

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 15, 2015**

**NEW ISSUE**  
**BOOK-ENTRY ONLY**

**Rating (Bonds): S&P "A+"**  
**Rating (Notes): Not Rated**  
**(See "RATING" herein)**

*In the opinion of Bond Counsel, interest on the Bonds and the Notes is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS -- Federal" herein. Interest on the Bonds and the Notes will not be a specific preference item for purposes of the individual and corporate alternative minimum taxes; however, such interest is taken into account in computing the alternative minimum tax for certain corporations and may be subject to certain other federal taxes affecting corporate holders of the Bonds and the Notes. Under the laws of the State of New Jersey, as enacted and construed on the date hereof, interest on the Bonds and the Notes and any gain from the sale thereof are excluded from gross income for purposes of the New Jersey Gross Income Tax Act. For a more complete discussion see "TAX MATTERS" herein.*

**\$5,241,000**

**BOROUGH OF SEASIDE HEIGHTS  
IN THE COUNTY OF OCEAN, NEW JERSEY  
GENERAL OBLIGATION BONDS, SERIES 2015**

**Consisting of:**

**\$4,827,000 General Capital Improvement Bonds, Series 2015**  
**\$414,000 Water/Sewer Utility Bonds, Series 2015**  
**(Callable)**

**\$14,047,752**

**BOROUGH OF SEASIDE HEIGHTS  
IN THE COUNTY OF OCEAN, NEW JERSEY  
BOND ANTICIPATION NOTES**

**Consisting of:**

**\$7,721,854 General Improvement Bond Anticipation Notes**  
**\$894,736 Water/Sewer Utility Bond Anticipation Notes**  
**\$5,431,162 Electric Utility Bond Anticipation Notes**  
**Coupon: \_\_\_% Yield: \_\_\_%**  
**(Non-Callable)**

**Dated: Date of Delivery**

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

**Dated: Date of Delivery**

**Due: January 28, 2016**

The \$5,241,000 aggregate principal amount of General Obligation Bonds, Series 2015 consisting of \$4,827,000 principal amount of General Capital Improvement Bonds, Series 2015 (the "General Improvement Bonds") and \$414,000 principal amount of Water/Sewer Utility Bonds (the "Water/Sewer Utility Bonds" and, together with the General Improvement Bonds, the "Bonds") are general obligations of the Borough of Seaside Heights, in the County of Ocean, State of New Jersey (the "Borough") for which the full faith and credit of the Borough are pledged. The Borough is authorized and required by law to levy ad valorem taxes on all taxable property within the Borough without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The \$14,047,752 aggregate principal amount of Bond Anticipation Notes consisting of \$7,721,854 General Improvement Bond Anticipation Notes (the "General Improvement Notes"), \$894,736 Water/Sewer Utility Bond Anticipation Notes (the "Water/Sewer Utility Notes"), and \$5,431,162 Electric Utility Bond Anticipation Notes (the "Electric Utility Notes", and together with the General Improvement Notes and the Water/Sewer Utility Notes, the "Notes"), dated the date of delivery, are also general obligations of the Borough, payable in the first instance from the proceeds of the sale of the bonds in anticipation of the issuance of which the Notes are issued, but if not so paid or if not paid from other sources, are payable ultimately from *ad valorem* taxes levied upon all the taxable property within the Borough for the payment of the Notes and the interest thereon without limitation as to rate or amount.

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

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on January 15 and July 15 of each year, commencing July 15, 2015, at such rates of interest as shown on the inside front cover hereof until maturity or prior redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Borough or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Borough to the registered owner thereof as of the Record Dates (as defined herein).

The Notes will bear interest at the rate per annum and reoffering yield, as shown above, commencing from their date of delivery. Principal of and interest on the Notes will be payable at maturity on January 28, 2016. Principal of and interest on the Notes will be payable by the Borough or a duly designated paying agent at the date of maturity. While DTC is acting as securities depository for the Bonds and the Notes, the principal of and interest on the Bonds and the Notes will be payable by wire transfer to DTC or its nominee, which is obligated to remit such principal and interest payments to DTC Participants. DTC Participants and Indirect Participants will be responsible for remitting such principal and interest payments to the Beneficial Owners of the Bonds or the Notes. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), various bond ordinances duly adopted by the Borough Council on the dates set forth herein and by a resolution duly adopted by the Borough Council on January 14, 2015. The Notes are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, and various bond ordinances duly adopted by the Borough Council on the dates set forth herein.

The Bonds, along with other available funds of the Borough are being issued to: (i) refund outstanding bond anticipation notes of the Borough; (ii) finance the cost of various general improvements and water and sewer improvements in and by the Borough; and (iii) pay the costs associated with the issuance of the Bonds.

The Notes, along with other available funds of the Borough, are being issued to: (i) refund outstanding bond anticipation notes of the Borough; and (ii) pay the cost of issuance on the Notes.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See "DESCRIPTION OF THE BONDS" under the subheading entitled "Optional Redemption". The Notes are not subject to redemption prior to their stated maturity.

The Bonds and the Notes are not debt or obligations, legal, moral or otherwise of the State of New Jersey, or any county, municipality or political subdivision thereof other than the Borough.

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

The Bonds and Notes are offered when, as and if issued and delivered subject to the approval of the legality thereof by Dilworth Paxson LLP, Red Bank, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Financial Advisor to the Borough in connection with the issuance of the Bonds and the Notes. Certain legal matters will be passed upon for the Borough by the Borough Attorney, Jean Cipriani, Esq., Toms River, New Jersey. It is anticipated that the Bonds and the Notes will be available for delivery through DTC on or about January 29, 2015.

**All bids for the Bonds must be submitted in their entirety via BidCOMP/PARITY Competitive Bidding System ("PARITY") prior to 11:15 a.m., prevailing New Jersey time on January 22, 2015. All Bids for the Bonds must be in conformance with the Full Notice of Sale for the Bonds which can be viewed in electronic format, along with this Preliminary Official Statement, on the website located at [www.prospectushub.com](http://www.prospectushub.com).**

**Telecopied bids for the Notes, in accordance with the Full Notice of Sale for the Notes, will be received by the Borough until 11:00 a.m. on January 22, 2015, telecopier: (732) 793-0319 or email: [ainverso@muniadvisors.com](mailto:ainverso@muniadvisors.com).**

This is a Preliminary Official Statement and the information contained herein is subject to completion, amendment or other change without notice. The securities described herein may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the applicable securities laws of any such jurisdiction.

**BOROUGH OF SEASIDE HEIGHTS  
IN THE COUNTY OF OCEAN, NEW JERSEY**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS\*\***

**\$5,241,000 GENERAL OBLIGATION BONDS, SERIES 2015**

Consisting of:

**\$4,827,000 GENERAL CAPITAL IMPROVEMENT BONDS, SERIES 2015**

and

**\$414,000 WATER/SEWER UTILITY BONDS, SERIES 2015**

**Principal Amounts**

<u>Maturity (January 15)</u>	<u>General Improvement Bonds</u>	<u>Water/Sewer Utility Bonds</u>	<u>Combined Principal Amounts</u>	<u>Interest Rates</u>	<u>Yields</u>	<u>CUSIPs**</u>
2016	\$150,000	\$15,000	\$165,000	%	%	
2017	150,000	15,000	165,000			
2018	150,000	15,000	165,000			
2019	150,000	15,000	165,000			
2020	150,000	15,000	165,000			
2021	150,000	15,000	165,000			
2022	240,000	15,000	255,000			
2023	245,000	15,000	260,000			
2024	255,000	30,000	285,000			
2025	265,000	30,000	295,000			
2026	270,000	30,000	300,000			
2027	280,000	25,000	305,000			
2028	285,000	25,000	310,000			
2029	295,000	25,000	320,000			
2030	295,000	25,000	320,000			
2031	300,000	25,000	325,000			
2032	300,000	20,000	320,000			
2033	300,000	20,000	320,000			
2034	300,000	20,000	320,000			
2035	297,000	19,000	316,000			

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

**BOROUGH OF SEASIDE HEIGHTS  
IN THE COUNTY OF OCEAN, NEW JERSEY  
901 BOULEVARD  
SEASIDE HEIGHTS, NEW JERSEY 08751  
(732) 793-9100**

**MAYOR**  
William Akers

**BOROUGH COUNCIL**  
Victoria Graichen  
Arline Ottoson  
Agnes Polhemus  
Harry Smith  
Richard Tompkins  
Anthony Vaz

**BOROUGH ADMINISTRATOR**  
Christopher Vaz

**CHIEF FINANCIAL OFFICER**  
Barbara Risley

**TAX COLLECTOR**  
Jeffrey Elsasser

**BOROUGH CLERK**  
Diane Stabley

**BOROUGH ATTORNEY**  
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**AUDITOR**  
Oliwa & Company  
Freehold, New Jersey

**BOND COUNSEL**  
Dilworth Paxson LLP  
Red Bank, New Jersey

**FINANCIAL ADVISOR**  
Phoenix Advisors, LLC  
Bordentown, New Jersey

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

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

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

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**OFFICIAL STATEMENT  
OF THE  
BOROUGH OF SEASIDE HEIGHTS  
IN THE COUNTY OF OCEAN, STATE OF NEW JERSEY**

**RELATING TO**

**\$5,241,000 GENERAL OBLIGATION BONDS, SERIES 2015**

**Consisting of:**

**\$4,827,000 General Capital Improvement Bonds, Series 2015**

**\$414,000 Water/Sewer Utility Bonds, Series 2015**

**And**

**\$14,047,752 BOND ANTICIPATION NOTES**

**Consisting of:**

**\$7,721,854 General Improvement Bond Anticipation Notes**

**\$894,736 Water/Sewer Utility Bond Anticipation Notes**

**\$5,431,162 Electric Utility Bond Anticipation Notes**

**INTRODUCTION**

This Official Statement, which includes the cover page, inside cover page and the appendices attached hereto, has been prepared by the Borough of Seaside Heights (the "Borough"), in the County of Ocean (the "County"), New Jersey (the "State") in connection with the sale and issuance of \$5,241,000 aggregate principal amount of General Obligation Bonds, Series 2015 consisting of \$4,827,000 principal amount of General Capital Improvement Bonds, Series 2015 (the "General Improvement Bonds") and \$414,000 principal amount of Water/Sewer Utility Bonds, Series 2015 (the "Water/Sewer Utility Bonds" and, together with the General Improvement Bonds, the "Bonds") and \$14,047,752 aggregate principal amount of Bond Anticipation Notes consisting of \$7,721,854 General Improvement Bond Anticipation Notes (the "General Improvement Notes"), \$894,736 Water/Sewer Utility Bond Anticipation Notes (the "Water/Sewer Utility Notes"), and \$5,431,162 Electric Utility Bond Anticipation Notes (the "Electric Utility Notes", and together with the General Improvement Notes and the Water/Sewer Utility Notes, the "Notes") of the Borough.

**THE BONDS**

**General Description**

The Bonds will be dated the date of delivery and will mature on January 15 in each of the years and in the principal amounts as shown on the inside cover page hereof. The interest on the Bonds will be payable semi-annually beginning July 15, 2015 and on each January 15 and July 15 thereafter. The record dates for the Bonds is each preceding January 1 and July 1, respectively (the "Record Dates"). The Bonds will be issued in book-entry form only.

The Bonds are general obligations of the Borough and are secured by a pledge of the full faith and credit of the Borough for the payment of the principal thereof and interest thereon. The Borough is obligated to levy *ad valorem* taxes upon all of the taxable property within the Borough for the payment of principal of and interest on the Bonds without limitation as to rate or amount.

## **Optional Redemption**

The Bonds maturing prior to January 15, 2024 are not subject to optional redemption. The Bonds maturing on or after January 15, 2024 shall be subject to redemption at the option of the Borough, in whole or in part, on any date on or after January 15, 2023 at a price of 100% of the principal amount being redeemed (the "Redemption Price"), plus unpaid accrued interest to the date fixed for redemption.

## **Notice of 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 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 Borough or a duly appointed Bond Registrar. So long as DTC (the "Depository Trust Company") (or any successor thereto) acts as securities depository for the Bonds ("Securities Depository"), such Notice of Redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the 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 Borough determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

If Notice of Redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

## **Authorization for the Issuance of the Bonds**

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the "Local Bond Law"), and are authorized by various bond ordinances duly adopted by the Borough Council of the Borough on the dates set forth in the charts on the following pages and published and approved as required by law, and by a resolution duly adopted by the Borough Council on January 14, 2015.

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

## **Purpose of the General Improvement Bonds**

The General Improvement Bonds, along with other available funds of the Borough in the amount of \$450, are being issued to: (i) refund, on a current basis, a \$2,432,088 aggregate portion of bond anticipation notes of the Borough originally issued in the aggregate principal amount of \$10,674,413, dated January 31, 2014 and maturing January 30, 2015 (the "January 2014 Prior Notes"); (ii) refund, on a current basis, a \$2,395,362 portion of bond anticipation notes of the Borough originally issued in the aggregate principal amount of \$8,850,446, dated August 1, 2014 and maturing January 30, 2015 (the

“August 2014 Prior Notes”) and (ii) pay the costs associated with the issuance of the General Improvement Bonds.

The purposes for which the General Improvement Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the Borough, which bond ordinances are described on the following table by ordinance number, description and date of final adoption, amount of the January 2014 Prior Notes being refunded with the General Improvement Bonds, and amount of the August 2014 Prior Notes being refunded with the General Improvement Bonds. The bond ordinances are:

**General Improvement Bond Ordinances**

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount of January 2014 Prior Notes Being Refunded With the General Improvement Bonds</b>	<b>Amount of August 2014 Prior Notes Being Refunded With the General Improvement Bonds</b>
2008-20	Various Improvements, finally adopted December 17, 2008	\$675,000	\$0
2008-21	Acquisition of Real Property for Municipal Purposes, finally adopted December 17, 2008	992,088	0
2010-13	Various Improvements, finally adopted August 4, 2010	765,000	0
2006-03	Various Improvements, finally adopted July 5, 2006	0	187,862
2006-11	Acquisition of Fire Truck, finally adopted July 5, 2006	0	542,050
2007-07	Various Improvements, finally adopted July 3, 2007	0	420,000
2007-08	Acquisition of Real Property, finally adopted July 3, 2007	<u>0</u>	<u>1,245,000</u>
<b>TOTAL:</b>		<u>\$2,432,088</u>	<u>\$2,394,912</u>
<b>TOTAL GENERAL IMPROVEMENT BONDS:</b>			<b><u>\$4,827,000</u></b>

**Purpose of the Water/Sewer Utility Bonds**

The Water/Sewer Utility Bonds, along with other available funds of the Borough in the amount of \$250, are being issued to: (i) refund, on a current basis, a \$414,250 aggregate portion of the August 2014 Prior Notes; and (ii) pay the costs associated with the issuance of the Water/Sewer Utility Bonds.

The purposes for which the Water/Sewer Utility Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinance of the Borough, which bond ordinance is described on the following table by ordinance number, description and date of final adoption and the amount of the portion of August 2014 Prior Notes being refunded with the Water/Sewer Utility Bonds. The bond ordinance is:

**Water/Sewer Utility Bond Ordinances**

<b>Ordinance Number</b>	<b>Description and Date of Final Adoption</b>	<b>Amount of August 2014 Prior Notes Being Refunded With the Water/Sewer Utility Bonds</b>
29-03	Improvement to Sewer System (USDA), finally adopted October 15, 2003	\$414,000
<b>TOTAL WATER/SEWER UTILITY BONDS:</b>		<b><u>\$414,000</u></b>
<b>GRAND TOTAL BONDS:</b>		<b><u>\$5,241,000</u></b>

**Payment of Bonds**

The Bonds are general obligations of the Borough for which the full faith and credit of the Borough will be pledged. The Borough is authorized and required by law to levy *ad valorem* taxes on all taxable property within the Borough for the payment of principal of and interest on Bonds without limitation as to rate or amount. See "SECURITY FOR THE BONDS AND NOTES."

**Denominations and Place of Payment**

The Bonds are issuable only as fully registered bonds without coupons, and when issued will be in the form of one certificate per maturity and will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as Securities Depository for the Bonds. Purchase of the Bonds will be made in book entry form, in the denomination of \$5,000 each or any integral multiple thereof, except where necessary denominations of \$1,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. See "Book-Entry-Only System" herein.

**THE NOTES**

**General Description**

The Notes shall be dated and shall bear interest from their date of delivery and shall mature as shown on the cover of this Official Statement. The Notes shall bear interest at the rate as indicated on the cover of this Official Statement, payable upon maturity. Interest on the Notes is calculated on the basis of twelve (12) thirty (30) day months in a three hundred sixty (360) day year.

The Notes will be issued as fully registered notes in book-entry only form, and when issued, will be registered in the name of and held by Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Principal of and interest on the Notes will be payable by the Borough or a duly designated paying agent on the date of maturity by wire transfer of immediately available funds to DTC or its nominee. Purchases of beneficial interests in the Notes will be made in book-entry only form, without certificates, in denominations of \$5,000 or any integral multiple thereof, except that those Notes in excess of the largest principal amount thereof not equaling a multiple of \$5,000 shall be in denominations of \$1,000 or any integral multiple thereof (or any necessary odd denomination), through book entries made on the books and records of DTC and its participants. Under certain circumstances,

such beneficial interests in the Notes are exchangeable for one or more fully registered Note certificates in authorized denominations.

The Note certificate will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Notes purchased. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of the principal of and interest on the Notes will be made by the Borough or a duly designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Notes. See “BOOK-ENTRY-ONLY SYSTEM” herein.

**Purpose of the General Improvement Notes**

The General Improvement Notes are being issued, along with other available funds of the Borough in the amount of \$98,356, to: (i) refund, on a current basis, a \$1,365,126 aggregate portion of the January 2014 Prior Notes; and (ii) refund, on a current basis, a \$6,455,084 aggregate portion of the August 2014 Prior Notes. The General Improvement Notes and the improvements or purposes for which the General Improvement Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough, which bond ordinances are described on the following tables by ordinance number, description and date of final adoption, and the amount of January 2014 Prior Notes and August 2014 Prior Notes being refunded with the General Improvement Notes:

**General Improvement Note Ordinances**

<b>Ordinance Number</b>	<b>Description</b>	<b>Amount of January 2014 Prior Notes Being Refunded With the Notes</b>	<b>Amount of August 2014 Prior Notes Being Refunded With the Notes</b>
2011-15	Various Capital Improvements , finally adopted December 21, 2011	\$1,305,252	\$0
2010-14	Acquisition of Real Property for Municipal Purposes as amended by B/O #2013-11 to include Various Capital Improvements, finally adopted August 4, 2010 and May 15, 2013 respectively	0	3,001,518
2013-14	Various Capital Improvements, finally adopted August 7, 2013	0	2,465,084
2014-12	Various Capital Improvements, finally adopted May 21, 2014	<u>0</u>	<u>950,000</u>
<b>TOTAL:</b>		<u>\$1,305,252</u>	<u>\$6,416,602</u>
<b>TOTAL GENERAL IMPROVEMENT NOTES:</b>			<b><u>\$7,721,854</u></b>

**Purpose of the Water/Sewer Utility Notes**

The Water/Sewer Utility Notes are being issued, along with other available funds of the Borough in the amount of \$52,632, to refund, on a current basis, a \$947,368 aggregate portion of the January 2014 Prior Notes. The Water/Sewer Utility Notes and the improvements or purposes for which the Water/Sewer Utility Notes are to be issued have been authorized by a bond ordinance duly adopted by the Borough, which bond ordinance is described on the following table by ordinance number, description and date of final adoption, and the amount of January 2014 Prior Notes being refunded with the Water/Sewer Utility Notes:

<u><b>Water/Sewer Utility Note Ordinances</b></u>		
<b>Ordinance Number</b>	<b>Description</b>	<b>Amount of January 2014 Prior Notes Being Refunded With the Notes</b>
2011-08	Various Water/Sewer Utility Improvements, finally adopted July 6, 2011	\$894,736
<b>TOTAL WATER/SEWER UTILITY NOTES:</b>		<b><u>\$894,736</u></b>

**Purpose of the Electric Utility Notes**

The Electric Utility Notes are being issued, along with other available funds of the Borough in the amount of \$84,419, to refund, on a current basis, a \$5,515,581 aggregate portion of the January 2014 Prior Notes. The Electric Utility Notes and the improvements or purposes for which the Electric Utility Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough, which bond ordinances are described on the following tables by ordinance number, description and date of final adoption, and the amount of January 2014 Prior Note being refunded with the Electric Utility Notes:

<u><b>Electric Utility Note Ordinances</b></u>		
<b>Ordinance Number</b>	<b>Description</b>	<b>Amount of January 2014 Prior Notes Being Refunded With the Notes</b>
2011-09	Various Electric Utility Improvements, finally adopted July 6, 2011	\$557,746
2011-11	Various Electric Utility Improvements, finally adopted October 5, 2011	<u>\$4,873,416</u>
<b>TOTAL:</b>		<b><u>\$5,431,162</u></b>
<b>GRAND TOTAL NOTES:</b>		<b><u>\$14,047,752</u></b>

**Payment of Notes**

As hereinafter stated, the Notes are general obligations of the Borough for which the full faith and credit of the Borough will be pledged. The Borough is authorized and required by law to levy *ad valorem*

taxes on all taxable property within the Borough for the payment of principal of and interest on Notes without limitation as to rate or amount.

### **Optional Redemption**

The Notes are not subject to redemption prior to maturity.

### **Authorization for the Issuance of the Notes**

The Notes have been authorized and are being issued pursuant to the Local Bond Law. The Notes are authorized by various bond ordinances adopted by the Borough Council on the dates set forth under “Purpose of the General Improvement Notes,” “Purpose of the Water/Sewer Utility Notes” and “Purpose of the Electric Utility Notes” herein and published and approved as required by law.

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

## **SECURITY FOR THE BONDS AND NOTES**

The Bonds and Notes are general obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal, redemption premium, if any, and the interest on the Bonds and Notes. The Borough is required by law to levy *ad valorem* taxes on all taxable real property in the Borough for the payment of the principal, redemption premium, if any, of and the interest on the Bonds and Notes, without limitation as to rate or amount.

### **The Borough**

The Borough is located along the southeastern border of Ocean County, New Jersey. See Appendix “A” for demographic and statistical information concerning the Borough.

## **SUPERSTORM SANDY**

On October 29, 2012, Superstorm Sandy, then a Category 1 post-tropical cyclone, struck the southern Atlantic coast of New Jersey (the “Storm”). The resulting Storm surge and winds caused catastrophic damage to many coastal and riverfront communities, as well as widespread physical damage (including loss of electrical power and other utilities) throughout the State. In the days following the Storm, most schools and businesses – and many roads, bridges and public transportation systems – were closed.

Certain expenses relating to debris removal, emergency protective measures, repairs and reconstruction of roads, bridges, utility systems and governmental buildings, and restoration of parks may be eligible for financial assistance from FEMA. To date, the Borough has received \$9,826,257 in reimbursements from FEMA. New Jersey law permits governmental entities to borrow to pay for certain extraordinary expenses caused by natural disasters such as the Storm. The property damage inflicted by the Storm may also lead to an increase in property tax appeals, potentially resulting in reduced tax assessments and an increase in tax refunds payable.

On December 28, 2012, the Borough issued \$14,100,000 Special Emergency Notes (the "Original Special Emergency Notes") to meet expenses related to the extraordinary cost for the reconstruction of streets, roads or other public property in the Borough damaged by the Storm. Subsequently on August 7, 2013, the Borough adopted capital ordinances in the aggregate amount of \$10,000,000, to fund the general capital and Electric Utility costs of the Storm, which capital ordinances were funded through the issuance of a bond anticipation note upon the maturity of the Original Special Emergency Notes. In accordance with the Local Budget Law, the Borough will make a budgetary appropriation of at least one-fifth (1/5) of the difference between the original principal amount of the Original Special Emergency Notes and the capital ordinances. Such budgetary appropriation must be made in each of the five (5) succeeding annual budgets following the issuance of the Original Special Emergency Notes, inclusive of the Borough's 2013 and 2014 budgets, to allow the Borough to finance the costs of such Original Special Emergency Notes over such period. The Borough's Special Emergency Notes are currently outstanding in the amount of \$1,811,564.

Borough officials estimate that the Borough experienced a short-term ratable loss of only approximately 3% due to the Storm's effects. The Borough has determined that nearly all of the impacted structures were restored by the end of 2013, based on construction permit applications received to date. While the Borough's boardwalk and piers sustained substantial damage from the Storm, the Borough began cleanup efforts soon after the Storm. The boardwalk was substantially reconstructed, along with the installation of upgraded lighting, access ramps, fencing and benches, and reopened by Memorial Day Weekend, in time for the summer 2013 season.

### **BOOK-ENTRY-ONLY SYSTEM**

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

DTC will act as securities depository for the Bonds and Notes. The Bonds and Notes 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 in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC. One fully registered certificate will be issued in the aggregate principal amount of the Notes deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of

securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and Notes on DTC's records. The ownership interest of each actual purchaser of the Bonds and Notes ("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 and Notes 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 and Notes, except in the event that use of the book-entry system for the Bonds and Notes is discontinued.

To facilitate subsequent transfers, all Bonds and Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds and Notes 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 and Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds and distributions on the Bonds and Notes, if any, 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 Borough or its designated 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 Borough, or the Borough's designated Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or its designated Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

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

Payment Date to the registered owners thereof as of the close of business on the Record Dates. Interest on the Notes will be payable by check or draft, mailed on the maturity date of the Notes to the registered owners thereof as of the close of business on the day before the maturity date of the Notes.

## **MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

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

The Local Bond Law generally governs the issuance of bonds to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments, with no annual principal payment greater than 100% of the smallest amount of any prior year's principal amount. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes, except for the issuance of refunding bonds. All bonds issued by the Borough are general full faith and credit obligations.

### **Debt Limits**

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

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

The Borough 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 Borough 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 Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

### **Short Term Financing**

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one year

periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

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

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

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

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

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

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

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

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and (ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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

### **Appropriation "CAP"**

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate" if the index rate is greater than 2.5%. The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior years' tax levy in years when the Index Rate is 2.4% or less.

Additionally, new legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the

amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Borough to levy ad valorem taxes upon all taxable property within the boundaries of the Borough to pay debt service on bonds and notes.

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

### **Tax Appeals**

The New Jersey Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before the 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.

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

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

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

### **School Debt Subject to Voter Approval**

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the Borough. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the Borough, the State Commissioner of Education and the

Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

## **TAX MATTERS**

### **Federal**

Bond Counsel will deliver, concurrently with the issuance of the Bonds and the Notes, their opinion to the effect that under existing statutes, regulations, rulings and court decisions, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes. Interest paid on the Bonds and the Notes will not be a specific preference item for purposes of calculating individual or corporate alternative minimum taxable income; however, interest on the Bonds and the Notes is included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations. In addition, interest on the Bonds and the Notes may be included in a foreign corporation's effectively connected earnings and profits upon which certain foreign corporations are required to pay the foreign branch profits tax imposed under Section 884 of the Internal Revenue Code of 1986, as amended (the "Code").

[Certain maturities of the Bonds have been offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Prospective purchasers of the Bonds should consult their tax advisers for an explanation of the treatment of original issue discount.]

[Certain maturities of the Bonds have been offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holder's tax basis for the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Bond rather than creating a deductible expense or loss. Prospective purchasers of the Bonds should consult their tax advisers for an explanation of the treatment of original issue premium.]

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds and the Notes. Ongoing requirements include, among other things, the provisions of Section 148 of the Code which prescribe yield and other limits within which the proceeds of the Bonds and the Notes are to be invested and which may require that certain excess earnings on investments made with the proceeds of the Bonds and the Notes be rebated on a periodic basis to the United States. The Borough has made certain representations and undertaken certain agreements and covenants in [the ordinances pursuant to which the Bonds and the Notes are being issued and] its tax compliance agreement to be delivered concurrently with the issuance of the Bonds designed to ensure compliance with the applicable provisions of the Code. The inaccuracy of these representations or the failure on the part of the Borough to comply with such covenants and agreements could result in the interest on the Bonds and the Notes being included in the gross income of a holder for federal income tax purposes, in certain cases retroactive to the date of original issuance of the Bonds and the Notes.

The opinion of Bond Counsel assumes the accuracy of these representations and the future compliance by the Borough with its covenants and agreements. Moreover, Bond Counsel has not

undertaken to evaluate, determine or inform any person, including any holder of the Bonds or the Notes, whether any actions taken or not taken, events occurring or not occurring, or other matters that might come to the attention of Bond Counsel would adversely affect the value of, or tax status of the interest on, the Bonds or the Notes.

Ownership of the Bonds or the Notes may result in collateral federal tax consequences to certain taxpayers, including, without limitation, financial institutions, S corporations with excess net passive income, property and casualty companies, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred indebtedness to purchase or carry the Bonds or the Notes. Bond Counsel will express no opinion with respect to these or any other collateral tax consequences of the ownership of the Bonds or the Notes. The nature and extent of the tax benefit to a taxpayer of ownership of the Bonds or the Notes will generally depend upon the particular nature of such taxpayer or such taxpayer's own particular circumstances, including other items of income or deduction. Accordingly, prospective purchasers of the Bonds or the Notes should consult their tax advisers.

There can be no assurance that currently existing or future legislative proposals by the United States Congress limiting or further qualifying the excludability of interest on tax exempt bonds from gross income for federal tax purposes, or changes in federal tax policy generally, will not adversely affect the tax status of the interest on, or the market for, the Bonds and the Notes.

## **New Jersey**

Bond Counsel will also deliver an opinion to the effect that under existing law as enacted and construed on the date of such opinion, interest on the Bonds and the Notes and any gain from the sale of the Bonds and the Notes are excluded from gross income for purposes of the New Jersey Gross Income Tax Act.

The Bonds and the Notes and the interest thereon may be subject to state or local taxes in jurisdictions other than New Jersey under applicable state or local tax laws.

**PROSPECTIVE PURCHASERS OF THE BONDS AND THE NOTES SHOULD CONSULT THEIR TAX ADVISERS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS AND THE NOTES AND ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED TAX LEGISLATION.**

## **LEGALITY FOR INVESTMENT**

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

## **CONTINUING DISCLOSURE FOR THE BONDS**

The Borough has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the Borough to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission

pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the "Certificate") to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in APPENDIX "C" (the "Continuing Disclosure Certificate for the Bonds") attached hereto. Such Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the "MSRB").

The Borough previously failed to file its annual financial information in accordance with the Rule for year-end financials for fiscal years ending December 31, 2009, 2010, 2011, and 2012 in a timely manner. The Borough acknowledges that it previously failed to disclose in its Official Statement dated April 30, 2014 in connection with the Borough's General Obligation Refunding Bonds, Series 2014 that it failed to file material event notices and late filing notices in connection with (i) its annual financial information; (ii) certain bond insurer downgrades; and (iii) rating changes. However, the Borough has since filed all required annual financial information and notices with the MSRB through its Electronic Municipal Market Access system ("EMMA"). The Borough is now in compliance with all existing continuing disclosure agreements in all material respects and has hired a continuing disclosure and dissemination agent to remedy the oversight. In addition, on April 9, 2014, Phoenix Advisors, LLC filed, on behalf of the Borough, 2013 unaudited financial statements, which include the Borough's 2013 Annual Financial Statement and 2013 Annual Debt Statement. Subsequently, on December 15, 2014, Phoenix Advisors, LLC filed, on behalf of the Borough, the Borough's 2013 Audit.

#### **COMPLIANCE WITH SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

The Borough has covenanted for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events with respect to the Notes, as set forth in section (b)(5)(i)(C) of the Rule (the "Notices"). The Notices will be filed by the Borough with the MSRB. The specific nature of the Notices will be detailed in a certificate to be executed on behalf of the Borough by its Chief Financial Officer, in the form appearing in Appendix "D" (the "Form of Certificate of Compliance with Secondary Market Disclosure Requirements for the Notes") hereto, such certificate to be delivered concurrently with the delivery of the Notes.

#### **LITIGATION**

Upon delivery of the Bonds and Notes, the Borough shall furnish a certificate of Gilmore & Monahan, P.A., Toms River, New Jersey (the "Borough Attorney"), dated the date of delivery of the Bonds and Notes, to the effect that there is no litigation of any nature pending or, to his knowledge, threatened, to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or Notes, or in any way contesting or affecting the validity of the Bonds or Notes or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds and Notes. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by, or against, the Borough wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Borough or adversely affect the power of the Borough to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds or notes, which has not been disclosed in this Official Statement.

#### **MUNICIPAL BANKRUPTCY**

The undertakings of the Borough should be considered with reference to Chapter 9 of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to

Provide for Special Revenue Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors' rights and municipalities in general. Chapter 9 permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter 9 directs such a petitioner to file with the Bankruptcy Court a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 through 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 9 does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

### **CERTAIN REFERENCES**

The foregoing statements and descriptions of provisions of the New Jersey Constitution, the Local Bond Law and other laws of the State of New Jersey, the Federal Bankruptcy Code, the Ordinances and the Resolution of the Borough and the Bonds and Notes and all references to other material not purported to be quoted in full are only brief, generalized descriptions thereof, do not purport to be complete, and are in all respects subject to and qualified in their entireties by express reference to the complete provisions thereof. Copies of the bond ordinances and the resolution will be furnished by the Borough on request.

All estimates and assumptions herein are believed to be reasonable, but no warranty, guaranty or other representation is made that such estimates or assumptions will be realized or are correct. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

### **CERTIFICATION OF OFFICIAL STATEMENT**

The Borough hereby states that the descriptions and statements herein relating to the Borough are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Bonds and Notes, by certificates signed by the Borough Chief Financial Officer, that to his/her knowledge such descriptions and statements, as of the date hereof, and as of the date of delivery of the Bonds and Notes,

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.

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

Dilworth Paxson LLP has not 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.

### **RATING**

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned a rating of "A+" to the Bonds. Any desired explanation of the significance of such rating should be obtained from S&P. There is no assurance that the rating will pertain for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of the rating could have an adverse effect on the market price of the Bonds. The Notes have not been rated.

### **UNDERWRITING**

The Bonds have been purchased from the Borough at a public sale by \_\_\_\_\_ (the "Bond Underwriter") at a price of \$\_\_\_\_\_.

The Notes have been purchased from the Borough at a public sale by \_\_\_\_\_ (the "Note Underwriter" and together with the Bond Underwriter, the "Underwriters") at a price of \$\_\_\_\_\_.

The Bond Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Bond Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Bond 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 of this Official Statement, and such yields may be changed, from time to time, by the Bond Underwriter without prior notice.

The Note Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at a yield higher than the public offering yield stated on the front cover hereof.

### **FINANCIAL ADVISOR**

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

**APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bond and Notes are subject to the approval of Dilworth Paxson LLP, Red Bank, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds and Notes substantially in the forms set forth as Appendix "E" and Appendix "F", respectively. Certain legal matters will be passed on for the Borough by the Borough Attorney.

**FINANCIAL STATEMENTS**

Appendix "B" contains certain audited financial data of the Borough for the Borough's fiscal year ending December 31, 2013. The audited financial data was extracted from the report prepared by Oliwa & Company, independent auditors, Freehold, New Jersey (the "Auditor"), to the extent and for the period set forth in their report appearing in Appendix "B", and are included herein in reliance upon the authority of such firm.

**ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Borough's Chief Financial Officer, 901 Boulevard, Seaside Heights, New Jersey 08751, telephone (732) 793-9100 or its Financial Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey, telephone (609) 291-0130.

**MISCELLANEOUS**

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

This Official Statement has been duly executed and delivered by the Borough.

**BOROUGH OF SEASIDE HEIGHTS,  
IN THE COUNTY OF OCEAN, NEW JERSEY**

By: \_\_\_\_\_  
Barbara Risley,  
Chief Financial Officer

Dated: January \_\_, 2015

**APPENDIX A**  
**GENERAL INFORMATION REGARDING THE BOROUGH**

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

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

### **General Information**

The Borough is situated on the Atlantic Ocean in the central area of the County, approximately sixty-seven miles south of New York City. The Borough was incorporated in 1913 and covers an area of 0.75 square miles. The Borough is bordered to the North by the Borough of Point Pleasant Beach, to the west by the Borough of Island Heights and to the south by the Borough of Seaside Park.

Though the atmosphere of the Borough appears primarily residential, a considerable portion is zoned for resort recreation use with excellent access to the roads. Rail and bus service is available in the Borough and airports are accessible in Atlantic City, New Jersey; Newark, New Jersey; and Philadelphia, Pennsylvania. The Borough is a prime destination for short-term visitors, in particular daily visitors, during the summer months to complement its year round and seasonal residents. Convenient access points to the beach, ample parking, sufficient public facilities, as well as, low-cost daily badges also add to the attraction of the Borough as a tourist recreation destination.

The Borough is recognized throughout the tri-state area as a premier summer resort community consisting of a beach, amusement boardwalk (the “Boardwalk”) and restaurants. The Boardwalk spans over one (1) mile alongside the New Jersey shoreline. The Boardwalk connects two (2) 300-foot long piers (the “Piers”) on either side that feature rides, roller coasters and amusement games. Due to the effects of Hurricane Sandy (the “Storm”) the Piers and Boardwalk sustained extensive damage. The Borough began cleanup efforts soon after the Storm. The Boardwalk was substantially reconstructed, along with the installation of upgraded lighting, access ramps, fencing, and benches, and reopened by Memorial Day Weekend, in time for the summer 2013 season. Casino Pier reopened in August 2013 in time for the last month of the summer season, although some repairs remain.

### **Form of Government**

The Governing Body of the Borough consists of a mayor and six (6) Borough Council Members, all of whom are elected by the people of the community. Council members are elected at large for staggered three-year terms and the mayor is elected for a four-year term.

The government of the Borough operates under the Borough form pursuant to N.J.S.A. 40A:60-1 et seq.

The Borough Council meets the first and third Wednesday of each month for regular meetings and caucus meetings are held prior to the meetings. Both caucus and regular meetings are open to the

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<sup>1</sup> Source: The Borough (unless otherwise indicated)

public in compliance with New Jersey's Sunshine Law. At regular meetings, citizens are given an opportunity to speak on proposed ordinances and resolutions. There is also a time set aside at both regular and caucus meetings so that any citizen may address the Borough Council on matters of concern to him or her.

### **Utilities**

The Borough operates an electric utility and its customers are billed monthly based on usage. The Borough also operates a water-sewer utility and its customers are billed quarterly based on usage.

### **Police Services**

The Borough is served by a well-trained Public Safety Police Department.

The Borough Police Department is comprised of 23 police officers and 9 non-uniformed employees. An additional 50 Class One and Class Two officers are employed during the summer. These officers are equipped with modern and scientific crime-fighting equipment.

### **Volunteer First Aid Services**

Volunteer first aid and ambulance service to Borough residents as well as residents of Seaside Park and South Seaside Park is provided by the Tri-Boro First Aid Squad Ambulance Service on a 24-hour basis.

Funding for the first aid squad's operations is by solicitations from the public, as well as an annual grant from the Borough.

### **Volunteer Fire Department Services**

The all-volunteer Fire Department maintains one fire-fighting company and one fire house within the Borough, on a round-the-clock schedule. The location of the firehouse is such that a fire anywhere within the Borough can be quickly answered and serviced.

All fire-fighting apparatus and equipment is of the latest design. In addition, a continuous training program keeps all fire-fighting personnel abreast of the latest techniques.

The above public safety services are maintained on a twenty-four hour-a-day, 365 days-a-year basis. The Police Dispatchers handle calls for all public safety services.

## **Municipal Operations**

Municipal services are provided by approximately 60 full-time employees, with personnel supervision provided by each Department Head, increasing to approximately 250 with summer seasonal personnel.

## **Retirement Systems**

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

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

Employees, who are eligible to participate in a pension plan, are enrolled in PERS or PFRS. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Borough's share of pension costs in 2014, which is based upon the annual billings received from the State, amounted to \$300,510 for PERS and \$510,769 for PFRS.

## **Education**

The Seaside Heights School District (the "Local School District") is a Type II school district that is coterminous with the borders of the Borough. The Local School District provides a full range of educational services appropriate to kindergarten (K) through grade six (6).

Students in grades seven (7) through twelve (12) attend Central Regional School District (the "Regional School District") in neighboring Bayville, along with students from the Borough of Seaside Park, Borough of Island Heights, Borough of Ocean Gate and Township of Berkeley.

The Local School District is being operated by the Regional School District through a shared services agreement.

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

## **Employment and Unemployment Comparisons**

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

	<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>Borough</u></b>				
2013	1,371	1,135	235	17.2%
2012	1,401	1,122	279	19.9
2011	1,429	1,156	273	19.1
2010	1,631	1,143	488	29.9
2009	1,934	1,693	242	12.5
<b><u>County</u></b>				
2013	267,684	244,808	22,876	8.5%
2012	269,077	241,941	27,136	10.1
2011	266,884	240,111	26,773	10.0
2010	266,404	239,158	27,246	10.2
2009	264,787	239,691	25,096	9.5
<b><u>State</u></b>				
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,561,800	4,136,900	424,800	9.3
2011	4,535,800	4,112,200	423,600	9.3
2010	4,545,600	4,108,700	436,900	9.6
2009	4,544,700	4,135,900	408,800	9.0

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 2010)**

	<b><u>Borough</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$32,333	\$59,565	\$69,811
Median Family Income	31,917	73,532	84,904
Per Capita Income	19,855	29,491	34,858

Source: US Bureau of the Census 2010

**Population**

The following table summarizes population increases and decreases for the Borough, the County, and the State.

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>Change</u> Percent	<u>Population</u>	<u>Change</u> Percent	<u>Population</u>	<u>Change</u> Percent
2010	2,887	-8.49%	576,567	12.85%	8,791,894	4.49%
2000	3,155	33.35	510,916	17.94	8,414,350	8.85
1990	2,366	31.30	433,203	25.19	7,730,188	4.96
1980	1,802	44.39	346,038	65.99	7,365,001	2.75
1970	1,248	30.82	208,470	92.60	7,168,164	18.15

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

**Largest Taxpayers**

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

<u>Taxpayers</u>	<u>2013</u> <u>Valuation</u>	<u>% of Total</u> <u>Assessed Valuation</u>
AFMV, LLC	\$19,991,300	3.24%
Belle Freeman Properties	10,028,500	1.62
McGrath Partnership	6,971,700	1.13
Improved Land Inc	5,228,800	0.85
Tilles, Samuel Inc.	4,782,000	0.77
Peterson, Richard E. & Mary	4,706,000	0.76
Seaside Heights Impr & Dev Co Inc.	4,496,000	0.73
Saddy Family LLC	4,404,400	0.71
Felman, Nini R & Finlay, Jill R	4,134,100	0.67
Coin Castle Amusements	<u>3,739,600</u>	0.61
<b>Total</b>	<b><u>\$68,482,400</u></b>	<b><u>11.08%</u></b>

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

**Comparison of Tax Levies and Collections**

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year Percentage of Collection</u>
2013	\$11,451,131	\$11,361,708	99.22%
2012	12,881,752	12,725,844	98.79%
2011	12,688,239	12,687,940	100.00%
2010	12,513,653	12,508,680	99.96%
2009	11,657,896	11,593,279	99.45%

Source: Annual Audit Reports of the Borough.

**Delinquent Taxes and Tax Title Liens**

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>% of Tax Levy</u>
2013	\$0	\$769	\$769	0.01%
2012	60,754	128	60,883	0.47%
2011	0	299	299	0.00%
2010	0	4,973	4,973	0.04%
2009	0	2,348	2,348	0.02%

Source: Annual Audit Reports of the Borough.

**Property Acquired by Tax Lien Liquidation**

<u>Year</u>	<u>Amount</u>
2013	\$0
2012	0
2011	0
2010	0
2009	0

Source: Annual Audit Reports of the Borough.

**Comparison of Water/Sewer Utility Levies and Collection Currently**

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>% of Tax Levy Collected</u>
2013	\$1,805,492	\$1,846,214	102.26%
2012	2,185,420	2,278,399	104.25%
2011	2,766,069	2,626,682	94.96%
2010	2,622,034	2,578,626	98.34%
2009	2,533,738	2,525,449	99.67%

Source: Annual Audit Reports of the Borough

**Comparison of Electric Utility Levies and Collection Currently**

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>% of Tax Levy Collected</u>
2013	\$4,081,886	\$3,986,796	97.67%
2012	5,422,835	5,549,473	102.34%
2011	6,401,866	6,465,690	101.00%
2010	6,388,632	6,298,527	98.59%
2009	5,892,377	5,853,518	99.34%

Source: Annual Audit Reports of the Borough

**Financial Operations**

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

**Summary of Current Fund Budget**

<u>Anticipated Revenues</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Fund Balance	\$0	\$65,000	\$0	\$0	\$534,318
Miscellaneous Revenues	7,097,308	7,281,895	7,114,639	9,393,099	9,412,379
Receipts from Delinquent Taxes	4,492,756	0	0	0	0
Amount to be Raised by Taxes for Support of Municipal Budget	0	4,655,741	4,820,292	5,028,698	5,398,852
Total Revenue:	<u>\$11,590,064</u>	<u>\$12,002,636</u>	<u>\$11,934,931</u>	<u>\$14,421,797</u>	<u>\$15,345,549</u>
 <u>Appropriations</u>					
General Appropriations	\$9,604,232	\$10,326,099	\$10,491,375	\$11,228,500	\$9,882,253
Operations	586,831	37,313	111,264	61,517	3,150,797
Deferred Charges and Statutory Expenditures	289,355	277,901	275,000	1,355,000	820,000
Judgments	0	0	0	0	0
Capital Improvement Fund	0	375,000	0	225,000	210,000
Municipal Debt Service	1,041,000	981,200	1,056,000	1,489,000	1,182,500
Reserve for Uncollected Taxes	<u>68,646</u>	<u>5,123</u>	<u>1,292</u>	<u>62,780</u>	<u>99,999</u>
Total Appropriations:	<u>\$11,590,064</u>	<u>\$12,002,636</u>	<u>\$11,934,931</u>	<u>\$14,421,797</u>	<u>\$15,345,549</u>

Source: Annual Adopted Budgets

## Comparative Schedule of Fund Balances

### Current Fund

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

	<b><u>Fund Balance - Current Fund</u></b>	
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2013	\$1,604,754	\$534,318
2012	1,604,754	0
2011	876,281	0
2010	590,399	65,000
2009	130,705	0

Source: Annual Audit Reports of the Borough

### Water/Sewer Utility Operating Fund

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

	<b><u>Fund Balance - Water/Sewer Utility Operating Fund</u></b>	
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2013	\$458,444	\$66,000
2012	743,444	285,000
2011	1,020,026	261,000
2010	1,187,938	326,000
2009	49,583	0

Source: Annual Audit Reports of the Borough

Electric Utility Operating Fund

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

<b><u>Fund Balance - Electric Utility Operating Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2013	\$1,017,458	\$0
2012	1,492,458	475,000
2011	1,497,458	0
2010	1,260,798	0
2009	788,377	0

Source: Annual Audit Reports of the Borough

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

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

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Local School</u></b>	<b><u>Regional School</u></b>	<b><u>County</u></b>	<b><u>Total Taxes</u></b>
2014	\$0.866	\$0.390	\$0.264	\$0.435	\$1.955
2013r	0.813	0.328	0.267	0.417	\$1.825
2012	0.571	0.333	0.270	0.325	\$1.499
2011	0.544	0.312	0.289	0.326	\$1.471
2010	0.516	0.302	0.296	0.318	\$1.432

r: Reassessment

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>Assessed Value of Personal Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Equalized Valuation</u></b>
2014	\$623,558,300	\$195,694	97.22%	\$641,388,912	\$641,584,606
2013r	617,804,000	301,923	94.21	655,773,272	656,075,195
2012	842,960,200	316,701	117.24	719,003,924	719,320,625
2011	855,222,000	322,996	110.96	770,748,017	771,071,013
2010	869,013,700	389,332	104.29	833,266,564	833,655,896

r: Reassessment

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

## Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2014	\$34,644,400	\$389,582,900	\$0	\$172,293,800	\$0	\$27,037,200	\$623,558,300
2013r	24,298,400	383,807,400	0	183,016,300	0	26,681,900	617,804,000
2012	41,262,400	513,122,400	0	249,842,300	0	38,733,100	842,960,200
2011	44,451,600	516,178,700	0	255,271,300	0	39,320,400	855,222,000
2010	50,563,100	521,672,800	0	257,005,200	0	39,772,600	869,013,700

r: Reassessment

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

*[Remainder of Page Intentionally Left Blank]*

**Borough Indebtedness as of December 31, 2013\***

**General Purpose Debt**

Serial Bonds	\$3,165,000
Bond Anticipation Notes	11,984,012
Bonds and Notes Authorized but Not	17,988
Other Bonds, Notes and Loans	<u>254,541</u>
Total:	\$15,421,541

**Local School District Debt**

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

**Regional School District Debt**

Serial Bonds	\$542,644
Temporary Notes Issued	0
Bonds and Notes Authorized but Not	<u>0</u>
Total:	\$542,644

**Self-Liquidating Debt**

Serial Bonds	\$1,220,000
Bond Anticipation Notes	7,051,050
Bonds and Notes Authorized but Not	0
Other Bonds, Notes and Loans	<u>4,164,619</u>
Total:	\$12,435,669

**TOTAL GROSS DEBT**

**\$28,399,854**

Less: Statutory Deductions

General Purpose Debt	\$1,645,000
Local School District Debt	0
Regional School District Debt	542,644
Self-Liquidating Debt	<u>8,540,584</u>
Total:	\$10,728,228

**TOTAL NET DEBT**

**\$17,671,626**

\*Amended January 12, 2015

Source: Annual Debt Statement of the Borough

**Overlapping Debt (as of December 31, 2013)<sup>3</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Borough Percentage</u></b>	<b><u>Borough Share</u></b>
Local School District	\$0	100.00%	\$0
Regional School District	5,973,000	9.00%	542,644
County	424,268,949	0.71%	<u>3,032,889</u>
Net Indirect Debt			\$3,575,532
Net Direct Debt			<u>22,269,889</u>
Total Net Direct and Indirect Debt			<b><u>\$25,845,421</u></b>

**Debt Limit (as of December 31, 2013)**

Average Equalized Valuation Basis (2011, 2012, 2013)	\$715,175,071
Permitted Debt Limitation (3 1/2%)	25,031,127
Less: Net Debt	<u>22,269,889</u>
Remaining Borrowing Power	<u>\$2,761,239</u>
Percentage of Net Debt to Average Equalized Valuation	3.11%
Gross Debt Per Capita based on 2010 population of 2,887	\$12,441
Net Debt Per Capita based on 2010 population of 2,887	\$7,714

Source: 2013 Annual Debt Statement of the Borough

<sup>3</sup> Borough share of Regional School District Debt is based on Borough's share of total equalized valuation in the Regional School District as reflected on the Borough's Annual Debt Statement. Borough percentage of County's Debt is based on the Borough's share of total equalized valuation in the County.

**APPENDIX B**  
**FINANCIAL STATEMENTS OF THE BOROUGH**

# *Oliwa & Company*

Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the Borough Council  
Borough of Seaside Heights  
County of Ocean  
Seaside Heights, New Jersey

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

We have audited the accompanying balance sheets - regulatory basis of the various funds and the account group of the Borough of Seaside Heights, County of Ocean, State of New Jersey (the "Borough") as of December 31, 2013, the related statements of operations and change in fund balance - regulatory basis for the years then ended, the related statements of fund balance - regulatory basis for the year then ended, the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements listed as financial statement exhibits in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. Except as described in the Basis for Disclaimer of Opinion and Basis for Qualified Opinion paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

### **Auditor's Responsibility (continued)**

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the Borough prepares its financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2013, or changes in its financial position for the years then ended.

### **Basis for Disclaimer of Opinion on the General Fixed Assets Account Group**

The Borough did not record additions and dispositions occurring in 2013 to the general fixed assets accounts and did not provide us with audit evidence to support the amounts recorded in the General Fixed Assets Account Group - Regulatory Basis as of December 31, 2013 in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The amounts by which these departures from required financial reporting provisions would affect general fixed assets and investment in general fixed assets has not been determined.

### **Disclaimer of Opinion on the General Fixed Assets Account Group**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the General Fixed Assets Account Group paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of the general fixed assets account group.

### **Basis for Qualified Opinion on the Trust Fund**

The financial statements of the Length of Service Award Program (“LOSAP”) Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to audit the LOSAP Fund financial statements as part of our audit of the Borough’s financial statements. The LOSAP Fund financial activities are included in the Borough’s Trust Fund, and represent 28.24% of the assets and liabilities and reserves of the Borough’s Trust Fund as of December 31, 2013.

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

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion on the Trust Fund paragraph, the financial statements referred to above present fairly, in all material respects, the balance sheet - regulatory basis of the Trust Fund of the Borough as of December 31, 2013 in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### **Unmodified Opinions on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet - regulatory basis of the Current Fund, General Capital Fund, Water/Sewer Utility Fund, and the Electric Utility Fund of the Borough as of December 31, 2013, the statement of operations and change in fund balance - regulatory basis for the year then ended, the statement of fund balance - regulatory basis for the year then ended, the statement of revenues - regulatory basis and the statement of expenditures - regulatory basis of the individual funds for the year ended December 31, 2013 in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

### **Other Matters**

The Borough’s financial statements - regulatory basis as of December 31, 2012, and for the year then ended, were audited by other auditors whose report, dated April 21, 2014, expressed a qualified opinion on those financial statements in accordance with the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey and an adverse opinion as to the conformity of the financial statements with accounting principles generally accepted in the United States of America, due to the differences between those principles and the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Our audit was conducted for the purpose of forming opinions on the financial statements, which collectively comprise the Borough’s financial statements. The supplementary schedules and comments section listed in the table of contents are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and are not a part of the basic financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements.

## **Other Matters (continued)**

The supplementary schedules, comments section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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, except for the LOSAP Fund and General Fixed Assets Account Group supplementary schedules, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole, based on the accounting principles and practices of the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2014 on our consideration of the Borough'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough's internal control over financial reporting and compliance.



Robert S. Oliwa  
Certified Public Accountant  
Registered Municipal Accountant #414

*Oliwa & Company*

Freehold, New Jersey  
November 28, 2014

# *Oliwa & Company*

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members  
of the Borough Council  
Borough of Seaside Heights  
County of Ocean  
Seaside Heights, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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"), the regulatory basis financial statements of the Borough of Seaside Heights, County of Ocean, State of New Jersey (the "Borough") as of and for the year ended December 31, 2013, and the related notes to the regulatory basis financial statements, which collectively comprise the Borough's basic financial statements and have issued our report thereon dated November 28, 2014. We expressed an adverse opinion on the conformity of the Borough's regulatory basis financial statements with accounting principles generally accepted in the United States of America, due to the differences between those principles and the financial reporting provisions of the Division. We expressed unmodified opinions on the regulatory basis financial statements of the Current Fund, General Capital Fund, Water/Sewer Utility Fund, and Electric Utility Fund as to conformity with the financial reporting provisions of the Division, a disclaimer of opinion on the regulatory basis financial statements of the General Fixed Assets Account Group as to conformity with the financial reporting provisions of the Division and, since the Length of Service Award Program Fund was not audited, a qualified opinion on the Trust Fund.

## **Internal Control over Financial Reporting**

In planning and performing our audit of the regulatory basis financial statements, we considered the Borough's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

## **Internal Control over Financial Reporting (continued)**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (Finding #2013-001). This finding has also been reported to the management of the Borough in the accompanying comments and recommendations section.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough's regulatory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain internal control and compliance matters that we have reported to the management of the Borough in the accompanying comments and recommendations section.

## **Borough's Response to Findings**

The Borough's response to the finding in our audit is described in the accompanying schedule of findings and questioned costs and comments and recommendations section. The Borough's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert S. Oliwa  
Certified Public Accountant  
Registered Municipal Accountant #414

*Oliwa & Company*

Freehold, New Jersey  
November 28, 2014

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2013 and 2012**

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>			
Cash and Cash Equivalents:			
Cash	1-A	\$2,034,417.68	\$12,543,169.17
Change Funds		3,100.00	3,100.00
		<u>2,037,517.68</u>	<u>12,546,269.17</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	2-A	769.28	128.44
Tax Title Liens Receivable	3-A		60,754.46
Revenue Accounts Receivable	4-A	38,905.37	48,592.72
Prepaid Regional High School Tax	9-A	75,128.90	
Due from Animal Control Fund		373.00	496.20
Due from Other Trust Fund			20,000.00
Due from General Capital Fund		17,987.97	
Due from Federal and State Grant Fund		592,383.22	
	A	<u>725,547.74</u>	<u>129,971.82</u>
Deferred Charges:			
Emergency Authorizations			595,000.00
Special Emergency Authorization (40A:4-55)		3,280,000.00	14,100,000.00
Overexpenditure of Appropriations		50,370.49	35,850.90
Expenditure without Appropriation		29,916.39	
Cash Deficit		726,978.02	
		<u>4,087,264.90</u>	<u>14,730,850.90</u>
		<u>6,850,330.32</u>	<u>27,407,091.89</u>
Federal and State Grant Fund:			
Due from Current Fund			49,918.05
Grants Receivable	10-A	2,787,472.96	119,812.43
		<u>2,787,472.96</u>	<u>169,730.48</u>
		<u>\$9,637,803.28</u>	<u>\$27,576,822.37</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2013 and 2012**

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Appropriation Reserves	A-3,5-A	\$294,143.69	\$13,442,724.43
Reserve for Encumbrances	A-3,5-A	109,089.88	889,143.20
Special Emergency Notes Payable		3,099,645.00	11,100,000.00
Prepaid Taxes		143,052.03	122,395.39
Special Improvement District Taxes Payable	6-A	10,208.83	10,015.61
County Taxes Payable	7-A		12,897.10
Payroll Deductions Payable		725.81	159.66
DCA Fees Payable		3,193.00	
Marriage License Fees Payable		125.00	
Tax Overpayments		25,396.76	1,402.77
Due to State of New Jersey (PL 1971, Ch.20)		775.55	2,448.15
Reserve for Hurricane Sandy		161,411.32	
Due to Federal and State Grant Fund			49,918.05
Due to Electric Operating Fund		480,000.00	
Due to Water/Sewer Operating Fund		21,000.00	
Due to Other Trust Fund		130,000.00	
Reserve for Record of Evidence		3,998.30	3,998.30
Reserve for Revaluation of Property		37,263.84	37,263.84
		<u>4,520,029.01</u>	<u>25,672,366.50</u>
Reserve for Receivables and Other Assets	A	725,547.74	129,971.82
Fund Balance	A-1	1,604,753.57	1,604,753.57
		<u>6,850,330.32</u>	<u>27,407,091.89</u>
Federal and State Grant Fund:			
Due to Current Fund		592,383.22	
Encumbrances Payable	11-A	1,776,450.00	131,896.98
Appropriated Reserves	11-A	403,816.91	26,163.00
Unappropriated Reserves	12-A	14,822.83	11,670.50
		<u>2,787,472.96</u>	<u>169,730.48</u>
		<u>\$9,637,803.28</u>	<u>\$27,576,822.37</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2013 and 2012**

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<b><u>Revenue and Other Income Realized</u></b>			
Miscellaneous Revenue Anticipated	A-2	\$11,418,273.48	\$7,448,773.31
Receipts from Current Taxes	A-2	11,361,707.59	12,725,844.42
Non-Budget Revenues	A-2	847,411.95	266,381.50
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	5-A	225,637.97	83,899.09
Prior Year Interfunds Returned		20,496.20	19,136.87
Receipt of Prior Year Cancelled Grant			69,570.55
Grants Appropriated Cancelled			21,696.49
Statutory Excess in Dog License Fund		373.00	
Total Revenue		<u>23,873,900.19</u>	<u>20,635,302.23</u>
<b><u>Expenditures</u></b>			
Budget Appropriations Within CAPS:			
Operations:			
Salaries and Wages	A-3	6,411,396.45	6,435,000.00
Other Expenses	A-3	3,488,000.00	17,273,360.00
Deferred Charges and Statutory Expenditures	A-3	1,335,246.94	1,443,864.37
Budget Appropriations Excluded from CAPS:			
Operations:			
Other Expenses	A-3	2,570,485.33	123,581.24
Capital Improvements	A-3	225,000.00	170,000.00
Municipal Debt Service	A-3	1,513,542.12	1,047,318.28
Deferred Charges	A-3	1,355,000.00	
Special District Taxes	6-A	175,693.22	176,323.14
County Taxes	7-A	2,569,627.99	2,738,924.37
Local District School Tax	8-A	2,416,774.02	2,738,718.48
Regional High School Tax	9-A	1,886,066.80	2,370,473.97
Prior Year Senior Citizens and Veterans Disallowed		500.00	1,000.00
Prior Year Tax Appeals			95,024.86
Interfunds Advanced		610,744.19	20,496.20
Prepaid Regional School Tax		75,128.90	
Refunds		18,042.74	
Expenditure without Appropriation		29,916.39	
State and Federal Grants Receivable Cancelled			3,595.51
Total Expenditures		<u>24,681,165.09</u>	<u>34,637,680.42</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2013 and 2012**

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Deficit in Revenue		\$807,264.90	\$14,002,378.19
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budgets of Succeeding Years:		<u>80,286.88</u>	<u>14,730,850.90</u>
Statutory Excess to Fund Balance			728,472.71
Deficit in Operations to be Raised in Budget of Succeeding Year		<u>\$726,978.02</u>	
Fund Balance January 1	A	<u>\$1,604,753.57</u>	<u>876,280.86</u>
Fund Balance December 31	A	<u>\$1,604,753.57</u>	<u>\$1,604,753.57</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Ref.</u>	<u>Anticipated</u>		<u>Realized</u>	<u>Excess or (Deficit)</u>
		<u>Budget</u>	<u>Special N.J.S. 40A:4-87</u>		
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	4-A	\$90,000.00		\$88,650.00	(\$1,350.00)
Other	4-A	90,000.00		136,687.86	46,687.86
Fees and Permits	4-A	340,000.00		214,790.00	(125,210.00)
Municipal Court Fines and Costs	4-A	1,000,000.00		1,041,045.33	41,045.33
Interest and Costs on Taxes	4-A	40,000.00		65,913.19	25,913.19
Parking Meters	4-A	1,050,000.00		973,749.44	(76,250.56)
Anticipated Utility Operating Surplus		439,000.00			(439,000.00)
Beach Fees	4-A	1,200,000.00		1,317,971.00	117,971.00
Rentals	4-A	350,000.00		74,717.80	(275,282.20)
Ocean Cable TV	4-A	15,000.00		14,503.00	(497.00)
Energy Receipts Tax	4-A	160,582.00		158,991.53	(1,590.47)
Uniform Construction Code Fees	4-A	125,000.00		328,769.00	203,769.00
Recycling Tonnage Grant	10-A	9,419.19		9,419.19	
Clean Communities Program	10-A	9,646.43		9,646.43	
Body Armor Fund	10-A	2,251.31		2,251.31	
NJDOT Trust Fund - Fremont - Kearny	10-A	225,000.00		225,000.00	
COPS in Shops - Summer Shore Initiative	10-A	1,200.00		1,200.00	

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Ref.</u>	<u>Anticipated</u>		<u>Realized</u>	<u>Excess or (Deficit)</u>
		<u>Budget</u>	<u>Special N.J.S. 40A:4-87</u>		
Miscellaneous Revenues (continued):					
CDBG - Fire Related Debris Removal	10-A		\$2,500,000.00	\$2,500,000.00	
NJ Department of Emergency Management	10-A		8,968.40	8,968.40	
Community Disaster Loan Proceeds	4-A	\$3,201,000.00		3,201,000.00	
FEMA Reimbursement Receivable - Special Emergency Note	4-A	820,000.00		820,000.00	
FEMA Reimbursement Receivable - Interest on Special Emergency Note	4-A	225,000.00		225,000.00	
	A-1	<u>9,393,098.93</u>	<u>2,508,968.40</u>	<u>11,418,273.48</u>	<u>(\$483,793.85)</u>
Amount to be Raised by Taxes for Support of Municipal Budget:					
Local Tax for Municipal Purposes	A-2,2-A	<u>5,028,698.15</u>		<u>5,002,054.53</u>	<u>(26,643.62)</u>
Budget Totals		<u>14,421,797.08</u>	<u>2,508,968.40</u>	<u>16,420,328.01</u>	<u>(\$510,437.47)</u>
Non-Budget Revenues	A-1,A-2			<u>847,411.95</u>	
		<u>\$14,421,797.08</u>	<u>\$2,508,968.40</u>	<u>\$17,267,739.96</u>	
	<u>Ref.</u>	<u>A-3</u>	<u>A-3</u>		

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Ref.</u>	
<b><u>Analysis of Realized Revenues</u></b>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,3-A	\$11,361,707.59
Allocated to School, County and Special District Taxes		<u>6,422,433.21</u>
Balance for Support of Municipal Budget Appropriations		4,939,274.38
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>62,780.15</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$5,002,054.53</u></u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

**Analysis of Non-Budget Revenues**

Insurance Reimbursements	\$615,331.61
Delinquent Tax Collections	106,619.49
Scrap Metal	33,127.45
State of New Jersey Miscellaneous	20,540.51
Hurricane Sandy Donations	15,167.95
Bus Service Reimbursements	15,000.00
Costs of Tax Sale	8,131.74
Recycling	7,773.77
Police Application Fees	7,310.00
Fire Permit Fees	4,368.00
State of New Jersey Motor Vehicle Fines	4,016.19
Planning Board Fees	3,250.00
Miscellaneous	2,124.49
Event Application Fees	1,050.00
Interest on Investments	985.64
Tax Title Lien Collections	630.80
Police Reports	462.20
Location Shoot Fees	325.00
Restitution	304.66
Senior Citizens and Veterans Administrative Fee	303.42
Returned Check Fees	295.00
Radius Search	210.00
Copies	84.03
	<u>\$847,411.95</u>

**Ref.** A-1,A-2,1-A

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Over- expended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<u>Operations Within "CAPS"</u>						
GENERAL GOVERNMENT						
General Administration:						
Salaries and Wages	\$150,000.00	\$110,000.00	\$104,330.28	\$5,669.72		
Other Expenses	140,000.00	160,000.00	148,682.28	11,317.72		
Mayor and Council:						
Salaries and Wages	30,000.00	30,000.00	29,337.75	662.25		
Other Expenses	1,000.00	1,000.00	595.00	405.00		
Municipal Clerk:						
Salaries and Wages	75,000.00	75,000.00	70,133.09	4,866.91		
Other Expenses	25,000.00	25,000.00	23,995.40	1,004.60		
Financial Administration (Treasury):						
Salaries and Wages	105,000.00	105,000.00	102,338.09	2,661.91		
Other Expenses	20,000.00	20,000.00	19,463.32	536.68		
Audit Services:						
Other Expenses	25,000.00	25,000.00	22,000.00	3,000.00		
Revenue Administration (Tax Collection):						
Salaries and Wages	40,000.00	40,000.00	37,499.80	2,500.20		
Other Expenses	20,000.00	20,000.00	9,586.93	10,413.07		
Tax Assessment Administration:						
Salaries and Wages	25,000.00	25,000.00	23,380.53	1,619.47		
Other Expenses	20,000.00	7,000.00	4,978.14	2,021.86		

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Over- expended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<u>Operations Within "CAPS"</u>						
GENERAL GOVERNMENT (continued)						
Legal Services (Legal Department):						
Salaries and Wages	\$84,000.00	\$84,000.00	\$84,000.00			
Other Expenses	136,000.00	136,000.00	136,000.00			
Engineering Services:						
Other Expenses	5,000.00	5,000.00	4,872.50	\$127.50		
Redevelopment Agency:						
Salaries and Wages	6,000.00	6,000.00	6,000.00			
Other Expenses	15,000.00	15,000.00	7,654.50	7,345.50		
LAND USE ADMINISTRATION						
Planning Board:						
Salaries and Wages	6,000.00	6,000.00	6,000.00			
Other Expenses	34,000.00	24,000.00	14,280.17	9,719.83		
CODE ENFORCEMENT AND ADMINISTRATION						
Uniform Construction Code Official:						
Salaries and Wages	55,000.00	56,500.00	55,340.96	1,159.04		
Other Expenses	15,000.00	15,000.00	11,510.67	3,489.33		
Other Code Enforcement Functions:						
Salaries and Wages	175,000.00	197,000.00	195,692.47	1,307.53		
Other Expenses	15,000.00	15,000.00	7,712.62	7,287.38		

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Over- expended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<b><u>Operations Within "CAPS"</u></b>						
<b>INSURANCE</b>						
Unemployment	\$185,000.00	\$185,000.00	\$185,000.00			
General Liability	225,000.00	225,000.00	208,053.51	\$16,946.49		
Worker's Compensation	260,000.00	260,000.00	260,000.00			
Employee Group Health	1,196,000.00	1,196,000.00	1,173,548.19	22,451.81		
<b>PUBLIC SAFETY</b>						
<b>Police Department:</b>						
Salaries and Wages	3,500,000.00	3,721,500.00	3,722,896.45			\$1,396.45
Other Expenses	250,000.00	250,000.00	249,429.10	570.90		
<b>Police Dispatch/911:</b>						
Salaries and Wages	325,000.00	315,000.00	308,474.90	6,525.10		
Other Expenses	5,000.00	5,000.00	2,042.71	2,957.29		
<b>Office of Emergency Management:</b>						
Salaries and Wages	20,000.00	10,000.00	7,556.39	2,443.61		
Other Expenses	5,000.00	5,000.00	4,309.17	690.83		
Aid to Volunteer Fire Companies	60,000.00	60,000.00	60,000.00			
Aid to Volunteer Ambulance Companies	60,000.00	60,000.00	60,000.00			
<b>Municipal Prosecutor's Office:</b>						
Salaries and Wages	70,000.00	70,000.00	67,074.45	2,925.55		

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Over- expended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<b><u>Operations Within "CAPS"</u></b>						
<b>MUNICIPAL COURT</b>						
Salaries and Wages	\$370,000.00	\$370,000.00	\$358,513.19	\$11,486.81		
Other Expenses	35,000.00	35,000.00	27,949.96	7,050.04		
<b>PUBLIC DEFENDER</b>						
Other Expenses	20,000.00	20,000.00	16,666.70	3,333.30		
<b>PUBLIC WORKS</b>						
<b>Streets and Road Maintenance:</b>						
Salaries and Wages	92,000.00	102,000.00	97,908.70	4,091.30		
Other Expenses	15,000.00	20,000.00	14,799.95	5,200.05		
<b>Other Public Works Functions:</b>						
Salaries and Wages	14,000.00	14,000.00	8,097.41	5,902.59		
Other Expenses	2,000.00	2,000.00		2,000.00		
<b>Solid Waste Collection:</b>						
Salaries and Wages	260,000.00	260,000.00	247,227.50	12,772.50		
Other Expenses	15,000.00	15,000.00	15,000.00			
<b>Building and Grounds:</b>						
Salaries and Wages	150,000.00	150,000.00	144,726.09	5,273.91		
Other Expenses	50,000.00	55,000.00	53,681.45	1,318.55		
<b>Vehicle Maintenance (Including Police Vehicles):</b>						
Salaries and Wages	46,000.00	46,000.00	39,420.90	6,579.10		
Other Expenses	114,000.00	119,000.00	117,542.43	1,457.57		

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Over- expended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<b><u>Operations Within "CAPS"</u></b>						
<b>HEALTH AND HUMAN SERVICES</b>						
<b>Public Health Services (Board of Health):</b>						
Salaries and Wages	\$2,000.00	\$2,000.00	\$2,000.00			
Other Expenses	1,000.00	1,000.00		\$1,000.00		
<b>Animal Control Services:</b>						
Other Expenses	5,000.00	5,000.00	1,421.82	3,578.18		
<b>Welfare/Administration of Public Assistance:</b>						
Other Expenses	1,000.00	1,000.00		1,000.00		
<b>Contributions to Seniors:</b>						
Other Expenses	4,000.00	4,000.00	536.16	3,463.84		
<b>PARKS AND RECREATION</b>						
<b>Maintenance of Parks:</b>						
Other Expenses	4,000.00	4,000.00		4,000.00		
<b>Beach and Boardwalk Operations:</b>						
Salaries and Wages	750,000.00	615,000.00	608,044.72	6,955.28		
Other Expenses	50,000.00	50,000.00	48,331.13	1,668.87		

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
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**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Over- expended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<u>Operations Within "CAPS"</u>						
UNCLASSIFIED						
Telephone (excluding equipment acquisition)	\$60,000.00	\$48,000.00	\$44,771.08	\$3,228.92		
Gas (Natural or Propane)	5,000.00	5,000.00	1,126.68	3,873.32		
Gasoline	165,000.00	210,000.00	190,011.52	19,988.48		
Landfill/Solid Waste Disposal Costs	230,000.00	180,000.00	180,000.00			
<b>Total Operations Within "CAPS"</b>	<b>9,843,000.00</b>	<b>9,898,000.00</b>	<b>9,651,546.76</b>	<b>247,849.69</b>		<b>\$1,396.45</b>
Detail:						
Salaries and Wages	6,350,000.00	6,410,000.00	6,325,993.67	85,402.78		1,396.45
Other Expenses	3,493,000.00	3,488,000.00	3,325,553.09	162,446.91		
DEFERRED CHARGES AND STATUTORY EXPENDITURES						
Emergency Authorizations:						
Uniform Construction Code Officials						
Salaries and Wages	20,000.00	20,000.00	20,000.00			
General Administration	40,000.00	40,000.00	40,000.00			
Overexpenditure of Appropriations	37,000.00	37,000.00	35,850.90		\$1,149.10	

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Over- expended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<u>Operations Within "CAPS"</u>						
Contribution to:						
Public Employees' Retirement System	\$225,000.00	\$225,000.00	\$214,477.00	\$10,523.00		
Social Security System (O.A.S.I.)	500,000.00	445,000.00	450,896.04			\$5,896.04
Police and Firemen's Retirement System of NJ	553,500.00	553,500.00	553,295.00	205.00		
Defined Contribution Retirement Program	10,000.00	10,000.00	9,434.00	566.00		
Total Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"	<u>1,385,500.00</u>	<u>1,330,500.00</u>	<u>1,323,952.94</u>	<u>11,294.00</u>	<u>\$1,149.10</u>	<u>5,896.04</u>
Total General Appropriations For Municipal Purposes Within "CAPS"	<u>11,228,500.00</u>	<u>11,228,500.00</u>	<u>10,975,499.70</u>	<u>259,143.69</u>	<u>1,149.10</u>	<u>7,292.49</u>
<u>Operations Excluded from "CAPS"</u>						
LOSAP	35,000.00	35,000.00		35,000.00		
Employee Group Health	4,000.00	4,000.00	4,000.00			
	<u>39,000.00</u>	<u>39,000.00</u>	<u>4,000.00</u>	<u>35,000.00</u>		

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>	<u>Over- expended</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>		
<u>Operations Excluded from "CAPS"</u>						
PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES						
Recycling Tonnage Grant	\$9,419.19	\$9,419.19	\$9,419.19			
Body Armor Replacement Fund	2,251.31	2,251.31	2,251.31			
Clean Communities Grant	9,646.43	9,646.43	9,646.43			
COPS in Shops - Summer Shore Initiative	1,200.00	1,200.00	1,200.00			
CDBG - Fire Related Debris Removal (40A:4-87, \$2,500,000.00+)		2,500,000.00	2,500,000.00			
NJ Department of Emergency Management (40A:4-87, \$8,968.40+)		8,968.40	8,968.40			
<b>Total Public and Private Program Offset by Revenues</b>	<b>22,516.93</b>	<b>2,531,485.33</b>	<b>2,531,485.33</b>			
<b>Total Operations Excluded from "CAPS"</b>	<b>61,516.93</b>	<b>2,570,485.33</b>	<b>2,535,485.33</b>	<b>\$35,000.00</b>		
Detail:						
Other Expenses	61,516.93	2,570,485.33	2,535,485.33	35,000.00		
<u>Capital Improvements Excluded from "CAPS"</u>						
Boulevard - Fremont - Kearny	225,000.00	225,000.00	225,000.00			
<b>Total Capital Improvements Excluded from "CAPS"</b>	<b>225,000.00</b>	<b>225,000.00</b>	<b>225,000.00</b>			

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<b>Appropriated</b>		<b>Expended</b>		<b>Unexpended</b>	<b>Over-</b>
	<b>Budget</b>	<b>Budget after Modification</b>	<b>Paid or Charged</b>	<b>Reserved</b>	<b>Balance Cancelled</b>	<b>expended</b>
<b><u>Municipal Debt Service Excluded from "CAPS"</u></b>						
Payment of Bond Principal	\$500,000.00	\$500,000.00	\$500,000.00			
Payment of Bond Anticipation Notes and Capital Notes	387,000.00	387,000.00	430,078.00			\$43,078.00
Interest on Bonds	182,000.00	182,000.00	176,730.01		\$5,269.99	
Interest on Notes	385,000.00	385,000.00	372,144.71		12,855.29	
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	35,000.00	35,000.00	34,589.40		410.60	
<b>Total Municipal Debt Service Excluded from "CAPS"</b>	<b>1,489,000.00</b>	<b>1,489,000.00</b>	<b>1,513,542.12</b>		<b>18,535.88</b>	<b>43,078.00</b>
<b><u>Deferred Charges Excluded from "CAPS"</u></b>						
Special Emergency Authorizations						
5 Years (N.J.S.A. 40A:4-55)	820,000.00	820,000.00	820,000.00			
Emergency Authorizations:						
Hurricane Sandy	357,000.00	357,000.00	357,000.00			
Police - Other Expenses	30,000.00	30,000.00	30,000.00			
Social Security (O.A.S.I)	38,000.00	38,000.00	38,000.00			
Police - Salaries and Wages	110,000.00	110,000.00	110,000.00			
<b>Total Deferred Charges - Municipal - Excluded from "CAPS"</b>	<b>1,355,000.00</b>	<b>1,355,000.00</b>	<b>1,355,000.00</b>			

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**CURRENT FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>	<u>Over-</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>	<u>expended</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	\$3,130,516.93	\$5,639,485.33	\$5,629,027.45	\$35,000.00	\$18,535.88	\$43,078.00
Subtotal General Appropriations	14,359,016.93	16,867,985.33	16,604,527.15	294,143.69	19,684.98	50,370.49
Reserve for Uncollected Taxes	62,780.15	62,780.15	62,780.15			
<b>Total General Appropriations</b>	<b>\$14,421,797.08</b>	<b>\$16,930,765.48</b>	<b>\$16,667,307.30</b>	<b>\$294,143.69</b>	<b>\$19,684.98</b>	<b>\$50,370.49</b>

	<u>Ref.</u>	
	A-2	
	A-1	
	A,A-1	
Budget	A-3	\$14,421,797.08
Appropriation by 40A:4-87	A-2	2,508,968.40
		<u>\$16,930,765.48</u>

	<u>Ref.</u>	
Reserve for Uncollected Taxes	A-2	\$62,780.15
Cash Disbursed	1-A	12,288,101.04
Due to Federal and State Grant Fund		2,756,485.33
Deferred Charge - Special Emergency Authorization (40A:4-55)		820,000.00
Deferred Charge - Emergency Authorizations (40A:4-47)		595,000.00
Deferred Charge - Overexpenditure of Appropriations		35,850.90
Encumbrances Payable	A	109,089.88
		<u>\$16,667,307.30</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**TRUST FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2013 and 2012**

<b><u>Assets</u></b>	<b><u>Ref.</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Animal Control Trust Fund:			
Cash and Cash Equivalents	1-B	<u>\$1,446.60</u>	<u>\$1,590.40</u>
Other Trust Fund:			
Cash and Cash Equivalents	1-B	604,982.27	483,685.72
Due from Current Fund		<u>130,000.00</u>	
		<u>734,982.27</u>	<u>483,685.72</u>
Length of Service Award Program Fund (LOSAP) - Unaudited:			
Investments	5-B	<u>289,852.67</u>	<u>263,310.06</u>
		<u>\$1,026,281.54</u>	<u>\$748,586.18</u>
<b><u>Liabilities and Reserves</u></b>			
Animal Control Fund:			
Due to State of New Jersey	2-B	\$1.20	\$2.40
Due to Current Fund		373.00	496.20
Reserve for Animal Control Fund Expenditures	4-B	<u>1,072.40</u>	<u>1,091.80</u>
		<u>1,446.60</u>	<u>1,590.40</u>
Other Trust Fund:			
Due to Current Fund			20,000.00
Miscellaneous Reserves	3-B	730,884.22	451,057.49
Encumbrances Payable	3-B	<u>4,098.05</u>	<u>12,628.23</u>
		<u>734,982.27</u>	<u>483,685.72</u>
Length of Service Award Program Fund (LOSAP) - Unaudited:			
Reserve for Length of Service Award Program Fund	6-B	<u>289,852.67</u>	<u>263,310.06</u>
		<u>\$1,026,281.54</u>	<u>\$748,586.18</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2013 and 2012**

<b><u>Assets</u></b>	<b><u>Ref.</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Cash and Cash Equivalents	1-C	\$1,964,469.98	\$4,205,171.77
Deferred Charges to Future Taxation:			
Funded	3-C	3,419,541.19	3,948,603.12
Unfunded	4-C	12,001,999.97	9,949,006.00
		<u>\$17,386,011.14</u>	<u>\$18,102,780.89</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
General Serial Bonds	5-C	\$3,165,000.00	\$3,665,000.00
Bond Anticipation Notes	6-C	11,984,012.00	9,949,006.00
Green Acres Loan Payable	7-C	254,541.19	283,603.12
Contracts Payable	8-C	761,800.06	103,272.05
Improvement Authorizations:			
Funded	8-C	39,037.52	196,552.52
Unfunded	8-C	1,016,700.74	3,785,392.63
Capital Improvement Fund	9-C	92.19	92.19
Due to Current Fund		17,987.97	
Fund Balance	C-1	146,839.47	119,862.38
		<u>\$17,386,011.14</u>	<u>\$18,102,780.89</u>

There were bonds and notes authorized but not issued of \$17,987.97 on December 31, 2013 and there were no bonds and notes authorized but not issued on December 31, 2012 (Schedule 10-C).

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL CAPITAL FUND**  
**COMPARATIVE STATEMENT OF FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2013 and 2012**

	<b><u>Ref.</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Balance, January 1	C	\$119,862.38	\$34,964.57
Increased by:			
Premium on the Sale of Notes	1-C	<u>26,977.09</u>	<u>84,897.81</u>
Balance, December 31	C	<u>\$146,839.47</u>	<u>\$119,862.38</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER/SEWER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2013 and 2012**

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>			
Operating Fund:			
Cash and Cash Equivalents:			
Cash	1-D	\$310,695.87	\$1,722,291.32
Change Fund		100.00	100.00
Due from Electric Operating Fund		297.00	
Due from Current Fund		21,000.00	
Due from Water/Sewer Capital Fund		60,000.00	60,000.00
		<u>392,092.87</u>	<u>1,782,391.32</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	3-D	66,821.95	107,544.08
Deferred Charges:			
Operating Deficit		391,489.33	297,279.03
Emergency Authorization			85,000.00
		<u>391,489.33</u>	<u>382,279.03</u>
Total Operating Fund		<u>850,404.15</u>	<u>2,272,214.43</u>
Capital Fund:			
Cash and Cash Equivalents	1-D	545,271.41	803,754.11
Grant Receivable		47,077.00	47,077.00
Fixed Capital	4-D	15,232,605.83	15,232,605.83
Fixed Capital Authorized and Uncompleted	5-D	1,000,000.00	1,000,000.00
Total Capital Fund		<u>16,824,954.24</u>	<u>17,083,436.94</u>
		<u>\$17,675,358.39</u>	<u>\$19,355,651.37</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER/SEWER UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2013 and 2012**

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4,6-D	\$217,476.30	\$44,282.56
Encumbrances Payable	D-4,6-D	31,936.70	291,461.06
Accrued Interest Payable	7-D	66,526.48	76,461.31
Special Emergency Notes Payable			1,000,000.00
Water/Sewer Overpayments		9,198.44	9,021.14
		<u>325,137.92</u>	<u>1,421,226.07</u>
Reserve for Receivables	D	66,821.95	107,544.08
Fund Balance	D-1	458,444.28	743,444.28
Total Operating Fund		<u>850,404.15</u>	<u>2,272,214.43</u>
Capital Fund:			
Serial Bonds	8-D	1,220,000.00	1,455,000.00
Bond Anticipation Notes	9-D	1,451,050.00	1,487,850.00
Loans Payable	10-D	4,164,618.86	4,227,299.60
Improvement Authorizations:			
Unfunded	17-D	11,788.24	137,713.94
Capital Improvement Fund	14-D	93,108.53	93,108.53
Contracts Payable	17-D	46,243.00	118,800.00
Reserve for Amortization	15-D	9,392,936.97	9,058,456.23
Reserve to Pay Notes		375,937.42	435,937.42
Deferred Reserve for Amortization	16-D	4,000.00	4,000.00
Due to Water/Sewer Operating Fund		60,000.00	60,000.00
Fund Balance	D-2	5,271.22	5,271.22
Total Capital Fund		<u>16,824,954.24</u>	<u>17,083,436.94</u>
		<u>\$17,675,358.39</u>	<u>\$19,355,651.37</u>

There were no bonds and notes authorized but not issued on December 31, 2013 and 2012.

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER/SEWER UTILITY FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2013 and 2012**

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Revenue and Other Income Realized:			
Fund Balance Utilized	D-3	\$285,000.00	\$261,000.00
Water/Sewer Rents	D-3	1,846,213.94	2,278,399.59
Miscellaneous Revenue	D-3	23,296.43	38,269.67
Community Disaster Loan	D-3	674,000.00	
FEMA Reimbursement	D-3	21,000.00	
Reserve to Pay Notes	D-3	60,000.00	60,000.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	6-D	35,166.18	6,245.56
<b>Total Revenue</b>		<b><u>2,944,676.55</u></b>	<b><u>2,643,914.82</u></b>
Expenditures:			
Operating	D-4	2,233,000.00	2,324,000.00
Debt Service	D-4	620,886.85	602,193.85
Deferred Charges and Statutory Expenditures	D-4	185,000.00	100,000.00
Deficit in Operations in Prior Years	D-4	297,279.03	
<b>Total Expenditures</b>		<b><u>3,336,165.88</u></b>	<b><u>3,026,193.85</u></b>
Deficit in Revenue		391,489.33	382,279.03
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			<u>85,000.00</u>
Operating Deficit to be Raised in Budget of Succeeding Year		<u>\$391,489.33</u>	<u>\$297,279.03</u>
Fund Balance January 1	D	\$743,444.28	\$1,020,026.46
Decreased by:			
Utilized as Anticipated Revenue	D-1,D-3	285,000.00	261,000.00
Accrued Interest Adjustment			15,582.18
		<u>285,000.00</u>	<u>276,582.18</u>
Fund Balance December 31	D	<u>\$458,444.28</u>	<u>\$743,444.28</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER/SEWER UTILITY CAPITAL FUND**  
**COMPARATIVE STATEMENT OF FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2013 and 2012**

	<b><u>Ref.</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Balance, January 1	D	\$5,271.22	\$5,271.22
Increased/Decreased by:		-	-
Balance, December 31	D	<u>\$5,271.22</u>	<u>\$5,271.22</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER/SEWER UTILITY OPERATING FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Surplus Anticipated	D-1	\$285,000.00	\$285,000.00	
Water/Sewer Rents	D-1,3-D	2,277,280.00	1,846,213.94	(\$431,066.06)
Miscellaneous Revenue	D-1,1-D	36,000.00	23,296.43	(12,703.57)
Community Disaster Loan	D-1,1-D	674,000.00	674,000.00	
FEMA Reimbursement	D-1,1-D	21,000.00	21,000.00	
Reserve to Pay Notes	D-1,1-D	60,000.00	60,000.00	
	D-4	<u>\$3,353,280.00</u>	<u>\$2,909,510.37</u>	<u>(\$443,769.63)</u>
 <b><u>Analysis of Miscellaneous Revenue</u></b>				
Interest Earned on Delinquent Accounts			\$23,295.14	
Interest Earned on Deposits			1.29	
	D-3		<u>\$23,296.43</u>	

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER/SEWER UTILITY OPERATING FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:					
Salaries and Wages	\$500,000.00	\$500,000.00	\$497,378.16	\$2,621.84	
Other Expenses	1,223,000.00	1,239,000.00	1,230,038.58	8,961.42	
Employee Group Insurance	250,000.00	250,000.00	138,007.15	111,992.85	
Other Insurance	250,000.00	244,000.00	153,036.71	90,963.29	
Total Operating	<u>2,223,000.00</u>	<u>2,233,000.00</u>	<u>2,018,460.60</u>	<u>214,539.40</u>	
Debt Service:					
Payment of Bond Principal	235,000.00	235,000.00	235,000.00		
Payment of Bond Anticipation and Capital Notes	37,000.00	37,000.00	36,800.00		\$200.00
Interest on Bonds	60,000.00	60,000.00	57,754.36		2,245.64
Interest on Notes	55,000.00	55,000.00	42,023.72		12,976.28
U.S.D.A. Principal	63,000.00	63,000.00	62,680.74		319.26
U.S.D.A. Interest	188,000.00	188,000.00	186,628.03		1,371.97
Total Debt Service	<u>638,000.00</u>	<u>638,000.00</u>	<u>620,886.85</u>		<u>17,113.15</u>
Deferred Charges and Statutory Expenditures:					
Deferred Charges:					
Emergency Authorizations					
Hurricane Sandy	85,000.00	85,000.00	85,000.00		
Statutory Expenditures:					
Contributions to:					
Public Employees' Retirement System	50,000.00	50,000.00	50,000.00		
Social Security System (O.A.S.I.)	50,000.00	40,000.00	37,063.10	2,936.90	
Unemployment Compensation Insurance	10,000.00	10,000.00	10,000.00		
Total Statutory Expenditures	<u>110,000.00</u>	<u>100,000.00</u>	<u>97,063.10</u>	<u>2,936.90</u>	

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**WATER/SEWER UTILITY OPERATING FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Deficit in Operations in Prior Years	\$297,280.00	\$297,280.00	\$297,279.03		\$0.97
	<u>\$3,353,280.00</u>	<u>\$3,353,280.00</u>	<u>\$3,118,689.58</u>	<u>\$217,476.30</u>	<u>\$17,114.12</u>
	<u>Ref.</u>	D-3	D-1	D,D-1	
Cash Disbursements			1-D \$2,418,067.74		
Encumbrances Payable			D 31,936.70		
Interest on Bonds, Notes and Loans			7-D 286,406.11		
Deferred Charge - Emergency Authorization			85,000.00		
Deficit in Operations in Prior Years			297,279.03		
			<u>\$3,118,689.58</u>		

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2013 and 2012**

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>			
<b>Operating Fund:</b>			
Cash and Cash Equivalents:			
Cash	1-E	\$759,239.39	\$3,702,543.91
Change Fund		200.00	200.00
Due from Current Fund		480,000.00	
		<u>1,239,439.39</u>	<u>3,702,743.91</u>
Receivables with Full Reserves:			
Consumer Accounts Receivable	3-E	<u>187,485.09</u>	<u>92,395.01</u>
Deferred Charges:			
Emergency Authorization			35,000.00
Operating Deficit	E-1	<u>408,647.49</u>	<u>658,802.00</u>
		<u>408,647.49</u>	<u>693,802.00</u>
Total Operating Fund		<u>1,835,571.97</u>	<u>4,488,940.92</u>
<b>Capital Fund:</b>			
Cash and Cash Equivalents	1-E	601,823.87	1,730,378.05
Fixed Capital	4-E	3,912,824.15	1,659,259.15
Fixed Capital Authorized and Uncompleted	5-E	5,600,000.00	6,425,000.00
Total Capital Fund		<u>10,114,648.02</u>	<u>9,814,637.20</u>
		<u>\$11,950,219.99</u>	<u>\$14,303,578.12</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY FUND**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2013 and 2012**

<b><u>Liabilities, Reserves and Fund Balance</u></b>	<b><u>Ref.</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Operating Fund:</b>			
Liabilities:			
Appropriation Reserves	E-3,6-E	\$529,483.17	\$713,648.32
Encumbrances Payable	E-3,6-E	60,351.92	161,928.93
Special Emergency Notes Payable			2,000,000.00
Consumer Deposits		6,318.80	6,318.80
Due to Water/Sewer Operating Fund		297.00	
Electric Overpayments		34,178.11	22,191.98
		<u>630,629.00</u>	<u>2,904,088.03</u>
Reserve for Receivables	E	187,485.09	92,395.01
Fund Balance	E-1	<u>1,017,457.88</u>	<u>1,492,457.88</u>
Total Operating Fund		<u>1,835,571.97</u>	<u>4,488,940.92</u>
<b>Capital Fund:</b>			
Improvement Authorizations:			
Funded	7-E		39,430.00
Unfunded	7-E	560,388.87	1,431,943.05
Bond Anticipation Notes	8-E	5,600,000.00	5,600,000.00
Capital Improvement Fund	9-E	41,435.00	2,005.00
Contracts Payable	7-E		1,017,000.00
Reserve for Amortization	10-E	3,912,824.15	1,659,259.15
Deferred Reserve for Amortization	11-E		65,000.00
Total Capital Fund		<u>10,114,648.02</u>	<u>9,814,637.20</u>
		<u>\$11,950,219.99</u>	<u>\$14,303,578.12</u>

There were no bonds and notes authorized but not issued on December 31, 2013 and there were bonds and notes authorized but not issued of \$760,000.00 on December 31, 2012 (Schedule 12-E).

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY OPERATING FUND**  
**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE**  
**REGULATORY BASIS**  
**Years Ended December 31, 2013 and 2012**

	<b><u>Ref.</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Revenue and Other Income Realized:			
Fund Balance Utilized	E-2	\$475,000.00	
Electric Rents	E-2	3,986,796.15	\$5,549,472.78
FEMA Reimbursement Receivable	E-2	41,000.00	
Miscellaneous Revenue	E-2	36,583.68	72,782.75
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	6-E	736,152.43	151,942.47
Total Revenues		<u>5,275,532.26</u>	<u>5,774,198.00</u>
Expenditures:			
Operating	E-3	4,730,000.00	5,063,000.00
Debt Service	E-3	150,377.75	
Deferred Charges and Statutory Expenditures	E-3	145,000.00	105,000.00
Deficit in Operations in Prior Years	E-3	658,802.00	
Surplus (General Budget)			1,300,000.00
Total Expenditures		<u>5,684,179.75</u>	<u>6,468,000.00</u>
Deficit in Revenue		408,647.49	693,802.00
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year			<u>35,000.00</u>
Operating Deficit to be Raised in the Budget of Succeeding Year	E	<u>\$408,647.49</u>	<u>\$658,802.00</u>
Fund Balance, January 1	E	\$1,492,457.88	\$1,492,457.88
Decreased by:			
Utilized as Anticipated Revenue	E-1	<u>475,000.00</u>	
Fund Balance, December 31	E	<u>\$1,017,457.88</u>	<u>\$1,492,457.88</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY OPERATING FUND**  
**STATEMENT OF REVENUES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Operating Surplus Anticipated	E-1	\$475,000.00	\$475,000.00	
Electric Rents	E-1,3-E	5,546,802.00	3,986,796.15	(\$1,560,005.85)
FEMA Reimbursement Receivable	E-1,1-E	41,000.00	41,000.00	
Miscellaneous Revenue	E-1,1-E	70,000.00	36,583.68	33,416.32
	E-3	<u>\$6,132,802.00</u>	<u>\$4,539,379.83</u>	<u>(\$1,526,589.53)</u>
 <u>Analysis of Miscellaneous Revenue</u>				
Interest Earned on Delinquent Accounts			\$36,405.91	
Miscellaneous			175.00	
Interest on Investments and Deposits			2.77	
	E-2		<u>\$36,583.68</u>	

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY OPERATING FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget after Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Operating:					
Salaries and Wages	\$575,000.00	\$575,000.00	\$560,388.40	\$14,611.60	
Other Expenses	3,600,000.00	3,600,000.00	3,103,236.84	496,763.16	
Employee Group Insurance	280,000.00	280,000.00	269,898.23	10,101.77	
Other Insurance	275,000.00	275,000.00	275,000.00		
Total Operating	<u>4,730,000.00</u>	<u>4,730,000.00</u>	<u>4,208,523.47</u>	<u>521,476.53</u>	
Debt Service:					
Interest on Notes	<u>160,000.00</u>	<u>160,000.00</u>	<u>150,377.75</u>		<u>\$9,622.25</u>
Deferred Charges and Statutory Expenditures:					
Deferred Charges:					
Emergency Authorizations					
Hurricane Sandy	35,000.00	35,000.00	35,000.00		
Statutory Expenditures:					
Contribution to:					
Public Employees' Retirement System	50,000.00	50,000.00	50,000.00		
Social Security System (O.A.S.I.)	50,000.00	50,000.00	41,993.36	8,006.64	
Unemployment Compensation Insurance	10,000.00	10,000.00	10,000.00		
Total Deferred Charges and Statutory Expenditures	<u>145,000.00</u>	<u>145,000.00</u>	<u>136,993.36</u>	<u>8,006.64</u>	
Deficit in Operations in Prior Years	<u>658,802.00</u>	<u>658,802.00</u>	<u>658,802.00</u>		
Surplus (Fund Balance) - General Budget	<u>439,000.00</u>	<u>439,000.00</u>			<u>439,000.00</u>
	<u><u>\$6,132,802.00</u></u>	<u><u>\$6,132,802.00</u></u>	<u><u>\$5,154,696.58</u></u>	<u><u>\$529,483.17</u></u>	<u><u>\$448,622.25</u></u>
<b>Ref.</b>	E-2		E-1	E,E-1	

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**ELECTRIC UTILITY OPERATING FUND**  
**STATEMENT OF EXPENDITURES**  
**REGULATORY BASIS**  
**Year Ended December 31, 2013**

	<u>Ref</u>	<u>Paid or Charged</u>
Cash Disbursements	1-E	\$4,400,542.66
Encumbrances Payable	E	60,351.92
Deferred Charge - Emergency Authorization		35,000.00
Deficit in Operations in Prior Years		658,802.00
		<u>\$5,154,696.58</u>

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**COMPARATIVE BALANCE SHEET**  
**REGULATORY BASIS**  
**December 31, 2013 and 2012**

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>			
General Fixed Assets:			
Land		\$13,493,200.00	\$13,493,200.00
Buildings		2,277,459.00	2,277,459.00
Equipment		4,934,025.58	4,934,025.58
		<u>\$20,704,684.58</u>	<u>\$20,704,684.58</u>
<b><u>Liabilities and Reserves</u></b>			
Investment in General Fixed Assets	1-F	<u>\$20,704,684.58</u>	<u>\$20,704,684.58</u>

See Accompanying Notes

**BOROUGH OF SEASIDE HEIGHTS**  
**COUNTY OF OCEAN**  
**STATE OF NEW JERSEY**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2013**

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

**A. Reporting Entity**

The financial statements of the Borough of Seaside Heights, County of Ocean, New Jersey (the "Borough"), include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Board of Education, first aid squad or volunteer fire department, which are subject to separate audits.

The Governmental Accounting Standards Board ("GASB") established criteria to be used to determine if component units should be included in the financial statements of the oversight entity. These criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements. The Borough had no component units during 2013.

**B. Descriptions of Funds**

The GASB is the recognized standard setting body for establishing governmental accounting and financial reporting principles generally accepted in the United States of America. The GASB codification establishes certain fund types to be used by general purpose governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The accounting policies of the Borough conform to the accounting principles and practices prescribed by the Division. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

**Current Fund** – used to record revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

**Animal Control Fund** – used to record animal license revenues and expenditures.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Descriptions of Funds (continued)**

**Other Trust Fund** – used to record assets held by the Borough in a trustee capacity or as an agent for individuals and other governmental agencies.

**Length of Service Award Program Fund** – used to record Borough contributions, changes in market value and administrative charges for program-eligible volunteers.

**General Capital Fund** – used to record resources, including federal and state grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

**Water/Sewer Utility Operating and Capital Funds** – used to record the operations and acquisition of capital facilities of the Borough’s water utility. Bonds and notes payable of the Utility Fund are recorded in the Utility Capital Fund.

**Electric Utility Operating and Capital Funds** – used to record the operations and acquisition of capital facilities of the Borough’s electric utility. Bonds and notes payable of the Utility Fund are recorded in the Utility Capital Fund.

**General Fixed Assets Account Group** – used to record fixed assets utilized in general government operations.

**C. Basis of Accounting**

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. A modified accrual basis of accounting is followed with minor exceptions. The more significant differences are as follows:

**Property Taxes and Other Revenues** – Property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough’s Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (continued)**

**Grant Revenues** – Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough’s budget. Federal and State grant revenues received for purposes of capital projects financed by capital ordinances are recognized when received. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

**Expenditures** – Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

**Encumbrances** – Contractual orders at December 31, are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

**Appropriation Reserves** – Until lapsed at the close of the succeeding year, appropriation reserves are available to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

**Deferred Charges** – The regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as “paid or charged” exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (continued)

**Compensated Absences** – Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation.

**Property Acquired for Taxes** – Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the general fixed assets account group at its market value.

**Sale of Municipal Assets** – Cash proceeds from the sale of Borough owned property may be reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period when the terms of the sales contract become legally enforceable.

**Interfunds** – Advances in the Current Fund are reported as interfund receivables with offsetting reserves, which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

**Inventories of Supplies** – The costs of inventories of supplies for all funds are recorded as expenditures at the time of purchase. The costs of inventories are not included on the various balance sheets.

**General Fixed Assets** – In accordance with N.J.A.C. 5:30-5.6, issued by the Local Finance Board, Department of Community Affairs, State of New Jersey, which differs in certain respects from GAAP, the Borough is required to develop a fixed assets accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are required to be 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.

For fixed assets acquired through December 31, 1985, valuation is required at historical cost or estimated historical cost if actual historical cost is not available. For assets acquired beginning on January 1, 1986, the required basis for valuation is historical cost. Depreciation is not required. GAAP requires fixed assets to be valued at cost and be depreciated.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting (continued)**

**Utility Fixed Assets** – Property and equipment purchased by the Utility Funds are recorded in the capital accounts at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent replacement costs or current value. Contributions in aid of construction are not capitalized. The balances in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital funds represent charges to operations for the costs of acquisitions of property, equipment and improvements.

Property and equipment of the Utility Funds are not depreciated. Principal payments for Utility debt are recorded as expenditures in the Utility Statement of Operations.

**D. Financial Statements**

The GASB Codification also defines the financial statements of a governmental unit to be presented in general purpose financial statements in accordance with GAAP. The Borough presents its financial statements, as listed in the table of contents, as required by the Division, which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

**E. Budgets and Budgetary Accounting**

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with applicable statutes.

**F. Reclassification**

Certain prior period amounts have been reclassified to conform to the current year financial statements presentation.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents include cash on hand, change funds, amounts on deposit and short-term investments with original maturities of three months or less.

**Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (“FDIC”), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund.

The Governmental Unit Deposit Protection Act (“GUDPA”) requires public depositories to maintain collateral for deposit of public funds that exceed insurance limits. GUDPA requires that the market value of the collateral must equal five percent of the average daily balance of public funds; or if the public funds deposited exceed seventy five percent of the capital funds of the depository, the depository must provide collateral having a market value equal to one hundred percent of the amount exceeding seventy five percent. All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that in the event of a bank failure, the Borough’s deposits may not be returned to it. Although the Borough does not have a formal deposit policy for custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds, or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2013 and 2012 the Borough’s bank balances were exposed to custodial credit risk as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Uninsured and Uncollateralized	\$807,536.27	\$492,534.38
Uninsured and Collateralized with Securities Held by Pledging Financial Institutions	<u>6,384,250.13</u>	<u>26,055,313.33</u>
	<u>\$7,191,786.40</u>	<u>\$26,547,847.71</u>

In addition, as of December 31, 2013 and 2012, the Borough had \$23,464.68 and \$23,451.45, respectively, on deposit in the New Jersey Cash Management Fund (the “Fund”). These deposits are subject to custodial credit risk as described in this section. The operations of this Fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments for the Fund.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments**

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Borough may use available funds for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Borough:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Local government investment pools, subject to certain requirements.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P. L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a GUDPA bank;
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

**NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

b. Any investment instruments in which the security is not physically held by the Borough shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Borough and prevent unauthorized use of such investments.

c. Investments are further regulated and restricted in accordance with N. J. S. 40A:5-15.1.

**Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Borough does not have a formal investment policy for custodial credit risk for investments. Length of Service Award Program Fund investments were exposed to custodial credit risk and are invested at the discretion of each individual participant and not the Borough. The fair value and book value of the Borough's Length of Service Award Program Fund investments at December 31, 2013 and 2012 were \$289,852.67 and \$263,310.06, respectively.

**Credit Risk**

State law limits investments as described in prior sections of this note to the financial statements. As of December 31, 2013 and 2012 no such investments were held by the Borough.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Borough does not have a formal investment policy for interest rate risk.

**NOTE 3. TAXES COLLECTED IN ADVANCE**

Taxes collected in advance and set forth as cash liabilities in the financial statements are as follows:

	<u>Balance December 31,</u>	
	<u>2013</u>	<u>2012</u>
Prepaid Taxes	\$143,052.03	\$122,395.39

**NOTE 4. DEBT**

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes (the “notes”) are issued to temporarily finance capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All notes, including renewals, shall mature and be paid not later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. No notes shall be renewed beyond the third anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which the notes are issued, is paid and retired on or before each subsequent anniversary date beyond which such notes are renewed from funds other than the proceeds of obligations. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

**A. Long-Term Debt**

The Borough’s long-term debt is summarized as follows:

<u>General Capital Bonds and Loan</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
<u>Purpose</u>				
General Improvements	12/1/03	\$4,420,000.00	3.625% - 3.80%	\$1,520,000.00
General Obligation Refunding Bonds Pension Series 2004	6/1/04	2,800,000.00	6.25%	1,645,000.00
Green Acres Loan	1/26/02	556,250.00	2.00%	254,541.19
				<u>\$3,419,541.19</u>

**NOTE 4. DEBT (CONTINUED)**

**A. Long-Term Debt (Continued)**

<u>Water/Sewer Utility Bonds and Loans</u>				
<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
Various Improvements	9/15/93	\$2,579,000.00	5.10%	\$130,000.00
Improvements to Water and Sewer System	12/1/03	1,990,000.00	3.625% - 4.375%	1,090,000.00
Water/Sewer Improvement Loan	12/6/07	1,654,000.00	4.50%	1,551,184.00
Water/Sewer Improvement Loan	12/5/98	1,000,000.00	4.50%	807,167.62
Water/Sewer Improvement Loan	2/11/05	1,997,750.00	4.375%	1,806,267.24
				<u>\$5,384,618.86</u>

Long-term debt service requirements are as follows:

<u>General Capital</u>			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$554,646.07	\$159,167.08	\$713,813.15
2015	575,241.96	134,896.19	710,138.15
2016	600,849.82	109,348.33	710,198.15
2017	631,469.90	82,415.75	713,885.65
2018	242,102.45	53,736.95	295,839.40
2019-2023	815,230.99	72,755.95	887,986.94
	<u>\$3,419,541.19</u>	<u>\$612,320.25</u>	<u>\$4,031,861.44</u>

**NOTE 4. DEBT (CONTINUED)**

**A. Long-Term Debt (Continued)**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$300,499.40	\$234,473.51	\$534,972.91
2015	173,445.31	221,091.79	394,537.10
2016	181,523.34	214,128.80	395,652.14
2017	184,739.59	206,787.38	391,526.97
2018	188,101.32	199,246.27	387,347.59
2019-2023	996,458.12	873,233.98	1,869,692.10
2024-2028	556,295.10	693,353.53	1,249,648.63
2029-2033	693,160.17	556,487.26	1,249,647.43
2034-2038	862,340.76	385,939.75	1,248,280.51
2039-2043	776,067.64	202,880.67	978,948.31
2044-2047	471,988.11	39,845.28	511,833.39
	<u>\$5,384,618.86</u>	<u>\$3,827,468.22</u>	<u>\$9,212,087.08</u>

Long-term debt transactions for the years ended December 31, 2013 and 2012 are summarized as follows:

	<u>Balance</u>	<u>Deductions</u>	<u>Balance</u>
	<u>Dec. 31, 2012</u>		<u>Dec. 31, 2013</u>
General Capital Fund	\$3,948,603.12	\$529,061.93	\$3,419,541.19
Water/Sewer Utility Capital Fund	5,682,299.60	297,680.74	5,384,618.86
	<u>\$9,630,902.72</u>	<u>\$826,742.67</u>	<u>\$8,804,160.05</u>

	<u>Balance</u>	<u>Deductions</u>	<u>Balance</u>
	<u>Dec. 31, 2011</u>		<u>Dec. 31, 2012</u>
General Capital Fund	\$4,457,092.41	\$508,489.29	\$3,948,603.12
Water/Sewer Utility Capital Fund	5,977,283.17	294,983.57	5,682,299.60
	<u>\$10,434,375.58</u>	<u>\$803,472.86</u>	<u>\$9,630,902.72</u>

**NOTE 4. DEBT (CONTINUED)**

**B. Short-Term Debt**

At December 31, 2013 and 2012 the Borough's outstanding bond anticipation notes were as follows:

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
General Capital Fund	2/1/13	1/31/14	1.50%	\$3,960,316.00
General Capital Fund	8/2/13	8/1/14	1.03%	5,558,612.00
General Capital Fund	12/19/13	8/1/14	1.00%	2,465,084.00
				<u>\$11,984,012.00</u>
Water/Sewer Utility Capital Fund	2/1/13	1/31/14	1.50%	\$1,451,050.00
Electric Utility Capital Fund	2/1/13	1/31/14	1.50%	5,600,000.00
	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>
General Capital Fund	2/3/12	2/1/13	2.00%	\$4,267,144.00
General Capital Fund	8/3/12	8/2/13	1.25%	3,302,862.00
General Capital Fund	10/5/12	10/4/13	1.25%	2,379,000.00
				<u>\$9,949,006.00</u>
Water/Sewer Utility Capital Fund	2/3/12	2/1/13	2.00%	1,487,850.00
Electric Utility Capital Fund	2/3/12	2/1/13	2.00%	5,600,000.00

**Special Emergency Notes**

At December 31, 2013 and 2012 the Borough's outstanding special emergency notes were as follows:

<u>Purpose/Fund</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2013</u>
Hurricane Sandy/ Current Fund	12/19/13	12/18/14	1.00%	<u>\$3,099,645.00</u>
<u>Purpose/Fund</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2012</u>
Hurricane Sandy/ Current Fund	12/28/12	12/19/13	2.00%	\$11,100,000.00
Water/Sewer Utility Operating Fund	12/28/12	12/19/13	2.00%	1,000,000.00
Electric Utility Operating Fund	12/28/12	12/19/13	2.00%	2,000,000.00
				<u>\$14,100,000.00</u>

**NOTE 4. DEBT (CONTINUED)**

**B. Short-Term Debt (continued)**

Short-term debt transactions for the years ended December 31, 2013 and 2012 are summarized as follows:

	Balance Dec. 31, 2012	Additions	Deductions	Balance Dec. 31, 2013
Current Fund	\$11,100,000.00	\$3,099,645.00	\$11,100,000.00	\$3,099,645.00
General Capital Fund	9,949,006.00	11,984,012.00	9,949,006.00	11,984,012.00
Water/Sewer Utility - Operating Fund	1,000,000.00		1,000,000.00	
Capital Fund	1,487,850.00	1,451,050.00	1,487,850.00	1,451,050.00
Electric Utility - Operating Fund	2,000,000.00		2,000,000.00	
Capital Fund	5,600,000.00	5,600,000.00	5,600,000.00	5,600,000.00
	<u>\$31,136,856.00</u>	<u>\$22,134,707.00</u>	<u>\$31,136,856.00</u>	<u>\$22,134,707.00</u>

	Balance Dec. 31, 2011	Additions	Deductions	Balance Dec. 31, 2012
Current Fund		\$11,100,000.00		\$11,100,000.00
General Capital Fund	\$5,705,484.00	9,949,006.00	\$5,705,484.00	9,949,006.00
Water/Sewer Utility - Operating Fund		1,000,000.00		1,000,000.00
Capital Fund	524,650.00	1,487,850.00	524,650.00	1,487,850.00
Electric Utility - Operating Fund		2,000,000.00		2,000,000.00
Capital Fund		5,600,000.00		5,600,000.00
	<u>\$6,230,134.00</u>	<u>\$31,136,856.00</u>	<u>\$6,230,134.00</u>	<u>\$31,136,856.00</u>

**C. Bonds and Notes Authorized but Unissued**

At December 31, 2013 and 2012, the Borough had authorized but not issued bonds and notes as follows:

	Balance Dec. 31, 2013	Balance Dec. 31, 2012
General Capital Fund	\$17,987.97	-
Electric Utility Capital Fund	-	\$760,000.00

**NOTE 5. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED**

Upon the authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. In accordance with New Jersey Statutes the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

**NOTE 6. ACCRUED UNPAID SICK AND VACATION BENEFITS - UNAUDITED**

As discussed in Note 1 and in accordance with accounting principles prescribed by the Division, the cash basis of accounting is followed for recording the Borough's liability related to unused sick and vacation pay. The Borough permits its employees to accumulate unused sick and vacation pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current costs of such unpaid compensation at December 31, 2013 and 2012 were \$966,990.61 and \$918,080.39, respectively. In accordance with accounting principles and practices prescribed by the Division, this amount is not reported as an expenditure or liability in the accompanying financial statements.

**NOTE 7. FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2013 and 2012, which were appropriated and included as anticipated revenue in budgets for the years ending December 31, 2014 and 2013 were as follows:

For the year ended December 31, 2014,

Current Fund	\$534,317.90
Water/Sewer Utility Operating Fund	66,000.00

For the year ended December 31, 2013,

Water/Sewer Utility Operating Fund	\$285,000.00
Electric Utility Operating Fund	475,000.00

**NOTE 8. ASSESSMENT AND COLLECTION OF PROPERTY TAXES**

New Jersey statutes require that taxable valuation of real property be prepared by the local unit tax assessor as of October 1 in each year and filed with the County Board of Taxation by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Local School District and County, the tax rate is struck by the County Tax Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough tax collector on or before May 13. New Jersey statutes require that each local unit provide for sufficient anticipated cash receipts equal to the "lawful yearly expenditure" which includes the total amount of property taxes to be raised by the local unit.

Taxes are levied on an annual basis and are due quarterly on February 1, May 1, August 1, and November 1. Any taxes not paid as of December 31 are subject to tax sale and lien in the subsequent year, with the exception of bankruptcies. The date of tax sale is at the discretion of the tax collector.

The Borough is responsible for remitting one hundred percent of school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the Borough and not the school districts or county.

**NOTE 9. UNEMPLOYMENT COMPENSATION INSURANCE**

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et. seq.). The Borough has elected to fund a self- insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. The reserve for unemployment compensation insurance at December 31, 2013 and 2012 was \$57,163.82 and \$19,113.62 respectively.

**NOTE 10. FIXED ASSETS - UNAUDITED**

Fixed assets at December 31, 2013 and 2012 were as follows:

	Balance Dec. 31, 2012	Additions	Dispositions	Balance Dec. 31, 2013
Land	\$13,493,200.00			\$13,493,200.00
Buildings	2,277,459.00			2,277,459.00
Equipment	4,934,025.58			4,934,025.58
	<u>\$20,704,684.58</u>	<u>-</u>	<u>-</u>	<u>\$20,704,684.58</u>

  

	Balance Dec. 31, 2011	Additions	Dispositions	Balance Dec. 31, 2012
Land	\$13,493,200.00			\$13,493,200.00
Buildings	2,277,459.00			2,277,459.00
Equipment	4,989,025.58		\$55,000.00	4,934,025.58
	<u>\$20,759,684.58</u>	<u>-</u>	<u>\$55,000.00</u>	<u>\$20,704,684.58</u>

In 2012 the Borough was impacted by Hurricane Sandy. The accompanying flooding caused significant damage to certain of the Borough's buildings and equipment. The Borough expects to receive insurance proceeds and Federal Emergency Management Agency funds to recover most of the costs associated with the repair and replacement of assets damaged by the storm. The Borough's fixed assets inventory has not been adjusted for additions and dispositions occurring in 2013. The carrying amount of the Borough's impaired buildings and equipment that are idle as of December 31, 2013 and 2012 has not been determined.

**NOTE 11. SCHOOL TAXES**

Regulations provide for deferral of not more than fifty percent of the annual levy when school taxes are raised for a school year and have not been requisitioned by the school district.

The Borough raises its share of local school taxes on a school year basis and has elected to defer these taxes at December 31, 2013 and 2012 as follows:

	Local District School Tax		Regional High School Tax	
	2013	2012	2013	2012
Balance of Tax	\$1,013,693.50	\$1,403,080.52	\$749,733.60	\$1,061,204.30
Deferred	1,013,693.50	1,403,080.52	824,862.50	1,061,204.30
Tax Payable/(Prepaid)	<u>\$0.00</u>	<u>\$0.00</u>	<u>(\$75,128.90)</u>	<u>\$0.00</u>

**NOTE 12. PENSION PLANS**

**Description of Systems**

The Borough contributes to the Public Employees’ Retirement System (“PERS”), and the Police and Firemen’s Retirement System (“PFRS”), cost-sharing multiple employer defined benefit pension plans administered by the Division of Pensions and Benefits in the Department of the Treasury, State of New Jersey. The plans provide retirement, death, disability benefits and medical benefits to certain qualifying members and beneficiaries. PERS was established on January 1, 1955 under the provisions of N.J.S.A. 43:15A. PFRS was established on July 1, 1944, under the provisions of N.J.S.A. 43:16A. PERS and PFRS issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits.

**Funding Policy**

PERS employee contributions were 6.64% of base wages through June 30, 2013. Effective July 1, 2013 PERS employee contributions were 6.78% of base wages. PERS prosecutor employee contributions were 10.00% of base wages. PFRS employee contributions were 10.00% of base wages. The Division of Pensions actuarially determines employer’s contributions annually. Contributions to the plans for the past three years were as follows:

<u>PERS</u>		<u>PFRS</u>	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2013	\$314,477.00	2013	\$553,295.00
2012	246,817.00	2012	223,186.00
2011	223,368.00	2011	223,072.00

All contributions by the Borough were equal to the required contributions for each of the three years.

**Defined Contribution Retirement Program**

The Defined Contribution Retirement Program (“DCRP”) is a cost-sharing multiple employer defined contribution pension fund which was established in 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. DCRP provides eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage.

Employee contributions to DCRP are five and one-half percent (5.50%) of base wages. Member contributions are matched by a three percent (3.00%) employer contribution.

**NOTE 13. RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to torts, theft and damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Borough is a member of the Ocean County Municipal Joint Insurance Fund (the “Fund”). The Fund is both an insured and self-administered group of municipalities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen’s compensation, and is sustained through member premiums. In addition, the Fund participates in the Municipal Excess Liability Joint Insurance Fund that has a contract for excess liability insurance for property.

**NOTE 14. LENGTH OF SERVICE AWARD PLAN PROGRAM**

The Borough has established a Length of Service Award Program to ensure retention of members of the Borough's volunteer fire department. The Plan has been established under the laws of the State of New Jersey with the intent that it meets the requirements of a length of service award plan under Section 457(e)(11) of the Internal Revenue Code.

Annual Contribution - The annual contribution to be made by the Borough for each active volunteer member that meets certain eligibility criteria ranges from \$100.00 to \$1,150.00, increased by a cost of living adjustment in each year.

Appropriations - Appropriations for the purpose of funding the Borough's Length of Service Award Program are included as a separate line item in the Borough's budget.

**NOTE 15. DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

At December 31, 2013 and 2012 the following deferred charges are reflected on the balance sheets of the current fund, water/sewer utility operating fund and the electric utility operating fund:

	Balance Dec. 31, 2013	Balance Dec. 31, 2012
Current Fund:		
Special Emergency Authorization	\$3,280,000.00	\$14,100,000.00
Emergency Authorization	-	595,000.00
Overexpenditure of Appropriations	50,370.49	35,850.90
Cash Deficit	726,978.02	-
Expenditure without Appropriation	29,916.39	-
Water/Sewer Utility Operating Fund:		
Operating Deficit	391,489.33	297,279.03
Emergency Authorization	-	85,000.00
Electric Utility Operating Fund:		
Operating Deficit	408,647.49	658,802.00
Emergency Authorization	-	35,000.00

The 2014 budget appropriations to fund the deferred charges at December 31, 2013 were not less than required by statute.

## **NOTE 16. DEFERRED COMPENSATION**

The Borough has adopted a Deferred Compensation Plan (the “Plan”) in accordance with Section 457 of the Internal Revenue Code and P.L. 1977, C.381; P.L. 1978, C.39; P.L. 1980, C.78; and P.L. 1997, C.116 of the statutes of the State of New Jersey.

The Plan enables the Borough’s employees to voluntarily authorize a portion of their salary to be withheld and invested in certain investments permitted under applicable regulations.

## **NOTE 17. POSTEMPLOYMENT RETIREMENT HEALTH BENEFITS**

In addition to the pension benefits described in Note 12, the Borough provides postemployment retirement health benefits for employees who retire after 25 years of service. Benefits consist of full medical coverage and costs are reported as they are paid. In addition, the Borough is required to reimburse employees for the cost of their Medicare premiums.

### **Plan Description**

The Borough contributes to the State Health Benefits Program (“SHBP”), a cost sharing, multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey, Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to employees of the State of New Jersey, retirees, and their dependents. Rules governing the operation and administration of the SHBP are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey, Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. The financial report of the SHBP may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

### **Funding Policy**

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Postemployment retirement health benefits under the SHBP have been funded on a pay-as-you-go basis since 1994. Prior to 1994, health benefits were funded on an actuarial basis.

Contributions to pay health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis. The Borough’s postemployment retirement health benefits contributions to the SHBP for the year ended December 31, 2013 was \$427,078.59, and in 2012 and 2011 were approximately \$382,000.00 in each year. The Borough’s contributions in 2013, 2012 and 2011 equaled the required contributions for each year.

**NOTE 18. INTERFUND BALANCES**

The balances of interfund receivables and payables at December 31, 2013 and 2012 are presented below:

	December 31, 2013	December 31, 2012
<b><u>Receivables</u></b>		
Federal and State Grant Fund	-	\$49,918.05
Other Trust Fund	\$130,000.00	-
Current Fund	610,744.19	20,496.20
Water/Sewer Utility Operating Fund	81,297.00	60,000.00
Electric Utility Operating Fund	480,000.00	-
	<u>\$1,302,041.19</u>	<u>\$130,414.25</u>
<b><u>Payables</u></b>		
Current Fund	\$631,000.00	\$49,918.05
Animal Control Fund	373.00	496.20
Water/Sewer Utility Capital Fund	60,000.00	60,000.00
Electric Utility Operating Fund	297.00	-
Other Trust Fund	-	20,000.00
General Capital Fund	17,987.97	-
Federal and State Grant Fund	592,383.22	-
	<u>\$1,302,041.19</u>	<u>\$130,414.25</u>

All balances resulted from the time lag between the dates that reimbursable expenditures occurred, revenues/receipts were collected and when payments were made between funds.

**NOTE 19. COMMUNITY DISASTER LOANS OUTSTANDING**

On May 15, 2013 the Borough approved a resolution authorizing the execution of a promissory note for a Community Disaster Loan (the "Loan") in the amount of \$3,875,590.00 with the United States Department of Homeland Security, Federal Emergency Management Agency. Loan proceeds of \$3,201,000.00 were utilized as an item of revenue in the Borough's 2013 current fund budget, and loan proceeds of \$674,000.00 were utilized as an item of revenue in the Borough's 2013 water/sewer utility operating fund budget.

As of December 31, 2013, the Loan principal balance and related accrued interest were \$3,875,000.00 and \$11,368.05, respectively. The full principal amount of the Loan and all accumulated accrued interest is due on May 30, 2018, and the interest rate on the loan is 1.00% per annum. The term of the loan is five years, but may be extended. When applicable, the Assistance Administrator of the Disaster Assistance Directorate may cancel repayment of all or part of the loan if the revenues of the Borough in the three fiscal years following the financial year of the disaster are insufficient to meet the operating budget because of disaster related revenue losses and un-reimbursed disaster related operating expenses.

**NOTE 20. CONTINGENT LIABILITIES**

**Grant Financial Assistance**

The Borough receives certain financial assistance in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. The Borough's administration anticipates that no material liabilities will result from such audits.

**Legal Proceedings**

The Borough is party to certain legal proceedings, the resolution and impact of which, individually or in the aggregate, in the opinion of the Borough's administration, are not likely to have a material adverse impact on the Borough's financial position or adversely affect the Borough's ability to levy, collect, and enforce the collection of taxes or other revenue for the repayment of its bonds or other obligations.

**Tax Appeals**

There were various tax appeal cases pending against the Borough requesting a reduction of assessed valuation. The Borough intends to vigorously defend its assessments in each case. Under accounting principles prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the Borough does not recognize liability, if any, until a case has been adjudicated.

**NOTE 21.    SUBSEQUENT EVENTS**

On May 9, 2014 the Borough issued general obligation refunding bonds of \$2,675,000.00 and pension refunding bonds of \$1,565,000.00. The general obligation refunding bonds consisted of \$1,552,000.00 of general improvement refunding bonds and \$1,123,000.00 of water/sewer utility refunding bonds.

On May 21, 2014 the Borough adopted an ordinance to authorize the issuance of bonds and notes of \$950,000.00 for various improvements.

On August 1, 2014 the Borough issued \$8,850,446.00 of bond anticipation notes due on January 30, 2015, at an interest rate of 0.75% per annum. The bond anticipation notes, along with \$123,250.00 of funds provided for in the Borough's 2014 budget, were issued to refund outstanding bond anticipation notes of \$8,023,696.00 maturing on August 1, 2014 and to temporarily finance the cost of various improvements in and by the Borough of \$950,000.00.

**APPENDIX C**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Borough of Seaside Heights, in the County of Ocean, New Jersey (the "Issuer" or "Borough") in connection with the issuance by the Issuer of \$\_\_\_\_\_ General Obligation Bonds (the "Bonds"). The Bonds are being issued pursuant to various Bond Ordinances (collectively, the "Ordinances") duly adopted by the Borough Council of the Issuer (the "Council"), as set forth in a Resolution duly adopted by the Council on \_\_\_\_\_ (the "Resolution"). The Bonds are dated their date of delivery and shall mature on January 15th in the years \_\_\_\_ through \_\_\_\_\_, inclusive. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12, as amended.

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

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

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

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

"EMMA" shall mean the Electronic Municipal Market Access System operated by MSRB.

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

"MSRB" shall mean the Municipal Securities Rule Making Board.

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

"Repository" or "Repositories" shall mean each State Repository, if any, and the Municipal Securities Rulemaking Board (the "MSRB") via the MSRB's Electronic Municipal Market Access system ("EMMA").

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

“State” shall mean the State of New Jersey.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

**SECTION 3. Provision of Annual Reports.** (a) The Issuer shall, or cause the Dissemination Agent to, not later than nine (9) months after the end of the Issuer's fiscal year, commencing with the Annual Report for the fiscal year ending December 31, 2014, provide to the MSRB via the EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide an Annual Report by the date required in subsection (a), the Issuer shall, in a timely manner not in excess of ten (10) business days after such required date, send a notice, in substantially the form attached hereto as Exhibit A, to the MSRB via EMMA on such form and in such format as shall be required by the MSRB for such filings.

(c) The Dissemination Agent shall:

1. If the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

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

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

2. The financial information and operating data set forth in the Official Statement dated \_\_\_\_\_, 2015 prepared in connection with the sale of the Bonds, in “APPENDIX A” and “APPENDIX B”.

#### SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall deliver in a timely manner not in excess of ten (10) business days after the occurrence of the event, through EMMA, at [www.emma.msrb.org](http://www.emma.msrb.org), notice of the occurrence of any of the following events with respect to the Bonds:

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 a proposed or final determination of taxability, Notice 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;
9. defeasances;
10. release, substitution, or sale of property securing payment of the Bonds, if material;
11. rating changes;
12. tender offers for the Bonds;
13. bankruptcy, insolvency, receivership or similar events of the Borough;
14. the consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all the assets of the Borough, 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; and

15. appointment of a successor or additional trustee, or the change of a trustee, if material.

The Borough does not undertake to provide the above-described event notice of a mandatory scheduled redemption not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the final official statement (as defined in the Rule), (ii) the only open issue is which securities will be redeemed in the case of a partial redemption; (iii) notice of redemption is given to the Bondholders as required under the terms of the securities and (iv) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced prior to optional redemptions or security purchases.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event (for which a determination of materiality is applicable) would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the MSRB via EMMA.

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

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

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

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

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

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

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

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

SECTION 10. Prior Compliance with the Rule. The Borough is currently in compliance with all previous undertakings, if any, to provide secondary market disclosure pursuant to the Rule.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

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

**BOROUGH OF SEASIDE HEIGHTS, IN THE  
COUNTY OF OCEAN, NEW JERSEY**

By \_\_\_\_\_  
**BARBARA RISLEY,**  
**Chief Financial Officer**

**Dated: January \_\_\_\_, 2015**

**EXHIBIT A**

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

Name of Issuer: Borough of Seaside Heights, County of Ocean, New Jersey  
Name of Bond Issue: \$\_\_\_\_\_ General Obligation Bonds, Series 2015  
Dated Date: January \_\_, 2015  
(CUSIP Number:\_\_\_\_\_)

NOTICE IS HEREBY GIVEN that the above designated Borough has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Agreement for the General Obligation Bonds dated \_\_\_\_\_, 2015 executed by the Borough. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_  
\_\_\_\_\_.

Date: \_\_\_\_\_

**BOROUGH OF SEASIDE HEIGHTS, IN THE COUNTY  
OF OCEAN, NEW JERSEY**

By \_\_\_\_\_  
Name:  
Title:

**APPENDIX D**  
**FORM OF CERTIFICATE OF COMPLIANCE WITH SECONDARY MARKET DISCLOSURE**  
**REQUIREMENTS FOR THE NOTES**

**CERTIFICATE OF COMPLIANCE WITH  
SECONDARY MARKET DISCLOSURE REQUIREMENTS FOR THE NOTES**

I, BARBARA RISLEY, Chief Financial Officer of the Borough of Seaside Heights, in the County of Ocean, State of New Jersey (the “Borough”), DO HEREBY CERTIFY on behalf of the Borough to \_\_\_\_\_ (the “Purchaser”) of the Bond Anticipation Notes in the principal amount of \_\_\_\_\_, dated January \_\_, 2015, and maturing January \_\_, 2016 (the “Notes”), in connection with the issuance of the Notes, that pursuant to requirement of Rule 15c2-12 promulgated by the Securities and Exchange Act of 1934, as amended and supplemented (the “Rule”), specifically subsections (d)(3) and (b)(5)(i)(C) thereof, the Municipal Securities Rule Making Board (the “MSRB”), of any of the following events with respect to the Notes herein described, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notice 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; (9) defeasances; (10) release, substitution, or sale of property securing payment of the Bonds, if material; (11) rating changes; (12) tender offers for the Bonds; (13) bankruptcy, insolvency, receivership or similar events of the Borough; (14) the consummation of a merger, consolidation, or acquisition involving the Borough or the sale of all or substantially all the assets of the Borough, 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; and (15) the appointment of a successor or additional trustee, or the change of a trustee, if material.

Whenever the Borough obtains actual knowledge of the occurrence of any of the aforementioned events and when the occurrence of such events will constitute material information to the holders of the Notes, the Borough shall, in a timely manner not in excess of ten (10) business days after each such occurrence, electronically file a notice with the MSRB.

The Borough’s obligation under this Certificate shall terminate upon the defeasance or payment in full of the Notes.

In the event the Borough fails to comply with any provision of this Certificate, any Noteholder may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Borough to comply with its obligations under the Certificate. Notwithstanding the above, the remedy for breach of the provisions of this Certificate or the Borough’s failure to perform hereunder shall be limited to bringing action to compel specific performance.

This Certificate shall is solely for the benefit for the Borough, the Purchaser and the holders of the Notes, and shall create no further rights in any other person or entity hereunder.

IN WITNESS WHEREOF, I have hereunto set my hand on behalf of the Borough as of this \_\_\_\_ day of \_\_\_\_\_, 2015.

**BOROUGH OF SEASIDE HEIGHTS**

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**BARBARA RISLEY,  
Chief Financial Officer**

**APPENDIX E**  
**FORM OF BOND COUNSEL'S OPINION FOR THE BONDS**



Meghan Bennett Clark  
New Jersey Resident Partner

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

January \_\_, 2015

Mayor and Members of the Borough Council  
Borough of Seaside Heights  
Ocean County, New Jersey

**RE: Borough of Seaside Heights, County of Ocean, New Jersey  
\$ \_\_\_\_\_ General Obligation Bonds, Series 2015**

Dear Mayor and Council:

We have examined the record of proceedings relating to the issuance of \$ \_\_\_\_\_ General Obligation Bonds, Series 2015, of the Borough of Seaside Heights, in the County of Ocean, New Jersey (the "Borough"), a municipal corporation of the State of New Jersey, consisting of \$ \_\_\_\_\_ General Capital Improvement Bonds, Series 2015 and \$ \_\_\_\_\_ Water/Sewer Utility Bonds, Series 2015 (collectively, the "Bonds").

The Bonds are dated January \_\_, 2015 and mature on January 15<sup>th</sup> in each year in the principal amounts set forth in the tables below. Interest on the Bonds, at the respective rates of interest set forth below, is payable semiannually on January 15<sup>th</sup> and July 15<sup>th</sup> of each year, commencing on July 15, 2015, until maturity or prior redemption.

<u>Maturity (January 15<sup>th</sup>)</u>	<u>General Improvement Bonds, Series 2015 Principal Amount</u>	<u>Water/Sewer Utility Bonds, Series 2015 Principal Amount</u>	<u>Combined Maturity</u>	<u>Interest Rate</u>
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				

2026  
2027  
2028  
2029  
2030  
2031  
2032  
2033  
2034  
2035

The Bonds are subject to redemption prior to maturity as set forth in the Official Statement.

The Bonds are issued in fully registered form without coupons and are transferable as provided therein and are of various denominations and are numbered consecutively upwards. We have examined each bond as executed, and, in our opinion, their form and execution are regular and proper.

The Bonds are authorized pursuant to the Local Bond Law of the State of New Jersey (*N.J.S.A. 40A:2-1 et seq.*) and are issued pursuant to a Bond Resolution adopted by the Borough on January 14, 2015, and by virtue of the Bond Ordinances finally adopted by the Borough as identified in said Bond Resolution.

In forming our opinion, we have examined certified copies of the Bond Ordinances, Bond Resolution and related proceedings. We also have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate, including the Non-Arbitrage and Use of Proceeds Certificate of the Borough dated the date of the Bonds (the "Non-Arbitrage Certificate") for the purpose of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Bonds, on a certificate of the Borough executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information relating to the Borough which may have been provided to any purchaser or prospective purchaser of the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest thereon will be and will remain excluded from gross income pursuant to Section 103 of the Code. The Borough has provided the Non-Arbitrage Certificate which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Non-Arbitrage Certificate, the Borough has certified to the effect that it expects to be able to, and will, comply with the provisions and procedures set forth therein and that to the extent authorized by

law will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds is not includible in gross income under Section 103 of the Code. In rendering this opinion, we have assumed compliance by the Borough with the covenants contained in the Bonds and the statements contained in the Non-Arbitrage Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the Borough in respect of the Bonds after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the Bonds. These covenants and statements relate to, *inter alia*, the use of proceeds of the Bonds and the property financed or refinanced thereby and the rebating to the United States Treasury of specified arbitrage earnings, if required. We have assumed that the Borough will comply with the provisions of the Non-Arbitrage Certificate. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended, for compliance by the Borough therewith.

Based upon and subject to the foregoing we are of the opinion that:

1. The Bonds are valid and legally binding obligations of the Borough, and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Bonds and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights in general, from time to time in effect and by equitable principles, whether considered at law or in equity.

2. Interest on the Bonds and any gain from the sale thereof are not includible in gross income under the New Jersey Gross Income Tax Act.

3. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes and will not be a specific preference item for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. We express no opinion regarding any other federal income tax consequences arising with respect to the Bonds.

This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Borough furnished in connection with the sale of the Bonds and make no representation that we have independently verified any such information.

Very truly yours,

**APPENDIX F**  
**FORM OF BOND COUNSEL'S OPINION FOR THE NOTES**



Meghan Bennett Clark  
New Jersey Resident Partner

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

January \_\_\_, 2015

Mayor and Borough Council  
Borough of Seaside Heights  
Ocean County, New Jersey

**RE: Borough of Seaside Heights, County of Ocean, New Jersey  
\$\_\_\_\_\_ Bond Anticipation Notes**

Dear Mayor and Members of the Borough Council:

We have examined a record of the proceedings relating to the issuance of \$\_\_\_\_\_ Bond Anticipation Notes (the "Notes") of the Borough of Seaside Heights, in the County of Ocean, a municipal corporation of the State of New Jersey (the "Borough"). The Notes are dated January \_\_\_, 2015, mature January \_\_\_, 2016, and bear interest at the rate of \_\_\_\_\_ per centum (\_\_\_\_%) per annum payable at maturity. The Notes are initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), in book-entry-only form and are not subject to redemption prior to maturity. The Notes are issued pursuant to the Local Bond Law of the State of New Jersey (Chapter 2 of Title 40A of the New Jersey Statutes, as amended), and in anticipation of the issuance of bonds and are authorized by virtue of the Bond Ordinances described in the Certificate of Determination and Award dated the date hereof.

The Notes are being issued for the purpose to (i) currently refund a \$7,631,150 portion of the Borough's bond anticipation notes originally issued in the amount of \$10,674,413, dated January 31, 2014 and maturing January 30, 2015; and (ii) currently refund a \$6,416,602 portion of the Borough's bond anticipation notes originally issued in the amount of \$8,850,446, dated August 1, 2014 and maturing January 30, 2015.

In forming our opinion, we have examined certified copies of the Bond Ordinances and executed note. We also have examined originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates and documents as we have deemed necessary or appropriate, including the Non-Arbitrage and Use of Proceeds Certificate of the Borough dated the date of the Notes (the "Non-Arbitrage Certificate") for the purpose of the

A Limited Liability Partnership Formed in Pennsylvania

opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Notes, on a certificate of the Borough executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information relating to the Borough which may have been provided to any purchaser or prospective purchaser of the Notes.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest thereon will be and will remain excluded from gross income pursuant to Section 103 of the Code. The Borough has provided the Non-Arbitrage Certificate which contains provisions and procedures regarding compliance with the requirements of the Code. In executing the Non-Arbitrage Certificate, the Borough has certified to the effect that it expects to be able to, and will, comply with the provisions and procedures set forth therein and that to the extent authorized by law will do and perform all acts and things necessary or desirable to assure that interest paid on the Notes is not includible in gross income under Section 103 of the Code. In rendering this opinion, we have assumed compliance by the Borough with the covenants contained in the Notes and the statements contained in the Non-Arbitrage Certificate that are intended to comply with the provisions of the Code relating to actions to be taken by the Borough in respect of the Notes after the issuance thereof to the extent necessary to effect or maintain the federal tax-exempt status of the interest on the Notes. These covenants and statements relate to, *inter alia*, the use of proceeds of the Notes and the property financed or refinanced thereby and the rebating to the United States Treasury of specified arbitrage earnings, if required. We have assumed that the Borough will comply with the provisions of the Non-Arbitrage Certificate. Furthermore, we take no responsibility for the continuing review or verification as to the satisfaction of the requirements under the Code, or any similar or related legislation when enacted or amended, for compliance by the Borough therewith.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Notes are valid and legally binding obligations of the Borough, and the Borough has the power and is obligated to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of the Notes and the interest thereon, without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Notes may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights in general, from time to time in effect and by equitable principles, whether considered at law or in equity.

2. Interest on the Notes and any gain from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

3. Under existing statutes, regulations, rulings and court decisions, interest on the Notes will not be includible in gross income of the holders thereof for federal income tax purposes and will not be a specific preference item for purposes of computing the federal

alternative minimum tax imposed on individuals and corporations. We express no opinion regarding any other federal income tax consequences arising with respect to the Notes.

This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Borough furnished in connection with the sale of the Notes and make no representation that we have independently verified any such information.

Very truly yours,