMA:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the City, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the City, if any such event reflects financial difficulties.

The term “Financial Obligation” as used in subparagraphs (b)(15) and (b)(16) above 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); provided, however, that 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 the Rule.

(c) Notice of failure of the City to provide required annual financial information on or before the date specified in the Resolution shall be sent in a timely manner to EMMA.

If all or any part of the Rule ceases to be in effect or is not in effect for any reason, then the information required to be provided under the Resolution, insofar as the provisions of the Rule not or no longer in effect required the provision of such information, shall not or no longer be required to be provided.

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the City prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that the City fails to comply with the Rule requirements or the written contracts or undertakings specified in the Resolution, the City shall not be liable for monetary damages, remedy being specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

The City has previously entered into secondary market disclosure undertakings in accordance with the Rule. The City appointed Phoenix Advisors, Hamilton, New Jersey, to serve as continuing disclosure agent to assist in the filing of certain information on EMMA as required under its prior secondary market disclosure undertakings.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the City should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 et seq., as amended by Public Law 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 said 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.

## **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Bond Counsel, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix “C”. Certain legal matters will be passed on for the City by the City Attorney.

## **MUNICIPAL ADVISOR**

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, has served as Municipal Advisor to the City in connection with the issuance of the Bonds (the “Municipal Advisor”) and has assisted in matters related to the planning, structuring and terms of the Bonds. 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 Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **UNDERWRITING**

The Bonds have been purchased from the City at a public sale by \_\_\_\_\_ (the "Underwriter") at a price of \$ \_\_\_\_\_ (consisting of the par amount of the Bonds, plus [net] original issue premium in the amount of \$ \_\_\_\_\_, less Underwriter's discount in the amount of \$ \_\_\_\_\_). The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the inside front cover page of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

## **RATING**

S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (the “Rating Agency”), has assigned a rating of “AA” to the Bonds based upon the creditworthiness of the City.

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

## **FINANCIAL STATEMENTS**

The audited financial statements of the City, as of and for the year ended December 31, 2024, included in Appendix B to this Official Statement, have been audited by Ford, Scott and Associates LLC, Ocean City, New Jersey, independent auditors (the "Auditor"), as stated in their report appearing herein.

## **PREPARATION OF OFFICIAL STATEMENT**

The City 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 a certificate signed by the Mayor and the Chief Financial Officer of the City that, to their 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.

The Auditor takes responsibility for the financial statements presented in Appendix “B” to the extent specified in its Independent Auditors’ Report and has not participated in the preparation of this Official Statement.

The Municipal Advisor has participated in the preparation and review of the information contained in this Official Statement, including the collection of financial, statistical and demographic information; however, it has not verified the accuracy, completeness or fairness thereof, and, accordingly, expresses no opinion or other assurance with respect thereto. Certain information set forth herein has been obtained from the City and other sources, which are deemed reliable, but no warranty, guaranty or other representation as to the accuracy or completeness is made as to such information contained herein. There is no assurance that any of the assumptions or estimates contained herein will be realized.

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

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

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Jennifer McIver, Chief Financial Officer, City of Sea Isle City, 233 JFK Boulevard, Sea Isle City, New Jersey 08243, (609) 263-4461, or to the Municipal Advisor, Phoenix Advisors at 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, (609) 291-0130.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement among the City, the Underwriter and the 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 the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the City since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

**CITY OF SEA ISLE CITY, IN THE COUNTY OF  
CAPE MAY, NEW JERSEY**

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

Dated: August \_\_, 2025

**APPENDIX A**

**CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION  
ABOUT THE CITY OF SEA ISLE CITY**

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

The following material presents certain economic and demographic information of the City of Sea Isle (the “City”), in the County of Cape May (the “County”), State of New Jersey (the “State”).

### **General Information**

The City was duly incorporated in 1907. The City is located on the Atlantic Ocean and is approximately twenty-five miles south of Atlantic City and seventy miles from Philadelphia. There are a total of 1,470 acres or 2.35 square miles within the City. Approximately 592 acres of the total area consists of marshlands and water area. The remaining land area, 878 acres, is livable area, and consists mostly of residential properties.

The Garden State Parkway, a major north-south artery that provides easy access to the Atlantic City Expressway and the New Jersey Turnpike, can be reached directly from the City’s main thoroughfare, JFK Boulevard. The close proximity of the City to the Garden State Parkway allows for convenient travel to and from Atlantic City, Philadelphia and New York City.

The City’s location along the Atlantic coastline has allowed the City to prosper as a resort community. The Sea Isle City Tourism Commission, appointed by the Mayor and operating under the guidelines established by State Statute, promotes the City’s beaches, ocean front promenade and other attractions throughout the year in an effort to draw visitors to the City year round. The City’s Department of Community Services/Division of Tourism, Beach Tag and Public Relations Offices are located within the Welcome Center, at 300 JFK Boulevard, near the base of the Sea Isle Bridge.

The construction of the City’s new Municipal Building was completed in 2015. The new Municipal Building opened for service in September of 2015. It is located at 233 JFK Boulevard and combines public safety and municipal services into one central location.

### **Form of Government**

As a result of the approval of a binding referendum in November of 2006, the City changed its form of government from a Commission form to a strong Mayor and Council form. The City Council consists of five members who are elected for staggered four-year terms. The Mayor is elected at large for a term of four years.

### **Education**

Education is provided for all City resident students, grades kindergarten through twelve, as governed by the Sea Isle City Board of Education (the “Board”). As of June 30th, 2012, the Sea Isle City Elementary School officially closed. All Students are currently sent, on a tuition basis, to Ocean City School District.

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



The Board operates independently of the City government. It is a Type II School District, with its members being elected by vote of the citizens for staggered three-year terms.

The Board adopts its own budget. Residents of the City only vote upon the amount to be raised by taxation for current expenses and capital outlay for budgets exceeding the State CAP.

The County offers a vocational school to all students who desire to attend, and the county government pays partial tuition for students who attend out-of-county community colleges. In addition, the county governments of Atlantic and Cape May, with State approval, created the Atlantic Cape Community College (ACCC) in 1999. In August of 2005, the Cape May County Campus of ACCC opened in Cape May Court House to service students in County.

### **Pension and Retirement Systems**

Substantially all eligible employees participate in the Public Employees' Retirement System, the Police and Firemen's Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the New Jersey Division of Pensions and Benefits (the "Division"). Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

The Public Employees' Retirement System ("PERS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. 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 or other State pension fund or local jurisdiction's pension fund.

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

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered,

defined contribution retirement benefit, along with life insurance coverage and disability coverage.

### **Employment and Unemployment Comparisons**

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

	<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>City</u></b>				
2024	792	745	47	5.9%
2023	790	745	45	5.7%
2022	782	742	40	5.1%
2021	777	708	69	8.9%
2020	739	653	86	11.6%
<b><u>County</u></b>				
2024	45,403	41,787	3,616	8.0%
2023	45,309	41,745	3,564	7.9%
2022	44,892	41,701	3,191	7.1%
2021	44,379	39,976	4,403	9.9%
2020	43,358	37,045	6,313	14.6%
<b><u>State</u></b>				
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%
2020	4,643,700	4,204,301	439,399	9.5%

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

### **Income (as of 2023)**

	<b><u>City</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$98,860	\$88,046	\$101,050
Median Family Income	122,000	106,504	123,892
Per Capita Income	84,171	54,325	53,118

Source: US Bureau of the Census

## **Population**

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

<b><u>Year</u></b>	<b><u>City</u></b>		<b><u>County</u></b>		<b><u>State</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>
2024 est.	2,122	0.86%	93,875	-1.46%	9,500,851	2.28%
2020	2,104	-0.47	95,263	-2.06	9,288,994	5.65
2010	2,114	-25.43	97,265	-4.95	8,791,894	4.49
2000	2,835	5.31	102,326	7.61	8,414,350	8.85
1990	2,692	1.82	95,089	15.59	7,730,188	4.96

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

## **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2024 Assessed Valuation</u></b>	<b><u>% of Total Assessed Valuation</u></b>
Taxpayer #1	\$7,976,500	0.16%
8600 Landis, LLC	7,642,200	0.16%
147 87th LLC	6,933,900	0.14%
CLD SIC LLC	5,419,400	0.11%
42nd Place	4,994,900	0.10%
Taxpayer #2	4,844,400	0.10%
Yacht Club of SIC	4,231,100	0.09%
8515 Landis Ave LLC	3,956,900	0.08%
Taxpayer #3	3,721,100	0.08%
Taxpayer #4	3,526,400	<u>0.07%</u>
<b>Total</b>	<b><u>\$53,246,800</u></b>	<b><u>1.08%</u></b>

Source: Comprehensive Annual Financial Report of the School District and 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>
2024	\$44,928,787	\$44,433,242	98.90%
2023	42,306,568	41,785,526	98.77%
2022	39,338,373	38,894,587	98.87%
2021	36,941,432	36,565,866	98.98%
2020	34,880,347	34,532,785	99.00%

Source: Annual Audit Reports of the City

### **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>
2024	\$9,884	\$484,416	\$494,300	1.10%
2023	9,759	512,033	521,792	1.23%
2022	9,640	443,542	453,182	1.15%
2021	9,528	365,406	374,933	1.01%
2020	9,421	334,568	343,989	0.99%

Source: Annual Audit Reports of the City

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

<b><u>Year</u></b>	<b><u>Amount</u></b>
2024	\$23,372
2023	23,372
2022	23,372
2021	23,372
2020	23,372

Source: Annual Audit Reports of the City

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

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

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Local School</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
2025	\$0.445	N/A	N/A	N/A
2024	0.427	0.047	0.420	0.894
2023	0.383	0.048	0.421	0.852
2022	0.383	0.038	0.380	0.801
2021	0.383	0.039	0.342	0.764

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

## **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2024	\$4,986,564,300	\$9,279,055,266	53.74%	\$0	\$9,279,055,266
2023	4,923,770,500	9,162,207,853	53.74	0	9,162,207,853
2022	4,857,779,900	8,074,767,121	60.16	0	8,074,767,121
2021	4,778,871,800	6,485,982,356	73.68	0	6,485,982,356
2020	4,697,231,700	5,724,840,585	82.05	0	5,724,840,585

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

## **Classification of Ratables**

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

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2024	\$62,231,300	\$4,782,531,400	\$0	\$141,801,600	\$0	\$0	\$4,986,564,300
2023	67,265,900	4,716,209,400	0	140,295,200	0	0	4,923,770,500
2022	71,309,300	4,641,200,400	0	145,270,200	0	0	4,857,779,900
2021	78,219,900	4,549,352,500	0	151,299,400	0	0	4,778,871,800
2020	91,129,100	4,455,134,600	0	150,968,000	0	0	4,697,231,700

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

## **Financial Operations**

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

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

<b><u>Anticipated Revenues</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2025</u></b>
Fund Balance Utilized	\$3,500,000	\$3,840,000	\$4,720,000	\$3,315,000	\$3,650,000
Miscellaneous Revenues	4,734,432	3,950,198	4,591,357	5,220,015	6,175,436
Receipts from Delinquent Taxes	330,000	360,000	360,000	360,000	360,000
Amount to be Raised by Taxation	<u>18,276,240</u>	<u>18,589,262</u>	<u>18,828,634</u>	<u>21,258,278</u>	<u>22,405,808</u>
Total Revenue:	<u>\$26,840,672</u>	<u>\$26,739,460</u>	<u>\$28,499,991</u>	<u>\$30,153,292</u>	<u>\$32,591,244</u>

### **Appropriations**

General Appropriations	\$19,532,118	\$19,867,740	\$20,601,849	\$22,149,849	\$23,288,606
Operations (Excluded from CAPS)	106,423	105,189	680,088	211,161	166,022
Deferred Charges and Statutory Expenditures	0	0	0	0	15,145
Transferred to Board of Ed	0	0	0	0	0
Capital Improvement Fund	1,150,000	365,000	325,000	430,000	471,500
Municipal Debt Service	5,156,350	5,461,800	5,892,339	6,223,325	7,477,325
Reserve for Uncollected Taxes	<u>895,781</u>	<u>939,732</u>	<u>1,000,716</u>	<u>1,138,957</u>	<u>1,172,645</u>
Total Appropriations:	<u>\$26,840,672</u>	<u>\$26,739,460</u>	<u>\$28,499,991</u>	<u>\$30,153,292</u>	<u>\$32,591,244</u>

Source: Annual Adopted Budgets of the City

## **Fund Balance**

### **Current Fund**

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

<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>
2024	\$8,047,680	\$3,650,000
2023	7,473,632	3,315,000
2022	8,760,479	4,720,000
2021	8,140,064	3,840,000
2020	6,934,371	3,500,000

Source: Annual Audit Reports of the City

Water/Sewer Utility Operating Fund

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

<u>Year</u>	<u>Fund Balance-Water/Sewer Utility</u>	
	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2024	\$6,218,260	\$2,014,130
2023	5,862,067	2,007,867
2022	6,314,298	1,897,366
2021	5,518,877	925,740
2020	5,666,983	1,839,334

Source: Annual Audit Reports of the City

*[Remainder of Page Intentionally Left Blank]*

## **City Indebtedness as of December 31, 2024**

### **General Purpose Debt**

Serial Bonds	\$25,890,000
Bond Anticipation Notes	37,800,000
Bonds and Notes Authorized but Not Issued	13,345,145
Other Bonds, Notes and Loans	0
Total:	<u>\$77,035,145</u>

### **Local School District Debt**

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

### **Self-Liquidating Debt**

Serial Bonds	\$6,440,000
Bond Anticipation Notes	2,700,000
Bonds and Notes Authorized but Not Issued	4,955,000
Other Bonds, Notes and Loans	2,138,193
Total:	<u>\$16,233,193</u>

### **TOTAL GROSS DEBT**

**\$93,268,338**

Less: Statutory Deductions	
General Purpose Debt	\$0
Local School District Debt	0
Regional School District Debt	0
Self-Liquidating Debt	16,233,193
Total:	<u>\$16,233,193</u>

### **TOTAL NET DEBT**

**\$77,035,145**

Source: Annual Debt Statement of the City

*[Remainder of Page Intentionally Left Blank]*



**Overlapping Debt (as of December 31, 2024)<sup>2</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>City Percentage</u></b>	<b><u>City Share</u></b>
Local School District	\$0	100.00%	\$0
County Utilities Authority (2023)	83,412,181	9.66%	8,058,739
County	381,517,496	9.66%	<u>36,859,721</u>
Net Indirect Debt			\$44,918,460
Net Direct Debt			<u>77,035,145</u>
Total Net Direct and Indirect Debt			<b><u>\$121,953,605</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2022, 2023, 2024)	\$8,838,676,747
Permitted Debt Limitation (3 1/2%)	309,353,686
Less: Net Debt	<u>77,035,145</u>
Remaining Borrowing Power	<u><u>\$232,318,541</u></u>
Percentage of Net Debt to Average Equalized Valuation	0.872%
 Gross Debt Per Capita based on 2024 population of 2,122	 \$43,953
Net Debt Per Capita based on 2024 population of 2,122	\$36,303

Source: Annual Debt Statement of the City

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<sup>2</sup> City percentage of County debt is based on the City's share of total equalized valuation in the County.

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE CITY OF SEA ISLE CITY**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of City Council  
City of Sea Isle City  
County of Cape May, New Jersey

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

#### ***Opinions***

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Sea Isle City, as of December 31, 2024 and 2023, 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, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***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 City of Sea Isle City as of December 31, 2024 and 2023, or changes in financial position for the years then ended.

#### ***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2024 and 2023, 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, 2024 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Sea Isle City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 City of Sea Isle City 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.

### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sea Isle City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 City of Sea Isle City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the City of Sea Isle City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sea Isle City's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2025, on our consideration of the City of Sea Isle City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sea Isle City's internal control over financial reporting and compliance.

***Ford, Scott & Associates, L.L.C.***  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

***Leon P. Costello***  
**Leon P. Costello**  
**Certified Public Accountant**  
**Registered Municipal Accountant**  
**No. 393**

**April 11, 2025**

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

	<u>2024</u>	<u>2023</u>
<b><u>ASSETS</u></b>		
Regular Fund:		
Cash:		
Cash Treasurer	\$ 13,056,759.45	11,917,698.85
Cash - Change	625.00	555.00
Total Cash	<u>13,057,384.45</u>	<u>11,918,253.85</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	484,415.67	512,032.93
Tax Title and Other Liens	9,884.20	9,759.03
Property Acquired for Taxes - at Assessed Valuation	23,372.00	23,372.00
Revenue Accounts Receivable	11,476.78	3,045.14
Interfund Receivable:		
Animal Control Fund	164.00	235.80
Tourism Fund - Tourism Fees	-	50.00
Total Receivables and Other Assets	<u>529,312.65</u>	<u>548,494.90</u>
Total Regular Fund	<u>13,586,697.10</u>	<u>12,466,748.75</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	1,510,250.00	10,000.00
Due from Current Fund	555,986.25	288,252.57
Total Federal and State Grant Fund	<u>2,066,236.25</u>	<u>298,252.57</u>
Total Current Fund	<u>\$ 15,652,933.35</u>	<u>12,765,001.32</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

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

	<u>2024</u>	<u>2023</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,739,798.83	1,660,677.09
Reserve for Encumbrances	769,686.48	599,351.58
Accounts Payable	40,960.68	51,018.85
Prepaid Taxes	1,098,815.31	997,758.97
Overpaid Taxes	-	1,055.66
Local School Tax Payable	265,128.00	265,128.00
County Added Tax Payable	164,371.77	175,209.23
Due to Tourism Commission Trust	100.00	-
Due to State:		
Marriage Licenses	125.00	125.00
Senior Citizens' & Veterans's Ded	10,555.80	11,305.80
Interfund Payable:		
Federal and State Grant Fund	555,986.25	288,252.57
Other		
Reserve for Revaluation - Prior	114,454.33	114,454.33
Municipal Property Tax Relief	-	30,562.52
Other Liabilities	176.00	176.00
Reserve for Insurance Claims	249,546.33	249,546.33
	<u>5,009,704.78</u>	<u>4,444,621.93</u>
Reserve for Receivables and Other Assets	529,312.65	548,494.90
Fund Balance	<u>8,047,679.67</u>	<u>7,473,631.92</u>
Total Regular Fund	<u>13,586,697.10</u>	<u>12,466,748.75</u>
Federal and State Grant Fund:		
Encumbrances Payable	0.75	15,476.00
Unappropriated Reserves	38,932.93	34,449.23
Appropriated Reserves	<u>2,027,302.57</u>	<u>248,327.34</u>
Total Federal and State Grant Fund	<u>2,066,236.25</u>	<u>298,252.57</u>
Total Current Fund	<u>\$ 15,652,933.35</u>	<u>12,765,001.32</u>

The Accompanying Notes to the Financial Statements are an  
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**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Fund Balance	\$ 3,315,000.00	4,720,000.00
Miscellaneous Revenue Anticipated	8,288,097.47	5,073,074.87
Receipts from Delinquent Taxes	512,032.93	443,542.07
Receipts from Current Taxes	44,433,241.99	41,785,526.12
Non Budget Revenue	65,961.48	101,285.14
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,733,763.38	2,027,449.48
Interfund Returned	285.80	-
Cancellation Prior Year Accounts Payable	11,863.66	13,461.62
Total Income	<u>58,360,246.71</u>	<u>54,164,339.30</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	11,329,698.50	10,750,810.00
Other Expenses	8,285,832.63	7,396,822.50
Deferred Charges & Statutory Expenditures	2,534,318.00	2,454,216.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	176,712.00	437,024.00
Capital Improvements	430,000.00	325,000.00
Debt Service	6,222,061.11	5,892,338.89
State and Federal Grants	2,036,449.42	282,288.01
Local District School Tax	2,357,758.00	2,357,758.00
County Tax	20,933,997.53	20,659,669.36
County Share of Added Tax	164,371.77	175,209.23
Interfund Created	-	50.00
Total Expenditures	<u>54,471,198.96</u>	<u>50,731,185.99</u>
Excess in Revenue	<u>3,889,047.75</u>	<u>3,433,153.31</u>

The Accompanying Notes to the Financial Statements are an  
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**CURRENT FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
Statutory Excess to Fund Balance	<u>3,889,047.75</u>	<u>3,433,153.31</u>
Fund Balance January 1	<u>7,473,631.92</u>	<u>8,760,478.61</u>
	11,362,679.67	12,193,631.92
Decreased by:		
Utilization as Anticipated Revenue	<u>3,315,000.00</u>	<u>4,720,000.00</u>
Fund Balance December 31	<u>\$ 8,047,679.67</u>	<u>7,473,631.92</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 3,315,000.00		3,315,000.00	-
Total Fund Balance Anticipated	3,315,000.00	-	3,315,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	15,000.00		17,861.72	2,861.72
Other	160,000.00		178,315.00	18,315.00
Fees and Permits	250,000.00		253,186.00	3,186.00
Fines and Costs:				
Municipal Court	170,000.00		287,335.99	117,335.99
Interest and Costs on Taxes	60,000.00		111,015.45	51,015.45
Interest Earned on Investments	95,000.00		520,522.19	425,522.19
Parking Meters	280,000.00		302,625.17	22,625.17
Beach Fees	1,750,000.00		1,807,030.00	57,030.00
Marina Slips Rentals	205,000.00		214,479.00	9,479.00
Local Franchise Fee - Cable and Beach Vendors	625,000.00		643,509.19	18,509.19
Telephone Call Tower Rental	340,000.00		383,075.95	43,075.95
Total Section A: Local Revenues	3,950,000.00	-	4,718,955.66	768,955.66
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	296,503.00		296,502.58	(0.42)
Municipal Relief Fund Act - Reserved	30,562.52		30,562.52	-
Total Section B: State Aid Without Offsetting Appropriations	327,065.52	-	327,065.10	(0.42)
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	425,000.00		533,771.00	108,771.00
Total Section C: Uniform Construction Code Fees	425,000.00	-	533,771.00	108,771.00

The Accompanying Notes to the Financial Statements are an  
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**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Clean Communities	32,477.69		32,477.69	-
Body Armor	1,971.73		1,971.73	-
Boardwalk Preservation Fund		1,997,000.00	1,997,000.00	-
Sustainable Jersey Grant		5,000.00	5,000.00	-
Total Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	34,449.42	2,002,000.00	2,036,449.42	-
Section G: Other Special Items				
Recreation Fees	30,000.00		54,790.87	24,790.87
Festival Income	30,000.00		56,625.00	26,625.00
Ambulance Fees	118,500.00		168,868.42	50,368.42
City of Ocean City - Construction Code Official	305,000.00		391,572.00	86,572.00
Total Section G: Other Special Items	483,500.00	-	671,856.29	188,356.29
Total Miscellaneous Revenues:	5,220,014.94	2,002,000.00	8,288,097.47	1,066,082.53
Receipts from Delinquent Taxes	360,000.00		512,032.93	152,032.93
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	21,258,277.55		22,116,071.63	857,794.08
Total Amount to be Raised by Taxes for Support of Municipal Budget	21,258,277.55	-	22,116,071.63	857,794.08
Budget Totals	30,153,292.49	2,002,000.00	34,231,202.03	2,075,909.54
Non- Budget Revenues:				
Other Non- Budget Revenues:	-	-	65,961.48	65,961.48
	30,153,292.49	2,002,000.00	34,297,163.51	2,141,871.02

The Accompanying Notes to the Financial Statements are an  
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**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	44,433,241.99
Less: Reserve for Tax Appeals Pending	<u>-</u>
Net Revenue from Collections	44,433,241.99
Allocated to:	
School, County and Other Taxes	<u>23,456,127.30</u>
Balance for Support of Municipal Budget Appropriations	20,977,114.69
Increased by:	
Appropriation "Reserved for Uncollected Taxes"	<u>1,138,956.94</u>
Amount for Support of Municipal Budget Appropriations	<u><u>22,116,071.63</u></u>

Receipts from Delinquent Taxes:

Delinquent Tax Collection	512,032.93
Tax Title Lien Collections	<u>-</u>
Total Receipts from Delinquent Taxes	<u><u>512,032.93</u></u>

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Bookkeeping/Liens	26.00
Div of Fire Safety	19,640.08
Motor Vehicle Inspection Fines	50.00
Other Miscellaneous	1,743.01
Police Extra Duty	11,050.96
Insurance Refund	2,254.85
Police Report Copy Fees	600.00
Refunds	21,730.61
Police Lost and Found	791.43
Court Restitution	300.00
County Snow Removal	5,824.17
Cancellation of Old Outstanding Checks	
Vets & SC Admin fee	425.52
Vital Statistics	1,524.85

Total Miscellaneous Revenue Not Anticipated:	<u><u>65,961.48</u></u>
--	-------------------------

Cash Received	65,961.48
Non-Cash Items	<u>-</u>
	<u><u>65,961.48</u></u>

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, 2024**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>DEPARTMENT OF ADMINISTRATION</b>					
General Administration					
Salaries and Wages	\$ 532,504.00	532,504.00	525,369.96		7,134.04
Other Expenses	254,505.00	294,505.00	251,641.56	40,092.76	2,770.68
Mayor					
Salaries and Wages	15,000.00	15,000.00	15,000.00		-
Other Expenses	1,700.00	1,700.00	1,623.28		76.72
City Council					
Salaries and Wages	45,000.00	45,000.00	45,000.00		-
Other Expenses	6,950.00	6,950.00	430.73		6,519.27
Municipal Clerk					
Salaries and Wages	191,581.00	191,581.00	177,651.67		13,929.33
Other Expenses	49,610.00	49,610.00	26,122.40	2,368.89	21,118.71
Elections					
Salaries and Wages	6,500.00	6,500.00	2,190.12		4,309.88
Other Expenses	15,600.00	15,600.00	(504.25)		16,104.25
Municipal Engineer					
Other Expenses	93,500.00	106,000.00	88,295.67	5,204.33	12,500.00
Fire Inspector					
Salaries and Wages	25,000.00	25,000.00	20,858.76		4,141.24
Other Expenses	4,300.00	4,300.00	182.00		4,118.00
Insurance					
Surety Bond Premiums	910.00	910.00			910.00
Reserve for Insurance	21,000.00	21,000.00			21,000.00
Other Expenses	24,480.00	24,480.00	18,280.39	2,659.50	3,540.11
General Liability	256,553.00	256,553.00	243,381.41	10,530.59	2,641.00
Workers Compensation Insurance	477,834.00	477,834.00	477,833.00		1.00
Employee Group Health	3,122,988.00	2,977,138.00	2,977,138.00		-
Health Benefits Waiver					
Salaries and Wages	48,000.00	48,000.00	45,444.04		2,555.96
<b>DEPARTMENT OF LAW</b>					
Legal Services and Costs					
Other Expenses	350,000.00	350,000.00	239,471.47	20,925.00	89,603.53
Municipal Prosecutor					
Other Expenses	22,500.00	22,500.00		22,500.00	-
Public Defender					
Other Expenses	4,500.00	4,500.00	4,500.00		-

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>DEPARTMENT OF FINANCE</b>						
Financial Administration						
Salaries and Wages	221,627.00	228,627.00	223,037.85		5,589.15	-
Other Expenses						
Postage	29,400.00	29,400.00	29,386.96		13.04	-
Audit Services	40,000.00	40,000.00	37,750.00		2,250.00	-
Miscellaneous Other Expenses	35,385.00	35,385.00	16,440.25	8,340.20	10,604.55	-
Collection of Taxes						
Salaries and Wages	89,400.00	82,400.00	78,781.16		3,618.84	-
Other Expenses	8,534.00	8,534.00	4,242.40	606.38	3,685.22	-
Liquidation of Tax Title Liens & Foreclosed Property						
Other Expenses	750.00	750.00			750.00	-
Assessment of Taxes						
Salaries and Wages	187,400.00	187,400.00	180,853.14		6,546.86	-
Other Expenses	17,000.00	17,000.00	11,305.46	868.32	4,826.22	-
Bathing Beaches						
Salaries and Wages	300,500.00	300,500.00	282,897.64		17,602.36	-
Other Expenses	47,600.00	55,950.00	26,519.86	29,350.00	80.14	-
Shade Tree Commission						
Other Expenses	1,000.00	1,000.00	1,000.00		-	-
Environmental Commission (NJS 40:56A-1, et seq.)						
Salaries and Wages	3,300.00	3,300.00	3,228.94		71.06	-
Other Expenses	4,000.00	4,000.00	4,000.00		-	-
<b>DEPARTMENT OF POLICE</b>						
Police						
Salaries and Wages	3,993,190.00	3,993,190.00	3,681,314.98		311,875.02	-
Other Expenses	273,263.00	273,263.00	156,084.16	111,655.01	5,523.83	-
Emergency Management Services						
Salaries and Wages	25,300.00	25,300.00	25,188.63		111.37	-
Other Expenses	2,600.00	2,600.00			2,600.00	-
Fire						
Salaries and Wages	-	-			-	-
Other Expenses	557,000.00	557,000.00	435,670.27	64,715.31	56,614.42	-
Emergency Medical Services						
Salaries and Wages	566,100.00	581,100.00	579,191.73		1,908.27	-
Other Expenses	101,500.00	101,500.00	55,465.41	32,618.28	13,416.31	-
Marina						
Salaries and Wages	34,000.00	34,000.00	27,297.50		6,702.50	-
Other Expenses	9,250.00	9,250.00	1,985.55	934.75	6,329.70	-

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, 2024**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Street Signals and Safety Lines						
Salaries and Wages	136,000.00	136,000.00	84,374.56		51,625.44	-
Other Expenses	26,000.00	26,000.00	12,248.61	369.33	13,382.06	-
Lifeguards						
Salaries and Wages	1,002,775.00	1,002,775.00	1,002,593.11		181.89	-
Other Expenses	81,825.00	81,825.00	75,437.90	5,298.64	1,088.46	-
Animal Control Contract						
Other Expenses	28,500.00	28,500.00	18,113.72		10,386.28	-
<b>DEPARTMENT OF PUBLIC WORKS</b>						
Administration of Public Works						
Salaries and Wages	265,900.00	265,900.00	223,838.43		42,061.57	-
Other Expenses	19,575.00	19,575.00	8,873.96		10,701.04	-
Maintenance - Vehicles						
Salaries and Wages	113,500.00	113,500.00	111,038.03		2,461.97	-
Other Expenses	38,600.00	38,600.00	27,412.34	9,690.66	1,497.00	-
Road Repairs and Maintenance						
Salaries and Wages	307,500.00	307,500.00	243,080.37		64,419.63	-
Other Expenses	44,710.00	44,710.00	27,728.25	5,862.30	11,119.45	-
Street Cleaning						
Salaries and Wages	259,740.00	259,740.00	143,142.07		116,597.93	-
Other Expenses	23,510.00	48,510.00	2,223.56	27,270.02	19,016.42	-
Solid Waste Management (40A.4-45.32)						
Salaries and Wages	523,400.00	523,400.00	437,012.03		86,387.97	-
Other Expenses	36,575.00	36,575.00	9,555.16	783.87	26,235.97	-
Garbage and Trash Removal						
Salaries and Wages	368,600.00	368,600.00	353,753.93		14,846.07	-
Other Expenses						
Contractual						
Miscellaneous Other Expenses						
Public Buildings and Grounds						
Salaries and Wages	378,000.00	378,000.00	342,150.51		35,849.49	-
Other Expenses	83,505.00	83,505.00	51,619.56	16,080.27	15,805.17	-
Shore Protection						
Salaries and Wages	551,412.50	551,412.50	496,209.32		55,203.18	-
Other Expenses	166,270.63	166,270.63	112,445.29	28,411.73	25,413.61	-
American with Disabilities Act						
Salaries and Wages	403,000.00	403,000.00	361,461.29		41,538.71	-
Other Expenses	114,050.00	114,050.00	27,164.69	14,206.45	72,678.86	-
Historical Commission						
Other Expenses	5,000.00	5,000.00	3,246.00		1,754.00	-
Other Expenses	1,000.00	1,000.00			1,000.00	-

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**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>DEPARTMENT OF COMMUNITY DEVELOPMENT</b>						
Municipal Land Use Law (NJSA 40:55D-1)						
Zoning Board						
Salaries and Wages	7,622.00	7,622.00	6,149.85		1,472.15	-
Other Expenses	12,300.00	12,300.00	8,236.03	666.67	3,397.30	-
Planning Board						
Salaries and Wages	7,622.00	7,622.00	5,466.28		2,155.72	-
Other Expenses	17,700.00	17,700.00	11,395.77		6,304.23	-
<b>DEPARTMENT OF COMMUNITY SERVICES</b>						
Recreation						
Salaries and Wages	328,100.00	333,100.00	328,091.04		5,008.96	-
Other Expenses	169,825.00	169,825.00	136,971.83	14,438.96	18,414.21	-
Expense of Participation in Free County Library						
Salaries and Wages	5,350.00	5,350.00	4,871.86		478.14	-
Tourism						
Salaries and Wages	248,850.00	248,850.00	223,610.66		25,239.34	-
Other Expenses	259,240.00	259,240.00	245,262.49	690.09	13,287.42	-
<b>DEPARTMENT OF MUNICIPAL COURT</b>						
Municipal Court						
Salaries and Wages	149,075.00	149,075.00	141,057.55		8,017.45	-
Other Expenses	23,700.00	23,700.00	12,475.69	3,201.09	8,023.22	-
<b>UNIFORM CONSTRUCTION CODE</b>						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	314,950.00	314,950.00	304,115.96		10,834.04	-
Other Expenses	91,300.00	91,300.00	35,482.73	5,017.24	50,800.03	-
Plumbing Inspector						
Salaries and Wages	31,900.00	31,900.00	31,764.20		135.80	-
<b>UNCLASSIFIED</b>						
Computer Services - All Departments	133,000.00	133,000.00	71,627.52	42,406.75	18,965.73	-
<b>UTILITY EXPENSES AND BULK PURCHASES</b>						
Electricity	186,000.00	186,000.00	186,000.00		-	-
Street Lighting	152,000.00	172,000.00	172,000.00		-	-
Telephone	68,000.00	68,000.00	52,508.78	8,027.33	7,463.89	-
Natural Gas	75,650.00	75,650.00	32,768.51	35,895.78	6,985.71	-
Fuel Oil	2,000.00	2,000.00			2,000.00	-
Gasoline	188,785.00	188,785.00	118,334.02	10,728.95	59,722.03	-
Water & Sewer	62,000.00	62,000.00	39,732.57	5,455.96	16,811.47	-
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>19,632,531.13</b>	<b>19,612,531.13</b>	<b>17,364,198.13</b>	<b>587,871.41</b>	<b>1,660,461.59</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, 2024**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Contingent	3,000.00	3,000.00	-	-	-
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>19,635,531.13</b>	<b>19,615,531.13</b>	<b>17,364,198.13</b>	<b>587,871.41</b>	<b>1,663,461.59</b>
Detail:					
Salaries and Wages	11,309,698.50	11,329,698.50	10,414,936.66	-	914,761.84
Other Expenses	8,325,832.63	8,285,832.63	6,949,261.47	587,871.41	748,699.75
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>					
Deferred Charges:					
Prior Year Bills		-			-
None					-
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	758,860.00	758,860.00	758,860.00	10,000.00	-
Social Security System (O.A.S.I.)	810,000.00	810,000.00	747,138.69		62,861.31
Police and Firemen's Retirement System	876,458.00	886,458.00	876,458.00	10,000.00	-
Unemployment Compensation Insurance	44,000.00	44,000.00	38,187.16		5,812.84
Lifeguard Pension	10,000.00	10,000.00	10,000.00		-
Reserve for Retirement Trust	5,000.00	5,000.00	5,000.00		-
Defined Contribution Retirement Program	10,000.00	10,000.00	6,111.80		3,888.20
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>	<b>2,514,318.00</b>	<b>2,534,318.00</b>	<b>2,441,755.65</b>	<b>20,000.00</b>	<b>72,562.35</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>22,149,849.13</b>	<b>22,149,849.13</b>	<b>19,805,953.78</b>	<b>607,871.41</b>	<b>1,736,023.94</b>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
(A) Operations - Excluded from "CAPS"					
Insurance: NJSA 40A:4-45.3					
LOSAP	75,000.00	75,000.00	-	75,000.00	-
Employee Group Health	101,712.00	101,712.00	11,122.04	86,815.07	3,774.89
	<b>176,712.00</b>	<b>176,712.00</b>	<b>11,122.04</b>	<b>161,815.07</b>	<b>3,774.89</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, 2024**

	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						
Clean Communities	32,477.69	32,477.69	32,477.69	-	-	-
Body Armor	1,971.73	1,971.73	1,971.73	-	-	-
Boardwalk Preservation Fund		1,997,000.00	1,997,000.00	-	-	-
Sustainable Jersey Grant		5,000.00	5,000.00	-	-	-
Total Public and Private Programs Off-Set by Revenues	34,449.42	2,036,449.42	2,036,449.42	-	-	-
Total Operations - Excluded from "CAPS"	211,161.42	2,213,161.42	2,047,571.46	161,815.07	3,774.89	-
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	211,161.42	2,213,161.42	2,047,571.46	161,815.07	3,774.89	-
(C) Capital Improvements						
Capital Improvement Fund	430,000.00	430,000.00	430,000.00	-	-	-
Total Capital Improvements	430,000.00	430,000.00	430,000.00	-	-	-
(D) Debt Service						
Payment of Bond Principal	4,950,000.00	4,950,000.00	4,950,000.00	-	-	-
Payment of Bond Anticipation Notes and Capital Notes		-		-	-	-
Interest on Bonds	818,325.00	818,325.00	818,325.00	-	-	-
Interest on Notes	455,000.00	455,000.00	453,736.11	-	-	1,263.89
Total Debt Service	6,223,325.00	6,223,325.00	6,222,061.11	-	-	1,263.89
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	6,864,486.42	8,866,486.42	8,699,632.57	161,815.07	3,774.89	1,263.89
SUBTOTAL GENERAL APPROPRIATIONS	29,014,335.55	31,016,335.55	28,505,586.35	769,686.48	1,739,798.83	1,263.89

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Appropriations		Expended		(Over expended ) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
(M) Reserve for Uncollected Taxes	1,138,956.94	1,138,956.94	1,138,956.94	-	-
<b>TOTAL GENERAL APPROPRIATIONS</b>	<b>\$ 30,153,292.49</b>	<b>32,155,292.49</b>	<b>29,644,543.29</b>	<b>769,686.48</b>	<b>1,739,798.83</b>
 Budget					
Appropriations by 40A:4-87		30,153,292.49			1,263.89
		2,002,000.00			-
		<u>32,155,292.49</u>			<u>1,263.89</u>
 Reserve for Uncollected Taxes			1,138,956.94		
Federal and State Grants			2,036,449.42		
Disbursements			26,469,136.93		
			<u>29,644,543.29</u>		
				Cancelled Overexpended	
					<u>1,263.89</u>

**TRUST FUND**  
**COMPARATIVE BALANCE SHEET - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
<u>Assessment Fund:</u>		
Cash and Investments	\$ 249,404.77	217,237.70
Assessments Receivable	8,835.98	35,341.05
	<u>258,240.75</u>	<u>252,578.75</u>
<u>Animal Control Fund</u>		
Cash and Investments	388.00	443.80
	<u>388.00</u>	<u>443.80</u>
<u>LOSAP</u>		
Investments - Held for LOSAP	1,488,630.45	1,339,414.88
	<u>1,488,630.45</u>	<u>1,339,414.88</u>
<u>Other Funds</u>		
Cash and Investments	2,901,488.75	2,725,227.59
	<u>2,901,488.75</u>	<u>2,725,227.59</u>
	<u>\$ 4,648,747.95</u>	<u>4,317,665.02</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

**TRUST FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
<u>Liabilities, Reserves and Fund Balance</u>		
<u>Assessment Fund:</u>		
Reserve for Assessments & Liens	\$ 8,835.98	35,341.05
Fund Balance	249,404.77	217,237.70
	<u>258,240.75</u>	<u>252,578.75</u>
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	224.00	208.00
Due to Current Fund	164.00	235.80
	<u>388.00</u>	<u>443.80</u>
<u>LOSAP</u>		
Reserve for LOSAP	1,488,630.45	1,339,414.88
	<u>1,488,630.45</u>	<u>1,339,414.88</u>
<u>Other Funds</u>		
Due to Current Fund - Tourism Fees	-	50.00
Deposits for Redemption	5.78	46.68
Reserve for Payroll Trust	0.01	-
Reserve for Retirement Fund	118,744.25	110,349.71
Reserve for Lifeguard Pension Fund	1,190,533.10	1,121,824.15
Reserve for Tennis Fees	346,353.31	305,503.63
Reserve for Cafeteria Plan	71,688.56	35,409.59
Reserve for Police Forefeited Fund	205.89	205.81
Reserve for Police Lost and Found	1,326.19	1,326.19
Reserve for Escrow Deposits	432,955.23	441,725.73
Reserve for POAA Fund	16,492.40	12,964.40
Reserve for Affordable Housing	79,318.31	68,503.41
Reserve for Recycling Fund	280,331.86	312,978.80
Reserve for Environmental Fees	27,707.29	25,861.98
Reserve for Municipal Alliance	2,376.48	2,376.48
Reserve for Donations	21,792.47	21,792.47
Reserve for Fire Safety Penalty	250.00	250.00
Reserve for Tourism	221,210.62	208,358.56
Reserve for TTL Redemption Premiums	-	-
Reserve for Building Inspector's Office	83,823.00	50,746.00
Due to State of New Jersey - Uniform Construction Code Training Fees	6,374.00	4,954.00
	<u>2,901,488.75</u>	<u>2,725,227.59</u>
	<u>\$ 4,648,747.95</u>	<u>4,317,665.02</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

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

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash	\$ 20,236,746.24	801,394.01
Deferred Charges to Future Taxation -		
Funded	25,890,000.00	30,840,000.00
Unfunded	51,145,145.00	40,134,645.00
	<u>97,271,891.24</u>	<u>71,776,039.01</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Contracts Payable	19,614,797.39	3,641,362.00
Bond Anticipation Notes Payable	37,800,000.00	9,100,000.00
Serial Bonds Payable	25,890,000.00	30,840,000.00
Improvement Authorizations:		
Funded	32,979.94	726,918.80
Unfunded	9,425,507.15	23,164,927.45
Reserve to Pay Bonds & Notes	200,873.80	200,873.80
Reserve to Pay Bonds	3,167,215.37	3,130,215.37
Reserve to Pay Notes - Ordinance#1555	251,804.15	251,804.15
Capital Improvement Fund	23,175.00	172,675.00
Fund Balance	865,538.44	547,262.44
	<u>\$ 97,271,891.24</u>	<u>71,776,039.01</u>

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

2023	31,034,645.00
2024	13,345,145.00

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

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

	<u>2024</u>	<u>2023</u>
Beginning Balance January 1	\$ 547,262.44	458,173.44
Increased by:		
Premiums on sale of Bonds & Notes	318,276.00	89,089.00
Decreased by:		
None	-	-
Ending Balance December 31	<u>\$ 865,538.44</u>	<u>547,262.44</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

**WATER AND SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 7,817,639.52	7,788,438.96
	<u>7,817,639.52</u>	<u>7,788,438.96</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	274,599.10	307,820.69
	<u>274,599.10</u>	<u>307,820.69</u>
Total Operating Fund	<u>8,092,238.62</u>	<u>8,096,259.65</u>
Assessment Trust Fund:		
Cash	77,581.07	77,581.07
Total Assessment Trust Fund	<u>77,581.07</u>	<u>77,581.07</u>
Capital Fund:		
Cash - Treasurer	5,069,371.69	4,428,817.97
Interfunds and Receivables		
Fixed Capital - Completed	34,779,749.81	34,779,749.81
Fixed Capital - Authorized and Uncompleted	16,134,000.00	14,219,000.00
Total Capital Fund	<u>55,983,121.50</u>	<u>53,427,567.78</u>
	<u>\$ 64,152,941.19</u>	<u>61,601,408.50</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement



**WATER AND SEWER UTILITY FUND  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	2024	2023
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 985,823.20	1,248,869.93
Reserve for Encumbrances	177,306.74	248,569.41
Accounts Payable	1,191.66	1,672.46
Prepaid Utility Rents	343,969.25	335,762.31
Utility Overpayments	28,684.43	23,406.69
Accrued Interest on Bonds and Notes	62,403.75	68,091.03
	<u>1,599,379.03</u>	<u>1,926,371.83</u>
Reserve for Receivables	274,599.10	307,820.69
Fund Balance	6,218,260.49	5,862,067.13
Total Operating Fund	<u>8,092,238.62</u>	<u>8,096,259.65</u>
Assessment Trust Fund:		
Fund Balance	77,581.07	77,581.07
Total Assessment Trust Fund	<u>77,581.07</u>	<u>77,581.07</u>
Capital Fund:		
Encumbrance Payable	464,630.21	192,739.00
Bond Anticipation Notes Payable	2,700,000.00	2,700,000.00
Serial Bonds Payable	6,440,000.00	7,420,000.00
USDA Loans Payable	2,138,193.33	2,182,509.63
Improvement Authorizations:		
Funded	1,088,843.12	1,081,865.45
Unfunded	4,939,152.23	2,685,201.39
Reserve for Amortization	36,680,556.48	35,656,240.18
Reserve for Pay Bonds	259,000.00	259,000.00
Fund Balance	1,272,746.13	1,250,012.13
Total Capital Fund	<u>55,983,121.50</u>	<u>53,427,567.78</u>
	<u>\$ 64,152,941.19</u>	<u>61,601,408.50</u>

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

2023	1,040,000.00
2024	2,955,000.00

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

**WATER AND SEWER UTILITY FUND  
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	<u>2024</u>	<u>2023</u>
Revenue and Other Income Realized		
Fund Balance	\$ 2,007,866.93	1,897,366.15
Rents	9,212,822.34	9,164,220.80
Penalties	60,948.14	51,440.30
Miscellaneous Revenue Anticipated	267,562.76	214,339.40
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,183,219.77	386,482.02
Total Income	<u>12,732,419.94</u>	<u>11,713,848.67</u>
Expenditures		
Operations	7,627,994.72	7,458,533.15
Debt Service	1,428,017.72	1,510,065.01
Statutory Expenses	1,312,347.21	1,300,115.00
Total Expenditures	<u>10,368,359.65</u>	<u>10,268,713.16</u>
Excess in Revenue	<u>2,364,060.29</u>	<u>1,445,135.51</u>
Excess in Operations	<u>2,364,060.29</u>	<u>1,445,135.51</u>
Fund Balance January 1	<u>5,862,067.13</u>	<u>6,314,297.77</u>
	8,226,127.42	7,759,433.28
Decreased by:		
Utilization as Anticipated Revenue	<u>2,007,866.93</u>	<u>1,897,366.15</u>
Fund Balance December 31	<u>\$ 6,218,260.49</u>	<u>5,862,067.13</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

**WATER AND SEWER UTILITY CAPITAL FUND  
COMPARATIVE STATEMENT OF FUND BALANCE -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
Beginning Balance January 1	\$ 1,250,012.13	1,223,579.13
Increased by:		
Premiums on sale of Bonds & Notes	22,734.00	26,433.00
Decreased by:		
None		-
Ending Balance December 31	\$ <u>1,272,746.13</u>	<u>1,250,012.13</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

**WATER AND SEWER UTILITY OPERATING FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 2,007,866.93	2,007,866.93	-
Rents	8,245,000.00	9,212,822.34	967,822.34
Penalties	13,000.00	60,948.14	47,948.14
Miscellaneous	130,000.00	267,562.76	137,562.76
	<u>\$ 10,395,866.93</u>	<u>11,549,200.17</u>	<u>1,153,333.24</u>

Analysis of Realized Revenue:

Rents

Consumer Accounts Receivable:

Current Collections	8,882,337.77
Prepaid Applied	335,762.31

9,212,822.34

Miscellaneous

Interest on Investments	84,513.76
Meters	8,675.00
Misc. Deposits	17,650.00
Reconnections	38,900.00
Sewer Connections	1,000.00
Special Meter Reading	9,825.00
Special Sewer Connection	33,625.00
Water Connections	73,374.00

267,562.76

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

**WATER AND SEWER UTILITY FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
<b>Operations:</b>					
Salaries and Wages	\$ 1,475,963.50	1,475,963.50	1,216,509.93		-
Other Expenses	982,981.22	982,981.22	614,891.85	177,306.74	-
Insurance	925,050.00	925,050.00	914,340.00		-
Cape May County MUA	4,244,000.00	4,244,000.00	3,719,123.00		-
	<u>7,627,994.72</u>	<u>7,627,994.72</u>	<u>6,464,864.78</u>	<u>177,306.74</u>	<u>-</u>
<b>Debt Service:</b>					
Payment of Bond Principal	980,000.00	980,000.00	980,000.00	-	-
Interest on Bonds	215,050.00	215,050.00	208,425.00	-	6,625.00
Interest on Notes	154,175.00	154,175.00	133,357.50	-	20,817.50
Other Debt Service - USDA	106,300.00	106,300.00	106,235.22	-	64.78
	<u>1,455,525.00</u>	<u>1,455,525.00</u>	<u>1,428,017.72</u>	<u>-</u>	<u>27,507.28</u>
<b>Deferred Charges and Statutory Expenditures:</b>					
Unfunded Ordinance	1,000,000.00	1,000,000.00	1,000,000.00	-	-
Public Employees' Retirement System	189,716.00	189,716.00	189,716.00	-	-
Social Security System	112,911.21	112,911.21	112,911.21	-	-
Unemployment Compensation Insurance	9,720.00	9,720.00	9,720.00	-	-
	<u>1,312,347.21</u>	<u>1,312,347.21</u>	<u>1,312,347.21</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,395,866.93</u>	<u>10,395,866.93</u>	<u>9,205,229.71</u>	<u>177,306.74</u>	<u>27,507.28</u>
<b>Statement of Expenditures:</b>					
Accrued Interest on Bonds			62,403.75		
Disbursed			9,142,825.96		
<b>Appropriation Refunds</b>			<u>-</u>		
			<u>9,205,229.71</u>		<u>27,507.28</u>
				Canceled	<u>27,507.28</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

**GENERAL FIXED ASSETS ACCOUNT GROUP  
COMPARATIVE BALANCE SHEET - REGULATORY BASIS  
AS OF DECEMBER 31,**

	<u>2024</u>	<u>2023</u>
General Fixed Assets:		
Land and Buildings	\$ 78,913,100.00	3,339,899.00
Buildings	18,950,000.00	16,507,126.55
Machinery and Equipment	11,882,987.00	12,607,949.22
Total General Fixed Assets	<u>109,746,087.00</u>	<u>32,454,974.77</u>
Investment in General Fixed Assets	<u>\$ 109,746,087.00</u>	<u>32,454,974.77</u>

The Accompanying Notes to the Financial Statements are an  
Integral Part of this Statement

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the entity is financially accountable. The entity is financially accountable for an organization if the entity appoints a voting majority of the organization's governing board and (1) the entity is able to significantly influence the programs or services performed or provided by the organization; or (2) the entity is legally entitled to or can otherwise access the organization's resources; the entity is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the entity is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the entity in that the entity approves the budget, the issuance of debt or the levying of taxes. The entity has no component units.

**B. Description of Funds**

The accounting policies of the City of Sea Isle City conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with the respect to public funds. Under this method of accounting, the City of Sea Isle City 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.

Water and Sewer Operating and Capital Funds -- account for the operations of the water and sewer utility and acquisition of water and sewer capital facilities other than those acquired in the Current and General Capital Funds.

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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 which may be canceled by the Governing Body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis; interest on utility capital indebtedness is on the accrual 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.

Inter-funds - 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 is not included on the various balance sheets.

General Fixed Assets - The entity 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.

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 on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$5,000.00 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 as the construction is completed and put into operation.

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

Property and equipment purchased by the Water and Sewer Utility Fund is recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the Water and Sewer utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.



## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2024 AND 2023**

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 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.

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 City of Sea Isle City 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 \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 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.

Levy of Utility Charges – The entity operates a Water and Sewer utility fund. Rates are determined by ordinance and changed as necessary. Sewer charges are based on flat fees and usage based on the type of entity. Sewer Charges are billed semi-annually and due on April 1<sup>st</sup> and October 1<sup>st</sup>.

Interest on Delinquent Utility Charges -- It is the policy of the entity to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Utility Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of charges becoming delinquent after due date and eighteen percent (18%) per annum on any amount of charges in excess of \$1,500.00 becoming delinquent after due date.

Capitalization of Interest -- It is the policy of the City of Sea Isle City to treat interest on projects as a current expense and the interest is included in both the current and utility operating budgets.

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 entity'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.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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

In December 2023, the Governmental Accounting Standards Board (GASB) issued Statement No. 102, "Certain Risk Disclosures". This statement, which is effective for fiscal years beginning after June 15, 2024, will not have an effect on the City's financial statements.

In April 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 103, "Financial Reporting Model Improvements". This statement, which is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter, will not have any significant effect on the City's financial reporting.



In September 2024, the Governmental Accounting Standards Board (GASB) issued Statement No. 104, "Disclosure of Certain Capital Assets". This statement, which is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter, will not have any significant 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 2024 and 2023 statutory budgets included a reserve for uncollected taxes in the amount of \$1,138,956.94 and \$1,000,715.85. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2024 and 2023 statutory budgets was \$3,315,000.00 and \$4,720,000.00.

In addition, the entity operates a self-liquidating Water and Sewer utility. Under New Jersey Statutes a separate budget for the Water and Sewer utility must be adopted concurrently with the operating budget of the entity. The Water and Sewer utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2024 and 2023 statutory budgets was \$2,007,866.93 and \$1,897,366.15.

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 City Council. The following significant budget transfers were approved in the 2024 and 2023 calendar years:

<b>Budget Category</b>	 <b>2024</b>	 <b>2023</b>
<b>Current Fund</b>		
Road Repair and Maintenance		
Salaries and Wages	\$ -	(41,000.00)
Insurance		
Employee Group Insurance	(145,850.00)	-
Street Cleaning		
Salaries and Wages	-	(39,000.00)
Administration		
Other Expenses	40,000.00	-
<b>Utility Operating Fund</b>		
None		

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

NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2024 AND 2023

determined at the time of budget adoption. There was one significant budget insertion approved during 2024. There was one significant budget insertion approved during 2023.

Budget Category	2024	2023
New Jersey Dept of Community Affairs Boardwalk Preservation Fund	\$ 1,997,000.00	
New Jersey Dept of Environmental Protection Stormwater Assistance		25,000.00

The entity 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. The Governing Body did not approve an emergency authorization in 2024 and 2023 calendar years. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. There were no Special Emergencies approved in 2024 or 2023.

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 allowable investments are Bonds of the United States of America or of the local unit or school districts 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 entity can invest in any one issuer.

Investments – Length of Service Award Program (LOSAP)

As more fully described in Note 23, the City 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 City. 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, 2024 and 2023 amounted to \$1,488,630.45 and \$1,339,414.08, 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

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

requiring cash be deposited only in New Jersey based banking institutions that participate in the 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 fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2024, \$2,901,891.92 of the government's bank balance of \$49,734,577.42 was exposed to custodial credit risk. As of December 31, 2023, \$2,725,693.53 of the government's bank balance of \$28,599,536.90 was exposed to custodial credit risk.

**NOTE 5: FIXED ASSETS**

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2024 and 2023:

	Balance 12/31/2023	Additions	Retirements/ Adjustments	Balance 12/31/2024
Land	\$ 3,339,899.00		75,573,201.00	78,913,100.00
Building	16,507,126.55		2,442,873.45	18,950,000.00
Equipment and Machinery	12,607,949.22	434,938.00	(1,159,900.22)	11,882,987.00
	<u>\$ 32,454,974.77</u>	<u>434,938.00</u>	<u>76,856,174.23</u>	<u>109,746,087.00</u>

	Balance 12/31/2022	Additions	Retirements/ Adjustments	Balance 12/31/2023
Land	\$ 3,339,899.00			3,339,899.00
Building	16,062,569.00	444,557.55		16,507,126.55
Equipment and Machinery	11,519,229.00	1,148,952.22	(60,232.00)	12,607,949.22
	<u>\$ 30,921,697.00</u>	<u>1,593,509.77</u>	<u>(60,232.00)</u>	<u>32,454,974.77</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 6: SHORT-TERM OBLIGATIONS**

	Balance 12/31/23	Issued	Retired	Balance 12/31/24
Bond Anticipation				
Notes payable:				
General	\$ 9,100,000.00	28,700,000.00		37,800,000.00
Utility	2,700,000.00	2,700,000.00	2,700,000.00	2,700,000.00
	<u>\$ 11,800,000.00</u>	<u>31,400,000.00</u>	<u>2,700,000.00</u>	<u>40,500,000.00</u>
	Balance 12/31/22	Issued	Retired	Balance 12/31/23
Bond Anticipation				
Notes payable:				
General	\$ 9,100,000.00	9,100,000.00	9,100,000.00	9,100,000.00
Utility	2,700,000.00	2,700,000.00	2,700,000.00	2,700,000.00
	<u>\$ 11,800,000.00</u>	<u>11,800,000.00</u>	<u>11,800,000.00</u>	<u>11,800,000.00</u>

The bond anticipation note outstanding as of December 31, 2024 is held by Janney Montgomery Scott, LLC and will mature on October 21, 2025. Interest at a rate of 3.75% per annum is due upon maturity.

As of December 31, 2024, the entity has authorized but not issued bonds in the amount of \$13,345,145.00 and \$2,955,000.00 in the General Capital Fund and Utility Capital Fund respectively.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 7: LONG TERM DEBT**

Long-term debt as of December 31, 2024 and 2023 consisted of the following:

	Balance 12/31/2023	Issued	Retired	Balance 12/30/2024	Amounts Due Within One Year
Bonds payable:					
General	\$ 30,840,000.00	-	4,950,000.00	25,890,000.00	5,190,000.00
Utility	7,420,000.00	-	980,000.00	6,440,000.00	1,020,000.00
Total	38,260,000.00	-	5,930,000.00	32,330,000.00	6,210,000.00
Other liabilities:					
Loans Payable USDA	2,182,509.63	-	44,316.30	2,138,193.33	45,543.38
Compensated					
Absences Payable	1,781,335.65	66,531.00	93,191.98	1,754,674.67	-
Total long-term liabilities	<u>\$ 42,223,845.28</u>	<u>66,531.00</u>	<u>6,067,508.28</u>	<u>36,222,868.00</u>	<u>6,255,543.38</u>
	Balance 12/31/2022	Issued	Retired	Balance 12/31/2023	Amounts Due Within One Year
Bonds payable:					
General	\$ 35,420,000.00	-	4,580,000.00	30,840,000.00	4,950,000.00
Utility	8,480,000.00	-	1,060,000.00	7,420,000.00	980,000.00
Total	43,900,000.00	-	5,640,000.00	38,260,000.00	5,930,000.00
Other liabilities:					
Loans Payable USDA	2,225,631.91	-	43,122.28	2,182,509.63	44,316.30
Compensated					
Absences Payable	1,508,532.40	428,738.73	155,935.48	1,781,335.65	-
Total long-term liabilities	<u>\$ 47,634,164.31</u>	<u>428,738.73</u>	<u>5,839,057.76</u>	<u>42,223,845.28</u>	<u>5,974,316.30</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

**Outstanding bonds whose principal and interest are paid from the Current Fund Budget of the entity:**

\$11,640,000 General Improvement Bonds dated April 15, 2012, due in annual installments through April 15, 2025, bearing interest at rates varying from 2% to 3%. The balance remaining at December 31, 2024, is \$1,100,000.00.

\$8,500,000 General Improvement Bonds dated September 15, 2015, due in annual installments through September 15, 2026, bearing interest at rates varying from 2% to 3%. The balance remaining at December 31, 2024, is \$1,800,000.00.

\$14,000,000 General Improvement Bonds dated October 13, 2016, due in annual installments through November 1, 2034, bearing interest at rates varying from 2% to 3%. The balance remaining at December 31, 2024, is \$9,900,000.00.

\$21,800,000 General Improvement Bonds dated August 28, 2019, due in annual installments through September 1, 2029, bearing interest at rates varying from 2% to 3%. The balance remaining at December 31, 2024, is \$13,090,000.00.

**Outstanding bonds whose principal and interest are paid from the Utility Operating Fund of the entity:**

\$3,000,000 Water and Sewer Utility Bonds dated April 15, 2012 due in annual installments through April 15, 2026, bearing a rate that varies from 2% to 3%. The balance remaining as of December 31, 2024, is \$560,000.00.

\$4,600,000 General Improvement Bonds dated September 15, 2015, due in annual installments through September 15, 2029, bearing interest at rates varying from 2% to 3%. The balance remaining at December 31, 2024, is \$1,960,000.00.

\$6,080,000.00 General Improvement Bonds dated October 13, 2016, due in annual installments through November 1, 2034, bearing interest at rates varying from 2% to 3%. The balance remaining at December 31, 2024, is \$3,920,000.00.

\$2,514,000 Water and Sewer Utility Bond dated with the United States Department of Agriculture, Rural Development. This bond is payable in semiannual installments of \$52,015.00 through 2055. Interest is calculated at 2.75% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The balance remaining at December 31, 2024, is \$2,138,193.33.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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

<u>Year</u>	<u>General Fund</u>		<u>Utility Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	5,190,000.00	669,825.00	1,065,543.38	243,986.62
2026	4,330,000.00	530,625.00	1,086,804.43	212,125.57
2027	3,540,000.00	400,725.00	848,100.40	183,829.60
2028	3,690,000.00	328,800.00	849,432.26	161,997.74
2029	3,800,000.00	245,600.00	850,800.99	136,629.01
2030-2034	5,340,000.00	498,900.00	2,255,899.73	421,250.25
2035-2039			316,271.42	203,878.58
2040-2044			362,550.62	157,599.38
2045-2049			415,601.72	104,548.28
2050-2054			476,415.32	43,734.38
2055	-	-	50,773.06	1,341.21
	<u>\$ 25,890,000.00</u>	<u>2,674,475.00</u>	<u>8,578,193.33</u>	<u>1,870,920.62</u>

As of December 31, 2024, the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$818,325.00 and to the utility budget was \$274,763.70.

<u>Summary of Municipal Debt</u>	<u>Year 2024</u>	<u>Year 2023</u>	<u>Year 2022</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 63,690,000.00	39,940,000.00	44,520,000.00
Sewer Utility - Bonds and Notes	11,278,193.33	12,302,509.63	13,405,631.91
Total Issued	<u>74,968,193.33</u>	<u>52,242,509.63</u>	<u>57,925,631.91</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	13,345,145.00	31,034,645.00	27,994,645.00
Sewer Utility - Bonds and Notes	2,955,000.00	1,040,000.00	2,040,000.00
Total Authorized But Not Issued	<u>16,300,145.00</u>	<u>32,074,645.00</u>	<u>30,034,645.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 91,268,338.33</u>	<u>\$ 84,317,154.63</u>	<u>87,960,276.91</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.850%.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	Gross Debt	Deductions	Net Debt
Water and Sewer Utility Debt	\$ 16,233,193.33	16,233,193.33	-
General Debt	77,035,145.00	-	77,035,145.00
	<u>93,268,338.33</u>	<u>16,233,193.33</u>	<u>77,035,145.00</u>

Net Debt \$77,035,145.00 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$9,067,377,149.67 = 0.850%

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

3 1/2 % of Equalized Valuation Basis ( Municipal)	\$	317,358,200.00
Net Debt		77,035,145.00
Remaining Borrowing Power	<u>\$</u>	<u>240,323,055.00</u>

The City of Sea Isle City School District, as a K-6 school district, is permitted to borrow up to 2.5% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

**NOTE 8: LEASE OBLIGATIONS**

Operating Leases

The City is currently leasing sixteen (16) copy machines, under operating leases, for various offices within City Hall and other City owned buildings. The term of each lease is 60 months. Lease for three (3) machines expired in 2024 with lease for two (2) machines expiring 2025. The monthly payment for the leases range between \$354.38 and \$1,785.75.

The total operating lease payments were \$36,552.67 in 2024 and \$30,484.26 in 2023.

The following is a schedule of the future minimum lease payments under these leases and the net minimum lease payments at December 31, 2024.

Year	Operating
2025	24,264.04
2026	21,429.00
2027	21,429.00
2028	21,429.00
2029-2033	<u>1,785.75</u>
Total minimum lease payments	<u>\$ 90,336.79</u>

**NOTE 9: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2024 and 2023, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2025 and 2024 were as follows:

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

		<u>2025</u>	<u>2024</u>
Current Fund	\$	3,650,000.00	3,315,000.00
Water and Sewer Utility Fund		2,014,129.77	2,007,866.93

As of the date of this audit report, the City has not adopted the 2025 Local Municipal Budget and the above amounts are subject to change.

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans Deductions, deferred charges, and cash deficit. The total amount of fund balance available to the City to appropriate in the 2025 budget is \$8,047,679.67 for the current fund and \$6,218,260.49 for the utility fund.

**NOTE 10: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2024, there were no deferred charges shown on the balance sheet.

**NOTE 11: SCHOOL TAXES**

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

		Local School Tax Balance	
		<u>12/31/2024</u>	<u>12/31/2023</u>
Balance of Tax	\$	1,178,779.00	1,178,779.00
Deferred		<u>913,651.00</u>	<u>913,651.00</u>
Tax Payable	\$	<u><u>265,128.00</u></u>	<u><u>265,128.00</u></u>

**NOTE 12: 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:

	<u>Balance 12/31/24</u>	<u>Balance 12/31/23</u>
Prepaid Taxes	\$ 1,098,815.31	997,758.97
Cash Liability for Taxes Collected in Advance	<u><u>\$ 1,098,815.31</u></u>	<u><u>997,758.97</u></u>

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 13: PENSION FUNDS**

*Description of Plans*

Substantially all of the entity's employees participate in the Public Employees' Retirement System (PERS) and Police and Fireman's Retirement System (PFRS) cost sharing multiple-employer defined benefit pension 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.

*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 (NJSA 43:15c-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. The City currently has 10 employees enrolled as of December 31, 2024.

*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.

*Pension Plan for Lifeguards*

The City of Sea Isle City has established a pension plan to provide retirement, disability, and survivor pension benefits for the individuals who serve on the City's lifeguard force. An eligible employee becomes a plan member upon employment. Employee contributions shall be withheld from the member's salary and contributed to plan for his/her benefit. Retiree benefits are paid out of the current fund and charged to the current operating budget of the City. A plan member may retire with a pension only after his 45<sup>th</sup> birthday and after he has completed 20 years of service, the last 10 must have been completed immediately preceding his/her application.

*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

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2024 AND 2023

employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.50% through June 30, 2020 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 16.14% of covered payroll. The entity's contributions to PERS for the years ended December 31, 2024, 2023, and 2022 were \$948,576.00, \$901,904.00, and \$808,799.00.

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 current PFRS rate is 37.44% of covered payroll. The entity's contributions to PFRS for the years ended December 31, 2024, 2023, and 2022 were \$876,458.00, \$829,343.00, and \$710,520.00.

The total payroll for the year ended December 31, 2024, 2023, and 2022 was \$11,727,294.12, \$11,364,796.49, and \$11,013,385.51. Payroll covered by PFRS was \$2,340,742.00, \$2,303,665.00, and \$2,360,962.00. Payroll covered by PERS was \$5,876,196.00, \$5,516,118.00, and \$5,324,272.00.

The Lifeguard Pension provides for employee contributions of 4.00% of employees' annual compensation. The City's contributions to the Lifeguard Pension for the year ended December 31, 2024, 2023, and 2022 was \$10,000.00 in each year. The City's trust for the Lifeguard Pension at December 31, 2024 was \$1,190,533.10. Currently there are no individuals receiving benefits. The benefits paid by the trust for the years ended December 31, 2024, 2023, and 2022 were \$9,358.56 in each year.

#### 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 2013, 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.
- 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,

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2024 AND 2023**

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  $1/60^{\text{th}}$  from  $1/55^{\text{th}}$ , 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  $1/7^{\text{th}}$  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 14: 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 City's pension liabilities. However, due to the fact that the City reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the city's pension liabilities as June 30, 2023:

#### **Public Employees' Retirement System**

The City has a liability of \$10,280,022 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 that was rolled forward to June 30, 2023. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the City's proportion would be 0.07097318770%, which would be a decrease of 0.76% from its proportion measured as of June 30, 2021.

For the year ended December 31, 2023, the City would have recognized negative pension expense of \$163,445. At December 31, 2023, the City would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 98,290	(42,021)
Changes of assumptions	22,583	(623,013)
Changes in proportion	305,679	(576,055)
Net difference between projected and actual earnings on pension plan investments	47,341	-
Total	<u>\$ 473,893</u>	<u>(1,241,089)</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,	
2023	\$ (701,259)
2024	(258,269.94)
2025	(18,146.74)
2026	212,128.58
2027	(1,649.11)
Total	<u>\$ (767,196)</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	2.75% – 6.55% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US equity	28.00%	8.98%
Non-U.S. developed markets equity	12.75%	9.22%
International small cap equity	1.25%	9.22%
Emerging markets equity	5.50%	11.13%
Private equity	13.00%	12.50%
Real estate	8.00%	8.58%
Real assets	3.00%	8.40%
High yield	4.50%	6.97%
Private credit	8.00%	9.20%
Investment grade credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk mitigation strategies	3.00%	6.21%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

**NOTES TO FINANCIAL STATEMENTS**  
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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 12,327,855	\$ 10,280,022	\$ 8,539,171

*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 City has a liability of \$7,274,479 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2022 that was rolled forward to June 30, 2023. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the City's proportion would be 0.06583964%, which would be an increase of 3.25% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City would have recognized pension expense of \$466,773. At December 31, 2023, the City 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
Differences between expected & actual experience	\$ 311,479	(346,928)
Changes of assumptions	15,701	(491,202)
Changes in proportion	679,391	(237,903)
Net difference between projected and actual earnings on pension plan investments	370,475	-
Total	<u>\$ 1,377,046</u>	<u>(1,076,033)</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:

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

Year ended June 30,	
2023	\$ 316,491
2024	202,257.37
2025	192,672.51
2026	(402,462.98)
2027	(3,878.60)
Thereafter	(4,066.11)
Total	<u>\$ 301,013</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation of July 1, 2021, which was rolled forward to June 30, 2023. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate

Price	2.75%
Wage	3.25%

Salary increases: 3.25% - 16.25% (based on years of service)

Investment rate of return: 7.00%

Employee mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96% adjustment for females. Disability rates were based on the Pub-2010 amount-weighted mortality table with a 152% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2023 are summarized in the following table:

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	28.00%	8.98%
Non-U.S. developed markets equity	12.75%	9.22%
International small cap equity	1.25%	9.22%
Emerging markets equity	5.50%	11.13%
Private equity	13.00%	12.50%
Real estate	8.00%	8.58%
Real assets	3.00%	8.40%
High yield	4.50%	6.97%
Private credit	8.00%	9.20%
Investment grade credit	7.00%	5.19%
Cash equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk mitigation strategies	3.00%	6.21%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 100% of the actuarially determine contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2021, 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:

	Decrease (6.00%)	Rate (7.00%)	Increase (8.00%)
City's proportionate share of the net pension liability	10,279,774.78	7,274,479.00	4,772,849.12

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, 2023 State special funding situation net pension liability amount of \$2,035,866,759.00 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.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2024 AND 2023

The fiscal year ending June 30, 2023 State special funding situation pension expense of \$231,575,656.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2023. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2023, the State contributed an amount more than the actuarially determined amount.

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 City was 0.06583964000% for 2023. The net pension liability amount allocated to the City was \$1,340,407. For the fiscal year ending June 30, 2023 State special funding situation pension expense of \$152,469 is allocated to the City.

#### *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 15: POST-RETIREMENT BENEFITS**

The City offers medical, prescription drug, life insurance, dental and vision coverage to eligible retirees and their dependents after 25 years or more of service at retirement. Police officers receive the same benefits after 20 years or more of service, however, they're only eligible for single coverage. As of March 1, 2015, the medical and prescription drug benefits were administered through State Health Benefits program.

The dental and vision coverage provided to eligible retirees and their dependents is administered directly by the City. They also receive life insurance coverage, however, dependents are not eligible for this coverage.

The City of Sea Isle City contributions for post-retirement benefits for the year ended December 31, 2024, 2023, and 2022 were \$1,488,493.54, \$1,385,469.93, and \$1,191,569.04, respectively.

The City participates New Jersey State Health Benefits Program ("the SHBP"), which qualifies as a cost-sharing, multiple-employer plan in accordance with GASB Statement 75 "Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits.

Under the SHBP, retirees (who qualified for retiree benefits through the State but do not qualify for 100% employer paid benefits) may continue in the health benefits programs in which they are enrolled at the time of retirement (may enroll in any of the SHBP retiree plans), provided the retiree pays the costs of the benefits (at the SHBP established group rates for the plan and coverage selected) for themselves and their eligible dependents. The OPEB Liability associated with the SHBP is further discussed in Note 16.

City employees are also eligible to participate in the single – employer OPEB Plan discussed below.

A retiree and their covered dependents may also receive City-paid dental and vision benefits for a period of 3 to 5 years in accordance with labor agreements if they meet any one of the following requirements:

- (1) Twenty-five (25) years or more of full-time service with Sea Isle City

The Regulatory Basis of Accounting does not permit the accrual of Actuarially determined OPEB Expenses or Liabilities. The City reports all OPEB related costs on the "pay as you go" basis. The following information is for disclosure purposes only and has not been accrued in the Financial Statements of the City.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 75.

The actuarial valuation report was based on 197 total participants including 78 retirees.

**Annual OPEB Cost and Net OPEB Liability**

The City’s annual OPEB cost represents the accrued cost for post-employment benefits under GASB 75. The cumulative difference between the annual OPEB cost and the benefits paid during a year will result in a net OPEB obligation. The annual OPEB cost is equal to the annual required contribution (ARC) less adjustment if a net OPEB obligation exists. The ARC is equal to the normal cost and amortization of the Unfunded Actuarial Accrued Liability (UAAL) plus interest.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrences of events far into the future, including future employment, mortality and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the December 31, 2022 actuarial valuation, the “Entry-Age-Normal as a Percentage of Salary” method was used for all participants. The actuarial assumptions used to project future costs included a discount rate of 4.31% and annual dental and vision cost trend rate of 2.0%. In addition, the unfunded actuarial accrued liability is being amortized over the maximum acceptable period of 30 years.

**Other Post-employment Benefit Costs and Obligations**

In the January 1, 2024 actuarial valuation, the Actuarily Determined Contribution for the year ending December 31, 2024 were projected as follows:

		<u>12/31/2024</u>
Acturial determined contribution	\$	1,079,703.00
Benefit payments		(165,713.00)
Net change in total OPEB liability		<u>913,990.00</u>
Covered Payroll	\$	9,515,383.00
Actuarily Determined Contribution as a % of Covered Payroll		1.74%

The following reflects the change in the Total OPEB Liability as of the January 1, 2024 valuation date for the Years ended December 31, 2024:

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>12/31/2024</u>
OPEB Liability, Beginning of Year	\$ 10,947,117.00
Change in Benefit Terms (Gap year adjustment)	626,983.00
Changes for the Year:	
Service Cost	228,058.00
Interest	459,650.00
Assumption Changes & Difference	
Between Actual & Expected Experience	192,992.00
Change in Actuarial Cost Method	(1,318,572.00)
Benefit Payments	(165,713.00)
OPEB Liability, End of Year	\$ <u>10,970,515.00</u>
Covered payroll (for Covered Participants)	\$ 9,515,383.00
Total OPEB liability as a percentage of covered payroll	115.29%

**Sensitivity of the total OPEB liability to changes in the discount rate.**

The January 1, 2024 valuation was prepared using a discount rate of 4.28%. If the discount rate were 1% higher than what was used in this valuation, the total OPEB liability would decrease to \$9,144,692 or by 5.28%. If the discount rate were 1% lower than was used in this valuation, the total OPEB liability would increase to \$13,350,137 or by 3.28%.

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Baseline 4.28%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>13,350,137.00</u>	<u>10,970,515.00</u>	<u>9,144,692.00</u>

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.**

The January 1, 2024 valuation was prepared using an initial trend rate of 7.0% decreasing to 4.5%. If the trend rate were 1% higher than what was used in this valuation, the total OPEB liability would increase to \$13,481,596 or by 8.0% decreasing to 5.5%. If the trend rate were 1% lower than was used in this valuation, the total OPEB liability would decrease to \$9,075,382 or by 6.0% decreasing to 3.5%.

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Baseline 0.00%</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>9,075,382.00</u>	<u>10,970,515.00</u>	<u>13,481,596.00</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2024, the City's Actuarially determined OPEB expense was \$154,966.00. At December 31, 2024, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Increase in January 1, 2022 OPEB Liability due to Actuarial experience different from expected and actuarial assumption changes	\$ 2,286,685.00	6,517,699.00
Total	<u>\$ 2,286,685.00</u>	<u>6,517,699.00</u>

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

For the Year Ending December 31,

2026	\$ (532,742.00)
2028	(532,741.00)
2030	(530,187.00)
2032	(1,237,272.00)
2034	(1,237,274.00)
Thereafter	(160,798.00)
	<u>\$ (4,231,014.00)</u>

**NOTE 16 – OTHER POST-RETIREMENT BENEFITS**

*General Information about the Plan:*

The City offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at:

<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

retired employees. Under Chapter 48, the employer may assume the cost of post retirement medical coverage for employees and their dependents who:

1) retired on a disability pension;

or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

*Allocation Methodology:*

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the City these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2023 were \$3,461,898,890 and \$11,427,677,896, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2022 through June 30, 2023. Employer and non-employer allocation percentages have been rounded for presentation purposes.

*Net OPEB Liability:*

*Components of Net OPEB Liability*

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2023 is as follows:

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<b>June 30, 2023</b>	
	<b>Collective Total</b>	<b>Proportionate Share</b>
Total OPEB Liability	\$ 14,889,576,786	29,379,964
Plan Fiduciary Net Position (Deficit)	(116,962,691)	(230,790)
Net OPEB Liability	<u>\$ 15,006,539,477</u>	<u>29,610,754</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.79%	-0.79%

At June 30, 2023 the City's proportionate share of the Collective Net OPEB Liability was \$29,610,754. The City's proportion of the Collective Net OPEB Liability was 0.197319% which was an increase from the prior year of 15.83%.

For the Year ended June 30, 2023 the City's Total OPEB Expense was \$(150,562).

The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Investment Rate of Return		
Including Inflation rate		3.65%
Salary increases*:		
PERS	<u>Completed Years of Service</u>	<u>Annual Rate of Increase (%)</u>
	0 6.55	
	5	5.75
	10	4.75
	15	3.75
	20	3.15
	25	2.85
	>=29	2.75
PFRS	<u>Completed Years of Service</u>	<u>Annual Rate of Increase (%)</u>
	0 16.25	
	5	11.00
	10	6.00
	15	4.00
	>=17	3.25

Mortality:

Pre-Retirement Healthy Mortality:

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

PFRS: Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

**Post-Retirement Healthy Mortality**

Chapter 330 Retirees: PUB-2010 "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Retirees: PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

**Disable Retiree Mortality:**

PERS Future Disabled Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

PFRS Future Disabled Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Chapter 330 Current Retirees: PUB-2010 "Safety" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Other Current Retirees: PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

Actuarial assumptions used in the July 1, 2022 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018 to June 30, 2021 and July 1, 2018 to June 30, 2021, respectively.

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

***Discount Rate***

The discount rate for June 30, 2023 was 3.65%. The discount rate will change each year based on the Bond Buyer Go 20-Bond Municipal Bond Index each year.

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

The following presents the Net OPEB liability as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the Net OPEB 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:

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

		1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Collective				
Net OPEB Liability	\$	17,382,355,978	15,006,539,477	13,095,561,553
Proportionate Share				
Net OPEB Liability	\$	34,298,691	29,610,754	25,840,031

*Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate*

The following presents the net OPEB liability as of June 30, 2023, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		1% Decrease	Healthcare cost Trend Rate	1% Increase
Collective				
Net OPEB Liability	\$	12,753,792,805	15,006,539,477	17,890,743,651
Proportionate Share				
Net OPEB Liability	\$	25,165,657	29,610,754	35,301,837

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2023, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 629,024,174	(4,075,285,752)	1,365,495	(8,041,313)
Changes of assumptions	1,943,909,895	(4,241,868,248)	3,835,704	(8,370,012)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,476,129)	-	(4,886)
Changes in proportion and differences between contributions and proportionate share of contributions	-		7,713,453	(1,425,116)
Total	\$ 2,572,934,069	(8,319,630,129)	12,914,652	(17,841,327)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB will be recognized in OPEB expense as follows:

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	Year Ended June 30,	Collective Totals	Proportionate Share
2024	\$	(1,702,483,126.00)	(1,475,726.53)
2025		(1,394,440,795.00)	(1,208,712.87)
2026		(754,368,466.00)	(653,892.86)
2027		(353,621,247.00)	(306,521.84)
2028		(713,799,887.00)	(618,727.68)
Thereafter		(764,982,539.00)	(663,093.22)
Total	\$	<u>(5,683,696,060.00)</u>	<u>(4,926,675.00)</u>

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

*Collective OPEB Expenses reported by the State of New Jersey*

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2023 are as follows:

Service cost	\$	597,135,801
Interest on Total OPEB Liability		581,375,849
Expected Investment Return		3,134,857
Administrative Expenses		12,616,744
Changes of Benefit Terms		23,039,435
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:		
Differences between Expected and Actual Experience		(899,529,226)
Changes in Assumptions		(803,252,884)
Differences between Projected and Actual Investment		
Earnings on OPEB Plan Investments		1,590,849
Total Collective OPEB Expense	\$	<u>(483,888,575)</u>

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

*Schedule of City's Share of Net OPEB Liability*

		<b>2023</b>	<b>2022</b>	<b>2021</b>
City's Proportionate Share of Net OPEB Liability		0.197319%	0.1734600%	0.1648530%
City's Share of Net OPEB Liability	\$	29,610,754	27,510,190	29,756,053
City's Covered Payroll		7,819,783	7,685,234	7,526,453
City's Proportionate Share of the Net OPEB Liability as a percentage of its Covered-Employee Payroll		378.66%	357.96%	395.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		-0.79%	-0.36%	0.28%
		<b>2020</b>	<b>2019</b>	<b>2018</b>
Citys Proportionate Share of Net OPEB Liability		0.1669870%	0.1573800%	0.1670480%
City's Share of Net OPEB Liability	\$	29,968,511	21,318,807	26,170,772
City's Covered Payroll		7,166,922	7,390,151	7,291,553
City's Proportionate Share of the Net OPEB Liability as a percentage of its Covered-Employee Payroll		418.15%	288.48%	358.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		0.97%	1.97%	1.98%

**NOTE 17: ACCRUED SICK AND VACATION BENEFITS**

The entity has permitted employees to accrue unused sick time, which may be taken as time off or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2024, the City estimates this liability to approximate \$1,754,674.67 based on 2024 pay rates and compensated absence balances. At December 31, 2023, the liability was \$1,781,335.65. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The entity does not accrue the liability.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 18: ECONOMIC DEPENDENCY**

The City of Sea Isle City is not economically dependent on any one business or industry as a major source of tax revenue for the entity.

**NOTE 19: RISK MANAGEMENT**

The entity 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.

**Property and Liability Insurance** - The entity maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2024 and 2023 the entity did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The entity is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The entity 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 entity has a general liability limit of \$50,000 under JIF, which increases to \$1,000,000 under MEL.

**NOTE 20: DEFERRED COMPENSATION**

The Employees of the City of Sea Isle City 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 entity. 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 entity has an obligation of due care in selecting the third-party administrator. In the opinion of the entity's legal counsel, the entity has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

The plan administrators are Nationwide and Corebridge. There are 29 and 39 employees who participate respectively.

**NOTE 21: CONTINGENT LIABILITIES**

From time to time, the entity is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the entity's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

**NOTE 22: INTERFUND BALANCES**

During the most current calendar year ended December 31, 2024, the following inter-funds were included on the balance sheets of the various funds of the City of Sea Isle City:

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

	Due From	Due To
Current Fund:		
Grant Fund	\$	555,986.25
Animal Control Fund	164.00	
Grant Fund:		
Current Fund	555,986.25	
Trust Fund:		
Animal Control Fund:		
Current Fund		164.00
	\$ <u>556,150.25</u>	<u>556,150.25</u>

The amounts due to the Grant fund from the Current fund is due to there is only one bank account for the Current Fund and the Grant Fund. No other significant inter-funds existed at year-end.

**NOTE 23: LENGTH OF SERVICE AWARDS PROGRAM**

During the 2004 calendar year, the voters of the City of Sea Isle City 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 firefighting 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 City appropriated \$75,000.00 and \$75,000.00 in 2024 and 2023 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 City subject only to the claims of the City’s general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the City, and each participant’s rights are equal to his or her share of the fair market value of the plan assets. The City 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 City has an obligation of due care in selecting the third-party administrator. In the opinion of the City’s legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024 AND 2023**

**NOTE 24: SUBSEQUENT EVENTS**

**Capital Ordinance**

On February 25, 2025, City Council adopted capital ordinance #1723 (2025) which authorized the following projects to be completed. This bond ordinance increases the City's authorized debt by \$9,077,250.

Project	Appropriation And Estimated Cost	Estimated Maximum Amount of Bonds & Notes
a) Acquisition of equipment and vehicles for Public Works, Beach Patrol, Public Safety and Fire Department; and the rehabilitation of equipment and vehicles for various departments	\$ 1,325,000	1,250,000
b) City-wide road reconstruction, drainage improvements and pumping station improvements	3,050,000	2,900,000
c) Various building and facility improvements, including, decorative benches, public access ramp structures, public restrooms, Public Works shops and facilities, recreation facilities and promenade improvements and lighting; general capital acquisition replacements and renovations to City buildings and facilities	4,700,000	4,472,250
d) Various equipment acquisitions and installation, including City-wide security cameras, community development, Police and Fire Department equipment; information technology hardware	480,000	455,000
Totals	\$ <u>9,555,000</u>	<u>9,077,250</u>

**Other**

The entity has evaluated subsequent events through April 11, 2025, the date which the financial statements were available to be issued and identified no other events requiring disclosure.

**APPENDIX C**

**FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**



\_\_\_\_\_, 2025

City Council of the  
City of Sea Isle City, in the  
County of Cape May, New Jersey

Dear Council Members:

We have acted as bond counsel to the City of Sea Isle City, in the County of Cape May, New Jersey (the "City"), in connection with the issuance by the City of its \$21,000,000\* General Improvement Bonds, Series 2025 (the "Bonds"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, the resolution of the City adopted on June 24, 2025 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of the City payable from *ad valorem* taxes that may be levied upon all the taxable property within the City without limitation as to rate or amount.

On the date hereof, the City has covenanted in its Arbitrage and Tax Certificate (the "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 Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the City continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the City in the 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, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax; however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to alternative minimum tax under Section 55 of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, 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. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,

\_\_\_\_\_  
\*Preliminary; subject to change.