

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 28, 2022**

**NEW ISSUE – Book-Entry-Only**

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

In the opinion of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey (“Bond Counsel”), under existing statutes, regulations, rulings and court decisions existing as of the date hereof and assuming continuing compliance by the City of Somers Point with certain covenants described herein, interest on the Bonds (as defined below) (i) is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds. Bond Counsel is further of the opinion that, under existing laws of the State of New Jersey, interest on the Bonds and any gain on the sale of the Bonds are not includable in gross income under the New Jersey Gross Income Tax Act, as enacted and construed on the date hereof. See “TAX MATTERS” herein.

**CITY OF SOMERS POINT  
IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY**

**\$9,945,000\***  
**GENERAL OBLIGATION BONDS, SERIES 2022**  
**consisting of:**  
**\$6,355,000\* General Improvement Bonds**  
**And**  
**\$3,590,000\* Sewer Utility Bonds**  
**(BOOK-ENTRY-ONLY) (BANK QUALIFIED) (CALLABLE)**

**Dated: Date of Delivery**

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

The \$9,945,000\* General Obligation Bonds, Series 2022, consisting of the \$6,355,000\* General Improvement Bonds (the “General Improvement Bonds”) and the \$3,590,000\* (the “Sewer Utility Bonds” and, together with the General Improvement Bonds, the “Bonds”), are valid and legally binding general obligations of the City of Somers Point, in the County of Atlantic, State of New Jersey (the “City”) and are secured by a pledge of the full faith and credit of the City for the payment of the principal thereof and interest thereon.

The principal of and interest on the Bonds are payable, if not paid from other sources, from *ad valorem* taxes to be levied upon all the taxable property within the City without limitation as to rate or amount. Interest on the Bonds will be payable each April 15 and October 15, commencing April 15, 2023, to and including their respective dates of maturity or prior redemption. Interest on the Bonds will be credited to the participants of DTC (as hereinafter defined) as listed on the records of DTC as of each next preceding April 1 and October 1 (the “Record Dates” for the payment of interest on the Bonds). The Bonds will be issued in the form of one certificate for the combined principal amount of Bonds maturing in each year and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as Securities Depository. See “DEPOSITORY TRUST COMPANY INFORMATION-Book-Entry-Only System” herein. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof except, where necessary, also in the amount of \$1,000.

Proceeds of the Bonds will be used to: (i) currently refund the City’s \$6,585,000 Bond Anticipation Notes, Series 2021, dated December 21, 2021 and maturing on December 20, 2022; (ii) provide new money in the amount of \$3,360,000 to permanently finance various general and sewer utility improvements in and by the City; and (iii) pay certain costs associated with the authorization, sale and issuance of the Bonds.

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

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

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

The Bonds are offered when, as and if issued, and delivered to the Underwriter, as defined herein, subject to withdrawal or modification of the offer without notice, to the prior approval of legality by the law firm of Fleishman Daniels Law Offices, LLC, Linwood, New Jersey, Bond Counsel, and certain other conditions described herein. Certain legal matters will be passed upon for the City by its Attorney, Thomas G. Smith, Esquire, Northfield, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey served as Municipal Advisor to the City in connection with the Bonds. It is expected that delivery of the Bonds in book-entry only form will be made at DTC in New York, New York on or about October 19, 2022.

**BID PROPOSALS WILL BE ACCEPTED ONLY BY ELECTRONIC SUBMISSION VIA THE PARITY ELECTRONIC BID SYSTEM ON THURSDAY, OCTOBER 6, 2022, UNTIL 11:00 A.M. FOR MORE DETAILS ON HOW TO BID ELECTRONICALLY, VIEW THE NOTICE OF SALE POSTED ON [WWW.MUNIHUB.COM](http://WWW.MUNIHUB.COM)**

\* Preliminary, subject to change.

**\$9,945,000\***  
**CITY OF SOMERS POINT**  
**IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY**  
**GENERAL OBLIGATION BONDS, SERIES 2022**  
**consisting of:**  
**\$6,355,000\* General Improvement Bonds**  
**And**  
**\$3,590,000\* Sewer Utility Bonds**  
**(BOOK-ENTRY-ONLY) (BANK QUALIFIED) (NON-CALLABLE)**

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

<b>Year</b>	<b>General Improvement Bonds*</b>	<b>Sewer Utility Bonds*</b>	<b>Combined</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP**</b>
2023	\$515,000	\$200,000	\$715,000	%	%	834562__
2024	540,000	230,000	770,000			834562__
2025	580,000	250,000	830,000			834562__
2026	610,000	270,000	880,000			834562__
2027	640,000	280,000	920,000			834562__
2028	670,000	300,000	970,000			834562__
2029	680,000	300,000	980,000			834562__
2030	710,000	310,000	1,020,000			834562__
2031	710,000	330,000	1,040,000			834562__
2032	700,000	350,000	1,050,000			834562__
2033		370,000	370,000			834562__
2034		400,000	400,000			834562__

\* Preliminary, subject to change.

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

**CITY OF SOMERS POINT  
IN THE COUNTY OF ATLANTIC, STATE OF NEW JERSEY**

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**MAYOR**

Jack Glasser

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**CITY COUNCIL**

Janice Johnston - Council President – Ward 1

Joseph McCarrie – Councilman At Large

Sean McGuigan – Ward 1

Howard Dill – Ward 2

Richard DePamphilis – Ward 1

Mike Owen – Ward 2

Karen Bruno – Ward 2

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**CITY CLERK**

Lucy R. Samuelsen, RMC/CMR

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**CITY CHIEF FINANCIAL OFFICER**

Shana Kestrel

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**CITY ATTORNEY**

Thomas G. Smith, Esquire  
Northfield, New Jersey

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**CITY AUDITOR**

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

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**BOND COUNSEL**

Fleishman Daniels Law Offices, LLC  
Linwood, New Jersey

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**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

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

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

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

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

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

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**OFFICIAL STATEMENT**  
**Relating to**  
**\$9,945,000\***  
**GENERAL OBLIGATION BONDS, SERIES 2022**  
**consisting of:**  
**\$6,355,000\* General Improvement Bonds**  
**And**  
**\$3,590,000\* Sewer Utility Bonds**  
**(BOOK-ENTRY-ONLY) (BANK QUALIFIED) (CALLABLE)**

**INTRODUCTION**

This Official Statement, which includes the cover page, inside front cover page and the appendices attached hereto, has been prepared by the City of Somers Point (the “City”), in the County of Atlantic, in the State of New Jersey (the “State”) in connection with the sale and issuance of \$6,355,000\* General Obligation Bonds, Series 2022, consisting of the \$6,355,000\* General Improvement Bonds (the “General Improvement Bonds”) and the \$3,590,000\* (the “Sewer Utility Bonds” and, together with the General Improvement Bonds, the “Bonds”). This Official Statement has been executed by and on behalf of the City by the Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

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

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

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

**THE BONDS**

**General Description**

The Bonds shall be dated and shall bear interest from their date of delivery and will mature on October 15 in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest, which is payable semiannually on the fifteenth (15<sup>th</sup>) day of April and October in each year (each constituting an “Interest Payment Date”), commencing April 15, 2023, at the interest rates set forth on the inside front cover page hereof. The record dates for payment of the interest on the Bonds shall be April 1 and October 1 next preceding the Interest Payment Dates. The Bonds may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple thereof, except where necessary, also in the amount of \$1,000, through book-entries made on the books and the records of The Depository Trust Company, New York, New York (“DTC”) and its participants. See “Book-Entry-Only-System”. The City will act as the “Bond Registrar/Paying Agent” for the Bonds.

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\* Preliminary, subject to change

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

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

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

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

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

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\* Source: The Depository Trust Company

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

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

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

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

Payments of principal or redemption price of and interest with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or Redemption Price of and interest with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City, or the City's hereafter designated paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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

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



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

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

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

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

### **Redemption**

The Bonds of this issue maturing prior to October 15, 2030 shall not be subject to redemption prior to their respective maturity dates. The Bonds of this issue maturing on or after October 15, 2030 are redeemable at the option of the City, in whole or in part, on any date on or after October 15, 2029, upon notice as required herein at par (the “Redemption Price”), plus in each case accrued interest to the date fixed for redemption.

Notice of Redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the City or a duly appointed Bond Registrar. So long as DTC (or any successor thereto) acts as Securities Depository for the Bonds, Notice of Redemption shall be sent to such depository and shall not be sent 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 City determines to redeem a portion of the Bonds prior to maturity, such Bonds to be redeemed shall be selected by the City; the Bonds to be redeemed having the same maturity shall be selected by the Securities Depository in accordance with its regulations.

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

### **Authorization**

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 et seq., as amended and supplemented (the “Local Bond Law”), and are authorized by the bond ordinances duly adopted by the City Council on the dates set forth in the chart on the following page and published and approved as required by law, and by a resolution duly adopted by the City Council on September 8, 2022.

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

**Purpose of the Bonds**

Proceeds of the Bonds will be used to: (i) currently refund the City’s \$6,585,000 Bond Anticipation Notes, Series 2021, dated December 21, 2021 and maturing on December 20, 2022; (ii) provide new money in the total amount of \$3,360,000 to permanently finance various general and sewer utility improvements in and by the City; and (iii) pay certain costs associated with the authorization, sale and issuance of the 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 City, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount to be financed by proceeds of the General Improvement Bonds. The bond ordinances are:

<b>General Improvement Bonds</b>				
<b>Ordinance No.</b>	<b>Description and Date of Adoption</b>	<b>Refunding Amount</b>	<b>New Money Amount</b>	<b>Aggregate Amount of Bonds to be Issued</b>
3-2020	Providing for various capital improvements and purchases within the City, finally adopted on June 11, 2020.	\$2,500,000	\$0	\$2,500,000
9-2021	Providing for various capital improvements and purchases within the City, finally adopted on June 24, 2021.	1,764,000	0	1,764,000
12-2022	Providing for various improvements and purchases in and by the City, finally adopted on June 23, 2022.	<u>0</u>	<u>2,091,000</u>	<u>2,091,000</u>
<b>SUB-TOTAL:</b>		<b><u>\$4,264,000</u></b>	<b><u>\$2,091,000</u></b>	<b><u>\$6,355,000</u></b>

The purposes for which the Sewer Utility Bonds are to be issued have been authorized by duly adopted, approved and published bond ordinances of the City, which bond ordinances are described in the following table by ordinance number, description and date of final adoption, and amount to be financed by proceeds of the Sewer Utility Bonds. The bond ordinances are:

<b>Sewer Utility Bonds</b>				
<b><u>Ordinance No.</u></b>	<b><u>Description and Date of Adoption</u></b>	<b><u>Refunding Amount</u></b>	<b><u>New Money Amount</u></b>	<b><u>Aggregate Amount of Bonds to be Issued</u></b>
4-2020	Providing for various replacement, improvements and renovations to various pump stations, mains and other system components within the City, finally adopted on June 11, 2020.	\$1,000,000	\$0	\$1,000,000
10-2021	Providing for various replacement, improvements and renovations to various pump stations, mains and other system components within the City, finally adopted on June 24, 2021.	1,321,000	0	1,321,000
13-2022	Providing for replacements, improvements and renovations to various pump stations, mains and other system components within the City, finally adopted on June 23, 2022.	0	1,269,000	1,269,000
<b>SUB-TOTAL:</b>		<b><u>\$2,321,000</u></b>	<b><u>\$1,269,000</u></b>	<b><u>\$3,590,000</u></b>
<b>TOTAL:</b>		<b><u>\$6,585,000</u></b>	<b><u>\$3,360,000</u></b>	<b><u>\$9,945,000</u></b>

## SECURITY AND SOURCE OF PAYMENT

### Taxing Power

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

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

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

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

### **Debt Limits**

The authorized bonded indebtedness of the City for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district's debt limitation and the self-liquidating portion of a utility's debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As shown in Appendix "A", the City has not exceeded its statutory debt limit as of December 31, 2021.

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

The City may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the City may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the City or substantially reduce the ability of the City to meet its obligations or to provide essential public improvements and services, or makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the City, 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 City may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds, if the bond ordinance or subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance, as may be amended and supplemented, creating such capital expenditure. A local unit's bond anticipation notes may be issued for one-year periods, with the last date of issuance not to exceed ten years and four months from the original issuance date. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

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

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department

of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division ("Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

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

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

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

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

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

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

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

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

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between major appropriation accounts are prohibited, except for: (i) during the first three (3) months of a current fiscal year, appropriation reserves may be transferred to the immediately preceding fiscal year's budget; and

(ii) transfers between major appropriation accounts are permitted during the last two (2) months of a current fiscal year. Such transfers must be approved by two-thirds of the full membership of the governing body of a local governmental unit. Although sub-accounts within an appropriation account are not subject to the same year-end transfer restriction, they are subject to internal review and approval.

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

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

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

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

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

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

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

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

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

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

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

### **Tax Appeals**

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

was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

## **Real Estate Taxes**

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. N.J.S.A. 40A:4-29 governs anticipation of delinquent tax collections: “The maximum which may be anticipated is the sum produced by multiplication of the amount of delinquent taxes unpaid and owing to the local unit on the first day of the current fiscal year by the percentage of collection of delinquent taxes for the year immediately preceding the current fiscal year.”

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

This provision and N.J.S.A. 40A:4-40 require that an additional amount (the “reserve for uncollected taxes”) be added to the tax levy required to balance the budget so that when the percentage of the prior year’s tax collection is applied to the combined total, the revenue will at least be equal to the tax levy required to balance the budget.

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

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

An independent examination of each local unit accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local units financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2020 for the City is on file with the Clerk and is available for review during business hours.

## **Operation of Utilities**

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

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

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



## **RECENT HEALTHCARE DEVELOPMENTS**

COVID-19, a respiratory disease caused by a new strain of coronavirus, had been characterized as a pandemic (the “Pandemic”) by the World Health Organization and has been affecting many parts of the world, including the United States and the State of New Jersey. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on, March 13, 2020, then President Trump declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President’s Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

In New Jersey, Governor Murphy declared a state of emergency on March 9, 2020 and issued multiple Executive Orders regarding the Pandemic. On June 4, 2021, Governor Murphy signed an Executive Order declaring the end to the state of emergency, effective July 4, 2021, subject to certain executive orders remaining in effect until January 1, 2022 (although Governor Murphy retained the authority to issue orders and waivers under the Emergency Health Powers Act through January 11, 2022). On January 11, 2022, Governor Murphy reinstated, via Executive Order, the state of emergency and declared a new public health emergency in response to a surge in cases tied to new variants of COVID-19, in particular the Omicron variant. Such public health emergency expired 30 days from January 11, 2022 but was later extended, via Executive Order, for an additional 30 days, effective February 10, 2022. On March 4, 2022, Governor Murphy announced that he is ending the public health emergency that was reinstated in the State, effective March 7, 2022. Depending on future events, ongoing actions may be taken by State, federal and local governments and private entities to mitigate the spread and impacts of COVID-19, its variants or other critical public health-related challenges. The Pandemic has negatively affected travel, commerce and financial markets globally, and may continue negatively affecting economic growth and financial markets worldwide.

Because of the evolving nature of the outbreak and new variants of COVID-19, along with federal, state and local responses thereto, the City cannot predict how the outbreak may impact the financial condition or operations of the City, if there will be any impact on the assessed values of property within the City or unexpected deferrals of tax payments to municipalities, or the costs associated with this or any other potential infectious disease outbreak, including whether there will be any reduction in State funding or an increase in operational costs to the City.

The American Rescue Plan Act of 2020 (the “Plan”) was passed by Congress on March 10, 2021 and signed into law by President Biden on March 11, 2021. The Plan includes funding for States and local governments, including the City, which may be used to respond to the COVID-19 public health emergency or its negative economic impacts, to provide premium pay to eligible workers that are providing essential services during the emergency, to provide government services to the extent of the reduction in revenue due to the emergency, and to make necessary investments in water, sewer, or broadband infrastructure. The City received a total of approximately \$1,064,897.00 in federal funding from the Plan, half in June of 2021 and half in July of 2022.

## **NO DEFAULT**

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

## TAX MATTERS

### Federal Tax Exemption

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

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

### Original Issue Discount

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

### Original Issue Premium

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

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

### **Additional Federal Income Tax Consequence of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

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

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

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

### **State Taxation**

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

**THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR**

**DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS (INCLUDING, BUT NOT LIMITED TO, THOSE LISTED ABOVE) OR REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.**

### **BANK QUALIFICATION**

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

### **LEGALITY FOR INVESTMENT**

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

### **SECONDARY MARKET DISCLOSURE**

The City has covenanted for the benefit of bondholders to provide certain financial information and operating data of the City by and to comply with the provisions of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed and within the timeframe established in the Continuing Disclosure Certificate (the "Disclosure Certificate") to be executed on behalf of the City by its Chief Financial Officer, in the form appearing in Appendix "D" hereto, such Disclosure Certificate to be delivered concurrently with the delivery of the Bonds. This covenant is being made by the City to assist the purchaser of the Bonds in complying with the Rule.

The City has previously entered into continuing disclosure undertakings under the Rule. The City appointed Phoenix Advisors, LLC, Bordentown, New Jersey in July of 2015 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

### **LITIGATION**

To the knowledge of Thomas G. Smith, Northfield, New Jersey (the "City Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority of the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the City or the title of any of the present officers. Moreover, to the knowledge of the City Attorney, no litigation is presently pending or threatened that, in the opinion of the City Attorney, would have a material adverse impact on the financial condition of the City if adversely decided. A certificate to such effect will be executed by the City Attorney and delivered to the purchaser of the Bonds at the closing.

## MUNICIPAL BANKRUPTCY

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

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

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

## PREPARATION OF OFFICIAL STATEMENT

The City hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the Underwriter, by certificates signed by the Chief Financial Officer, that to such officer’s knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

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

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

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

### **RATING**

S&P Global Ratings, acting through Standard and Poor's Financial Services LLC (the "Rating Agency"), has assigned its municipal bond rating of "AA-" to the Bonds.

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

### **UNDERWRITING**

The Bonds have been purchased from the City by \_\_\_\_\_, \_\_\_\_\_ (the "Underwriter") at a purchase price of \$ \_\_\_\_\_ (the "Purchase Price") in accordance with the Notice of Sale. The Purchase Price of the Bonds reflects the par amount of the Bonds plus a bid premium of \$ \_\_\_\_\_. The Bonds are being offered for sale at the yields set forth on the inside front cover page of this Official Statement, which yields may be changed from time to time by the Underwriter without notice.

### **MUNICIPAL ADVISOR**

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

### **APPROVAL OF LEGAL PROCEEDINGS**

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

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

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

## **RISK TO HOLDERS OF BONDS**

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

## **CERTIFICATES OF THE CITY**

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

## **FINANCIAL STATEMENTS**

Appendix "B" contains certain audited financial statements of the City for the City's fiscal year ended December 31, 2021 (the "Financial Statements"). The Financial Statements were extracted from the report prepared by Ford, Scott and Associates LLC, Ocean City, New Jersey (the "Auditor"), to the extent and for the period set forth in their report appearing in Appendix "B". The Auditor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the Audited Financial Statements appearing in Appendix "B" hereto) and, accordingly, will express no opinion with respect thereto.

## **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Shana Kestrel, Chief Financial Officer, City of Somers Point, 1 West New Jersey Avenue, Somers Point, New Jersey 08224, (609) 927-9088, ext. 128 or Phoenix Advisors, LLC, 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

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

**MISCELLANEOUS**

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

**THE CITY OF SOMERS POINT IN THE COUNTY OF ATLANTIC, NEW JERSEY**

**By:** \_\_\_\_\_  
Shana Kestrel, Chief Financial Officer

**Dated:** October \_\_, 2022



**APPENDIX A**

**GENERAL INFORMATION REGARDING THE CITY**

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

The following material presents certain economic and demographic information of the City of Somers Point (the “City”), in the County of Atlantic (the “County”), State of New Jersey (the “State”).

### **General Information**

The City is a suburban community that comprises an area of approximately five square miles, lying ten miles to the west of Atlantic City. The City is bounded on three sides by the bay, which separates it from Ocean City and Egg Harbor Township.

The City was incorporated in 1902, although the community encompassing the area traces its existence to colonial times. The City is governed by a Mayor-Council form of government. The Mayor is elected for a four-year term, six ward Council members are elected for three-year terms on a staggered basis, and one at-large Council member is elected for a four-year term.

The Council exercises the legislative power of the City by adopting ordinances and resolutions. In addition, the Council is responsible for the approval of the City budget, establishment of financial controls and setting of all salaries of elective and appointive officers and employees. A professional administrator supervises the day-to-day operations of the City departments and also is responsible for formulating the budget.

The City is primarily a residential community with a relatively large proportion of its residents employed in professional services or executive positions in the City and its neighboring communities.

Shore Memorial Hospital, a modern 300-bed medical facility, is the City's largest employer, providing approximately 1,600 jobs. Because of the City's location on the Great Egg Harbor River bayfront, it is known for its marinas, boating, and numerous fine restaurants. The City also has a vast variety of small businesses located throughout the community, including many medical professional offices as a result of the location of Shore Memorial Hospital.

### **Police Department**

The police force occupies modern headquarters in a portion of the City Hall building.

On a year-round basis, the department consists of one (1) chief, two (2) captains, one (1) lieutenant, five (5) sergeants, twenty-one (21) patrol officers, two (2) K9's and five (5) full time and three (3) part time dispatchers. Eight (8) officers are trained as detectives.

The department deploys twelve (12) marked and three (3) unmarked patrol cars. Two (2) vehicles are utilized by the K-9 corps.

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

## **Fire Protection**

A volunteer fire department with approximately sixty (60) members who are trained to fight fires, covers the entire City from two modern and centrally located firehouses. The City contributes to the operating expenses of the department and also purchases the firefighting equipment. The City currently is housing three (3) pumpers, two (2) aerials, one (1) of which is a 102-foot aerial tower fire truck, one (1) rescue unit, two (2) utility vehicles and two (2) service cars.

## **Hospital and Rescue Squad Services**

Rescue squad services are provided by a shared service agreement, with Egg Harbor Township as the service provider. The contract expires in 2029.

Shore Memorial Hospital, a modern 300-bed medical facility, is located in the City.

## **Recreation**

Numerous recreational and athletic facilities are located throughout the City. These include nine baseball fields, one football field, which is also used for soccer and lacrosse, a paved quarter mile running track, two street hockey courts, two tennis courts, a dedicated bicycle path that runs the length of the City, boat ramps and a bathing beach. The City also provides a program of community education from September to April that includes a wide range of topics, from arts and crafts to physical exercise. The foregoing programs and facilities are supervised by a Board of Recreation that is appointed by the Mayor subject to confirmation by the City Council.

The City will soon complete the constructions of a 22-slip marina and boat pump out facility. This facility includes 20 slips for transient boaters, a slip for a fishing excursion boat with a 5-year lease, and a slip that will be used for municipal and emergency purposes.

Privately owned facilities include a golf course, indoor tennis and squash clubs and several clubs that provide well-rounded sports and exercise programs.

## **Utilities**

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

The City provides the residents of the entire City with trash collection on a once-a-week basis the entire year. In addition, recycling collection is provided as a contract service by the Atlantic County Utilities Authority on a biweekly basis.

## **Transportation**

The City is accessible by land via (i) the Garden State Parkway, a major north-south artery running adjacent to the City, providing access to New York City; and (ii) the Atlantic City Expressway, which is twenty minutes away and leads directly to Philadelphia. The Parkway going south connects with the Cape May-Lewes ferry service, which provides a convenient, modern method of crossing the Delaware Bay to points south.

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

## **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>City</u></b>				
2021	4,935	4,493	442	9.0%
2020	4,920	4,144	776	15.8%
2019	5,077	4,836	241	4.7%
2018	4,995	4,710	285	5.7%
2017	4,979	4,618	361	7.3%
<b><u>County</u></b>				
2021	123,181	111,516	11,665	9.5%
2020	124,180	102,874	21,306	17.2%
2019	126,175	120,115	6,060	4.8%
2018	123,520	116,516	7,004	5.7%
2017	122,687	113,992	8,695	7.1%
<b><u>State</u></b>				
2021	4,661,100	4,365,400	295,700	6.3%
2020	4,642,900	4,203,300	439,700	9.5%
2019	4,686,700	4,528,200	158,500	3.4%
2018	4,609,800	4,426,600	183,200	4.0%
2017	4,615,000	4,406,200	208,800	4.5%

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

**Income (as of 2020)**

	<u>City</u>	<u>County</u>	<u>State</u>
Median Household Income	\$63,150	\$63,680	\$85,245
Median Family Income	77,076	78,974	104,804
Per Capita Income	35,361	34,175	44,153

Source: US Bureau of the Census

**Population**

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

<u>Year</u>	<u>City</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2020	10,469	-3.02%	274,534	-0.01%	9,288,994	5.65%
2010	10,795	-7.05	274,549	8.71	8,791,894	4.49
2000	11,614	3.55	252,552	12.58	8,414,350	8.85
1990	11,216	8.58	224,327	15.56	7,730,188	4.96
1980	10,330	30.45	194,119	10.90	7,365,001	2.75

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

**Largest Taxpayers**

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

<u>Taxpayers</u>	<u>2021</u> <u>Assessed Valuation</u>	<u>% of Total</u> <u>Assessed Valuation</u>
Village Plaza, LLC	\$24,080,000	2.11%
Sea Aire Apartments, LLC	16,553,333	1.45%
West America, LTD	10,272,000	0.90%
Related Somers Point, LLC	10,244,000	0.90%
American Stores Realty Co, LLC	9,300,000	0.82%
Ocean Heights Manor LLC	8,589,000	0.75%
Somers Point, LLC	7,884,000	0.69%
HPT IHG-2 Properties Trust	7,700,000	0.68%
IDA Dev. Assoc.	7,000,000	0.61%
MP R.E. Fund	<u>6,855,000</u>	0.60%
<b>Total</b>	<b><u>\$108,477,333</u></b>	<b><u>9.52%</u></b>

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

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

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year Collection</u></b>	<b><u>Current Year % of Collection</u></b>
2021	\$37,241,712	\$36,946,169	99.21%
2020	36,626,530	36,014,337	98.33%
2019	35,712,239	35,052,434	98.15%
2018	35,204,260	34,597,819	98.28%
2017	34,527,009	33,735,036	97.71%

Source: Annual Audit Reports of the City

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

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2021	\$217,359	\$353,827	\$571,187	1.53%
2020	188,914	581,046	769,960	2.10%
2019	157,174	571,383	728,558	2.04%
2018	184,224	517,667	701,891	1.99%
2017	161,089	990,678	1,151,767	3.34%

Source: Annual Audit Reports of the City

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

<b><u>Year</u></b>	<b><u>Amount</u></b>
2021	\$19,412
2020	19,412
2019	19,412
2018	19,412
2017	19,412

Source: Annual Audit Reports of the City

*[Remainder of Page Intentionally Left Blank]*

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

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

<u>Year</u>	<u>Municipal</u>	<u>Local School</u>	<u>Regional School</u>	<u>County</u>	<u>Total</u>
2021	\$1.008	\$0.985	\$0.743	\$0.555	\$3.291
2020	1.008	0.974	0.703	0.539	3.224
2019	0.989	0.954	0.657	0.533	3.133
2018	0.967	0.930	0.640	0.530	3.067
2017	0.922	0.883	0.619	0.533	2.957

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

## **Valuation of Property**

<u>Year</u>	<u>Aggregate Assessed Value of Real Property</u>	<u>Aggregate True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Personal Property</u>	<u>Equalized Valuation</u>
2021	\$1,130,903,633	\$1,262,310,116	89.59%	\$100	\$1,262,310,216
2020	1,132,581,800	1,159,363,087	97.69	0	1,159,363,087
2019	1,138,873,200	1,145,401,991	99.43	0	1,145,401,991
2018	1,146,862,227	1,134,496,218	101.09	0	1,134,496,218
2017	1,166,021,500	1,120,420,390	104.07	0	1,120,420,390

Source: Abstract of Ratables of the County

## **Classification of Ratables**

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2021	\$9,045,500	\$790,952,200	\$0	\$259,564,200	\$6,946,900	\$64,394,833	\$1,130,903,633
2020	9,133,500	789,045,100	0	265,904,800	6,946,900	61,551,500	1,132,581,800
2019	8,877,800	790,348,300	0	270,065,800	7,029,800	62,551,500	1,138,873,200
2018	10,101,700	797,852,527	0	269,263,200	7,029,800	62,615,000	1,146,862,227
2017	9,882,200	802,639,800	0	274,773,700	7,149,800	71,576,000	1,166,021,500
2016	10,385,800	804,520,400	0	285,895,900	0	71,576,000	1,172,378,100

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

**Financial Operations**

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

**Summary of Current Fund Budget**

<b><u>Anticipated Revenues</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>
Fund Balance Utilized	\$1,546,770	\$1,759,560	\$1,996,211	\$2,314,000	\$2,685,000
Miscellaneous Revenues	2,522,484	2,744,933	2,614,678	2,832,607	4,150,644
Receipts from Delinquent Taxes	620,000	590,000	565,000	551,000	420,000
Amount to be Raised by Taxation	<u>11,079,041</u>	<u>11,274,689</u>	<u>11,422,693</u>	<u>11,399,563</u>	<u>11,629,735</u>
Total Revenue:	<u>\$15,768,294</u>	<u>\$16,369,182</u>	<u>\$16,598,582</u>	<u>\$17,097,170</u>	<u>\$18,885,378</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$12,017,025	\$12,354,524	\$12,627,799	\$13,055,263	\$13,737,597
Operations (Excluded from CAPS)	246,751	285,581	260,816	497,771	1,530,489
Deferred Charges and Statutory Expenditures	0	37,500	0	0	0
Capital Improvement Fund	504,500	617,500	645,000	443,500	503,000
Municipal Debt Service	1,843,700	1,901,650	1,864,525	1,930,920	1,974,900
Reserve for Uncollected Taxes	<u>1,156,319</u>	<u>1,172,427</u>	<u>1,200,443</u>	<u>1,169,716</u>	<u>1,139,392</u>
Total Appropriations:	<u>\$15,768,294</u>	<u>\$16,369,182</u>	<u>\$16,598,582</u>	<u>\$17,097,170</u>	<u>\$18,885,378</u>

Source: Annual Adopted Budgets of the City

**Fund Balance**

**Current Fund**

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

	<b><u>Fund Balance - Current Fund</u></b>	
<b><u>Year</u></b>	<b><u>Balance</u></b>	<b><u>Utilized in Budget</u></b>
	<b><u>12/31</u></b>	<b><u>of Succeeding Year</u></b>
2021	\$2,866,351	\$2,685,000
2020	2,406,357	2,314,000
2019	2,203,844	1,996,211
2018	2,511,005	1,759,560
2017	1,832,947	1,546,770

Source: Annual Audit Reports of the City



Sewer Utility Operating Fund

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

**Fund Balance Sewer-Utility Operating Fund**

<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2021	\$1,998,098	\$114,100
2020	1,746,039	25,000
2019	1,531,636	104,200
2018	1,313,668	80,000
2017	1,074,434	29,999

Source: Annual Audit Reports of the City

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**City Indebtedness as of December 31, 2021**

**General Purpose Debt**

Serial Bonds	\$11,311,000
Bond Anticipation Notes	4,264,000
Bonds and Notes Authorized but Not Issued	973,137
Other Bonds, Notes and Loans	0
Total:	<u>\$16,548,137</u>

**Local School District Debt**

Serial Bonds	\$9,138,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$9,138,000</u>

**Regional School District Debt**

Serial Bonds	\$9,273,955
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	<u>\$9,273,955</u>

**Self-Liquidating Debt**

Serial Bonds	\$2,729,000
Bond Anticipation Notes	2,321,000
Bonds and Notes Authorized but Not Issued	285,750
Other Bonds, Notes and Loans	395,411
Total:	<u>\$5,731,161</u>

**TOTAL GROSS DEBT**

**\$40,691,252**

Less: Statutory Deductions

General Purpose Debt \$0

Local School District Debt 9,138,000

Regional School District Debt 9,273,955

Self-Liquidating Debt 5,731,161

Total: \$24,143,116

**TOTAL NET DEBT**

**\$16,548,137**

Source: Annual Debt Statement

**Overlapping Debt (as of December 31, 2021)<sup>2</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>City Percentage</u></b>	<b><u>City Share</u></b>
Local School District	\$9,138,000	100.00%	\$9,138,000
Regional School District	23,495,000	39.47%	9,273,955
County	213,448,316	3.56%	<u>7,598,760</u>
Net Indirect Debt			\$26,010,715
Net Direct Debt			<u>16,548,137</u>
Total Net Direct and Indirect Debt			<b><u>\$42,558,852</u></b>

**Debt Limit**

Average Equalized Valuation Basis (2019, 2020, 2021)	\$1,189,025,065
Permitted Debt Limitation (3 1/2%)	41,615,877
Less: Net Debt	<u>16,548,137</u>
Remaining Borrowing Power	<b><u>\$25,067,741</u></b>
Percentage of Net Debt to Average Equalized Valuation	1.392%
Gross Debt Per Capita based on 2020 population of 10,469	\$3,887
Net Debt Per Capita based on 2020 population of 10,469	\$1,581

Source: Annual Debt Statement of the City

**Litigation**

The status of pending litigation is included in the Notes to Financial Statements of the City's annual audit report.

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

**APPENDIX B**  
**FINANCIAL STATEMENTS OF THE CITY**



# FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of City Council  
City of Somers Point  
County of Atlantic, New Jersey

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

#### ***Opinions***

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Somers Point, as of December 31, 2021 and 2020, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Somers Point as of December 31, 2021 and 2020, or changes in financial position for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2021 and 2020, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2021 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

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

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

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

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

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

### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

- exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Somers Point's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

### ***Supplementary Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2022, on our consideration of the City of Somers Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somers Point's internal control over financial reporting and compliance.

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

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

**July 8, 2022**

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

	2021	2020
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Cash Treasurer	\$ 7,459,316.12	5,705,828.50
Cash - Collector	258,846.18	703,872.84
Cash - Change and Petty Cash	500.00	500.00
Total Cash	7,718,662.30	6,410,201.34
Other Receivables:		
Due from State - Chapter 20 P.L. 1971	27,902.88	26,216.58
Total Other Receivables	27,902.88	26,216.58
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	353,827.22	581,045.97
Tax Title and Other Liens	217,359.43	188,913.95
Property Acquired for Taxes - at Assessed Valuation	19,412.00	19,412.00
Revenue Accounts Receivable	9,868.33	4,484.05
Overpaid Local School Tax	195,645.00	195,645.00
Interfund Receivable:		
Other Trusts - Unemployment	-	1,950.46
General Capital	165,000.00	264,191.08
Dog License Fund	51,544.55	44,411.45
Total Receivables and Other Assets	1,012,656.53	1,300,053.96
Deferred Charges:		
None	-	-
Total Deferred Charges	-	-
Total Regular Fund	8,759,221.71	7,736,471.88
Federal and State Grant Fund:		
Federal and State Grants Receivable	1,334,137.50	3,167,368.35
Due from Current Fund	586,914.50	7,803.68
Total Federal and State Grant Fund	1,921,052.00	3,175,172.03
Total Current Fund	\$ 10,680,273.71	10,911,643.91

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



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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2021</u>	<u>2020</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,705,055.26	1,348,894.59
Reserve for Encumbrances	241,286.59	443,622.78
Accounts Payable	149,913.39	151,394.11
Prepaid Taxes	429,231.78	382,472.11
Overpaid Taxes	17,751.78	10,853.17
Local School Tax Payable	2,717.00	-
Regional School Tax Payable	10.92	11.42
Payroll Taxes Payable	463.39	463.39
County Added Tax Payable	5,003.31	5,536.06
Due to State:		
Marriage Licenses	450.00	250.00
CCO Fees	1,960.00	15,837.00
Interfund Payable:		
Other Trusts - Law Enforcement Trust	-	1,750.00
Grant Fund	586,914.50	7,803.68
Sewer Operating	7,400.91	7,400.91
Sewer Capital	1,490,832.00	1,490,832.00
Other		
Reserve for Revaluation	90,658.60	90,658.60
Reserve for Hurricane Sandy	40,565.08	40,565.08
Reserve for Tax Appeals	-	31,716.37
Reserve for Demolition of Buildings	110,000.00	-
	4,880,214.51	4,030,061.27
Reserve for Receivables and Other Assets	1,012,656.53	1,300,053.96
Fund Balance	2,866,350.67	2,406,356.65
Total Regular Fund	8,759,221.71	7,736,471.88
Federal and State Grant Fund:		
Unappropriated Reserves	532,448.93	-
Appropriated Reserves	1,311,348.04	1,224,176.43
Due to General Capital Fund	-	1,400,000.00
Encumbrances Payable	77,255.03	550,995.60
	1,921,052.00	3,175,172.03
Total Federal and State Grant Fund	1,921,052.00	3,175,172.03
Total Current Fund	\$ 10,680,273.71	10,911,643.91

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

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

	2021	2020
Revenue and Other Income Realized		
Fund Balance	\$ 2,314,000.00	1,996,211.22
Miscellaneous Revenue Anticipated	3,033,732.30	3,121,524.11
Receipts from Delinquent Taxes	582,388.26	529,259.56
Receipts from Current Taxes	36,946,168.60	36,014,337.46
Non Budget Revenue	357,158.25	175,480.53
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	1,278,888.33	1,096,158.47
Interfund Returned	110,242.53	338,178.35
Cancellation of Prior Year Liabilities	100.00	8,856.53
Total Income	44,622,678.27	43,280,006.23
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	6,464,750.00	6,225,700.00
Other Expenses	4,860,850.00	4,761,470.16
Deferred Charges & Statutory Expenditures	1,729,663.20	1,640,629.00
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	184,621.00	191,485.00
Other Expenses	351,243.65	384,068.24
Capital Improvements	443,500.00	645,000.00
Debt Service	1,930,850.55	1,864,524.72
Deferred Charges	-	-
Local District School Tax	11,145,109.00	11,042,286.00
Regional District School Tax	8,403,128.00	7,965,171.00
County Tax	6,265,332.32	6,082,911.61
County Share of Added Tax	5,003.31	5,536.06
Interfund Created	10,073.15	272,250.96
Refund of Prior Year Revenue	54,560.07	250.00
Total Expenditures	41,848,684.25	41,081,282.75
Excess in Revenue	2,773,994.02	2,198,723.48

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

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

	2021	2020
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year		
None	-	-
Total Adjustments	-	-
Statutory Excess to Fund Balance	2,773,994.02	2,198,723.48
Fund Balance January 1	2,406,356.65	2,203,844.39
	5,180,350.67	4,402,567.87
Decreased by:		
Utilization as Anticipated Revenue	2,314,000.00	1,996,211.22
Fund Balance December 31	\$ 2,866,350.67	2,406,356.65

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

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 2,314,000.00	2,314,000.00	-
Total Fund Balance Anticipated	<u>2,314,000.00</u>	<u>2,314,000.00</u>	<u>-</u>
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	22,500.00		2,130.00
Fees and Permits	35,000.00		8,833.00
Fines and Costs:			
Municipal Court	98,000.00		6,333.05
Interest and Costs on Taxes	150,000.00		(32,889.54)
Interest Earned on Investments	80,000.00		44,747.97
Fees and Permits - Chapter 115 Inspections	100,000.00		19,505.00
Cable TV Franchise Fee	45,000.00		3,448.29
Hotel Fee	124,000.00		72,271.85
Total Section A: Local Revenues	<u>654,500.00</u>	<u>-</u>	<u>124,379.62</u>
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	967,096.00		-
Total Section B: State Aid Without Offsetting Appropriations	<u>967,096.00</u>	<u>-</u>	<u>-</u>
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	160,000.00		27,756.00
Total Section C: Uniform Construction Code Fees	<u>160,000.00</u>	<u>-</u>	<u>27,756.00</u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Safe and Secure Communities Program	12,621.00		12,621.00	-
Local Arts Program - Beach Concerts	5,000.00		5,000.00	-
Clean Communities		28,577.74	28,577.74	-
Recycling Tonnage	12,431.26		12,431.26	-
Body Armor Grant	2,341.48		2,341.48	-
Drunk Driving Enforcement Fund		9,516.16	9,516.16	-
New Jersey Department of Transportation West Atlantic Avenue	350,000.00		350,000.00	-
FFY - 2022-2024 Competitive CMAQ Program Bike Path Enhancements	165,000.00		165,000.00	-
<b>Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations</b>	<b>547,393.74</b>	<b>38,093.90</b>	<b>585,487.64</b>	<b>-</b>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section G: Other Special Items			
Bayview Court - PILOT	131,608.04		-
Shore Medical Center	207,009.00		10,896.00
Reserve for Debt Service	100,000.00		-
General Capital Fund Balance	65,000.00		-
Total Section G: Other Special Items	<u>503,617.04</u>	<u>-</u>	<u>10,896.00</u>
Total Miscellaneous Revenues:	2,832,606.78	38,093.90	163,031.62
Receipts from Delinquent Taxes	551,000.00		31,388.26
Amount to be Raised by Taxes for Support of Municipal Budget	11,399,563.33		897,748.80
Local Tax for Municipal Purposes			12,297,312.13
Total Amount to be Raised by Taxes for Support of of Municipal Budget	<u>11,399,563.33</u>	<u>-</u>	<u>897,748.80</u>
Budget Totals	17,097,170.11	38,093.90	1,092,168.68
Non-Budget Revenues:			
Other Non- Budget Revenues:	<u>17,097,170.11</u>	<u>38,093.90</u>	<u>357,158.25</u>
			<u>1,449,326.93</u>

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	36,946,168.60
Less: Reserve for Tax Appeals Pending		-
Net Revenue from Collections		36,946,168.60
Allocated to:		
School, County and Other Taxes		25,818,572.63
Balance for Support of Municipal Budget Appropriations		11,127,595.97
Increased by:		
Appropriation "Reserved for Uncollected Taxes"		1,169,716.16
Amount for Support of Municipal Budget Appropriations		12,297,312.13

Receipts from Delinquent Taxes:

Delinquent Tax Collection		582,388.26
Tax Title Lien Collections		-
Total Receipts from Delinquent Taxes		582,388.26

Analysis of Non-Budget Revenue:

Tax Collector:		
Tax Collector Miscellaneous		1,795.01

Miscellaneous Revenue Not Anticipated:

Bingo and Raffle Licenses		650.00
Vital Statistics		53,379.00
Death Certificates		1,050.00
Mercantile Licenses		28,115.00
Election Fee		350.00
Planning & Zoning Board Fees		15,175.00
Senior/Vet 2% Administrative Fee		1,441.27
Fishing Pier Lease		5,100.00
Street Openings		7,050.00
FEMA-Reimbursement from Tropical Storm Isiais		107,714.82
Insurance Dividends & Refunds		57,636.92
Escheat Funds to City		24,749.70
Library Rent		35,000.00
Miscellaneous		17,951.53
Total Treasurer		355,363.24

Total Miscellaneous Revenue Not Anticipated:	\$	357,158.25
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The accompanying Notes to Financial Statements are an integral part of this statement

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget				Encumbered	Reserved	
<b>OPERATIONS WITHIN "CAPS"</b>							
<b>GENERAL GOVERNMENT:</b>							
Mayor and Council							
Salaries and Wages	\$ 69,000.00		69,000.00	68,500.00		500.00	
Other Expenses	86,000.00		70,000.00	19,540.51	710.00	49,749.49	
Veteran Events	1,500.00		1,500.00	1,000.00		500.00	
Department of General Administration							
Salaries and Wages	168,200.00		168,200.00	109,279.92	50,000.00	8,920.08	
Other Expenses	55,000.00		55,000.00	42,189.18	1,811.16	10,999.66	
Department of City Clerk							
Salaries and Wages	175,600.00		175,600.00	162,571.81		13,028.19	
Other Expenses	55,100.00		55,100.00	28,739.76	916.20	25,444.04	
Data Processing							
Other Expenses	55,000.00		59,000.00	54,313.74		4,686.26	
Department of Finance							
Salaries and Wages	78,000.00		78,000.00	73,498.73		4,501.27	
Other Expenses	35,800.00		35,800.00	16,179.40		19,620.60	
Annual Audit							
Other Expenses	42,500.00		42,500.00	36,145.90		6,354.10	
Department of Tax Assessment							
Salaries and Wages	20,000.00		11,000.00	-		11,000.00	
Other Expenses	85,000.00		85,000.00	79,861.50		5,138.50	
Department of Tax Collections							
Salaries and Wages	77,300.00		77,300.00	58,670.02		18,629.98	
Other Expenses	20,000.00		20,000.00	10,224.94	710.00	9,065.06	
Legal Services and Costs							
Other Expenses	230,000.00		230,000.00	170,272.61		59,727.39	
Municipal Prosecutor							
Other Expenses	20,000.00		20,000.00	17,875.00		2,125.00	
Engineering Services and Costs							
Other Expenses	15,000.00		15,000.00	1,045.00		13,955.00	
Public Buildings and Grounds							
Salaries and Wages	195,900.00		195,900.00	172,548.03		23,351.97	
Other Expenses	85,000.00		85,000.00	68,553.90	4,032.28	12,413.82	
Vehicle Maintenance							
Planning Board	116,000.00		116,000.00	104,851.43	5,110.23	6,038.34	
Salaries and Wages	25,700.00		25,700.00	25,700.00		-	
Other Expenses	23,350.00		23,350.00	7,118.28		16,231.72	
Zoning Board							
Salaries and Wages	24,800.00		24,800.00	24,800.00		-	
Other Expenses	14,200.00		14,200.00	6,543.38		7,656.62	



**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		Reserved	(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved		
<b>PUBLIC SAFETY</b>								
Department of Fire								
Salaries and Wages	42,200.00	42,200.00	40,600.00			1,600.00		
Other Expenses	78,200.00	78,200.00	65,435.51		12,764.49	-		
Department of the Police								
Salaries and Wages	3,338,500.00	3,338,500.00	2,891,777.17		50,000.00	396,722.83		
Other Expenses	216,200.00	216,200.00	165,036.74		11,382.82	39,780.44		
Department of Communications								
Salaries and Wages	355,000.00	355,000.00	330,165.03		20,000.00	4,834.97		
Other Expenses	20,500.00	20,500.00	-			20,500.00		
Department of Emergency Management								
Salaries and Wages	12,500.00	12,500.00	10,000.00			2,500.00		
Other Expenses	6,000.00	6,000.00	984.68			5,015.32		
Bureau of Fire Prevention								
Salaries and Wages	2,000.00	2,000.00	-			2,000.00		
Other Expenses	2,000.00	2,000.00	1,992.84			7.16		
Department of Zoning/Code Enforcement								
Salaries and Wages	49,000.00	49,000.00	38,901.96			10,098.04		
Other Expenses	18,400.00	18,400.00	14,297.12			4,102.88		
Demolitions	5,000.00	5,000.00	-		5,000.00	-		
Emergency Medical Services								
Other Expenses	47,000.00	47,000.00	41,935.00			5,065.00		
<b>PUBLIC WORKS</b>								
Department of Public Works								
Salaries and Wages	623,900.00	623,900.00	613,342.38			10,557.62		
Other Expenses	66,000.00	66,000.00	51,790.79		305.28	13,903.93		
Division of Sanitation								
Salaries and Wages	629,500.00	629,500.00	504,767.03			124,732.97		
Other Expenses	217,900.00	217,900.00	194,393.48		2,039.50	21,467.02		
Sanitation - Transfer Fees	285,000.00	285,000.00	232,071.22			52,928.78		
<b>HEALTH AND WELFARE</b>								
Animal Control Services								
Other Expenses	10,000.00	10,000.00	8,800.00			1,200.00		
<b>RECREATION AND EDUCATION</b>								
Department of Parks and Recreation Programs								
Salaries and Wages	53,850.00	53,850.00	27,340.44			26,509.56		
Other Expenses	44,000.00	34,000.00	3,255.99		44.99	30,699.02		

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

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		Reserved	(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved		
Department of Parks and Recreation Facilities								
Salaries and Wages	189,100.00	189,100.00	159,699.95	25,000.00	4,400.05			
Other Expenses	42,000.00	42,000.00	30,458.97	1,221.91	10,319.12			
Environmental Commission								
Other Expenses	2,000.00	2,000.00	300.00		1,700.00			
Economic Development and Advisory Commission								
Other Expenses	50,000.00	50,000.00	4,514.94	150.00	45,335.06			
Historic Preservation Commission								
Other Expenses	3,000.00	3,000.00	-		3,000.00			
Arts Commission								
Other Expenses	4,000.00	4,000.00	4,000.00		-			
<b>MUNICIPAL COURT</b>								
Municipal Court								
Salaries and Wages	194,700.00	194,700.00	159,983.10		34,716.90			
Other Expenses	21,300.00	21,300.00	6,720.07	1,355.75	13,224.18			
Public Defender (P.L. 1997, C.256)								
Other Expenses	12,000.00	12,000.00	9,850.00		2,150.00			
<b>INSURANCE</b>								
General Liability	110,000.00	110,000.00	99,320.29		10,679.71			
Workers Compensation Insurance	297,000.00	297,000.00	282,360.71		14,639.29			
Employee Group Health	1,580,000.00	1,580,000.00	1,365,543.45		214,456.55			
Surety Bond Premiums	1,000.00	1,000.00	-		1,000.00			
Health waiver - Employee Opt Out	22,000.00	22,000.00	19,853.96		2,146.04			
Municipal Service Act								
Other Expenses	84,000.00	84,000.00	3,878.69	80,000.00	121.31			
Apartment Trash Collection								
Other Expenses	49,000.00	49,000.00	33,868.40	8,731.98	6,399.62			
<b>UNIFORM CONSTRUCTION CODE</b>								
State Uniform Construction Code								
Salaries and Wages	127,000.00	127,000.00	81,349.56		45,650.44			
Other Expenses	10,700.00	10,700.00	10,107.88		592.12			
<b>UNCLASSIFIED</b>								
Utility Expenses and Bulk Purchases								
Gasoline	65,000.00	65,000.00	50,967.06		14,032.94			
Diesel Fuel	48,000.00	48,000.00	41,625.17		6,374.83			
Fire Hydrant Water	104,000.00	110,000.00	108,930.13		1,069.87			
Electric	150,000.00	150,000.00	136,901.99		13,098.01			

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Street Lighting	120,000.00	145,000.00	135,936.34		9,063.66	
Telephone	47,000.00	47,000.00	45,790.38		1,209.62	
Natural Gas	35,000.00	35,000.00	26,583.69		8,416.31	
Water	38,000.00	38,000.00	26,148.24		11,851.76	
Fuel #2	1,000.00	1,000.00	-		1,000.00	
Waste Water	7,200.00	7,200.00	5,362.00		1,838.00	
Telecommunications Costs	14,000.00	14,000.00	12,194.48		1,805.52	
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>11,324,600.00</b>	<b>11,324,600.00</b>	<b>9,459,159.87</b>	<b>281,286.59</b>	<b>1,584,153.54</b>	<b>-</b>
Contingent	1,000.00	1,000.00	-		1,000.00	
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>11,325,600.00</b>	<b>11,325,600.00</b>	<b>9,459,159.87</b>	<b>281,286.59</b>	<b>1,585,153.54</b>	<b>-</b>
Detail:						
Salaries and Wages	6,473,750.00	6,464,750.00	5,573,349.09	145,000.00	746,400.91	-
Other Expenses	4,851,850.00	4,860,850.00	3,885,810.78	136,286.59	838,752.63	-
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>						
Deferred Charges:						
None						
Statutory Expenditures:						
Contributions to:						
Public Employees' Retirement System	414,519.20	414,519.20	414,519.20		-	
Social Security System (O.A.S.I.)	506,800.00	506,800.00	410,456.09		96,343.91	
Police and Firemen's Retirement System	775,344.00	775,344.00	775,344.00		-	
Unemployment Compensation Insurance	20,000.00	20,000.00	20,000.00		-	
Defined Contribution Retirement Program	13,000.00	13,000.00	10,442.19		2,557.81	
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>	<b>1,729,663.20</b>	<b>1,729,663.20</b>	<b>1,630,761.48</b>	<b>-</b>	<b>98,901.72</b>	<b>-</b>
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	<b>13,055,263.20</b>	<b>13,055,263.20</b>	<b>11,089,921.35</b>	<b>281,286.59</b>	<b>1,684,055.26</b>	<b>-</b>

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

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>							
(A) Operations - Excluded from "CAPS"							
LOSAP	20,000.00	20,000.00				20,000.00	
Recycling Tax	12,377.01	12,377.01		12,377.01		-	
Reserve for Tax Appeals	95,000.00	95,000.00		95,000.00		-	
	<u>127,377.01</u>	<u>127,377.01</u>		<u>107,377.01</u>		<u>20,000.00</u>	
<b>(A) Public and Private Programs Off-Set by Revenues</b>							
Safe and Secure Communities Program							
State Share	12,621.00	12,621.00		12,621.00		-	
City Share	172,000.00	172,000.00		172,000.00		-	
Matching Funds	1,000.00	1,000.00		-		1,000.00	
Body Armor Grant	2,341.48	2,341.48		2,341.48		-	
Clean Communities	-	28,577.74		28,577.74		-	
Recycling Tonnage Grant	12,431.26	12,431.26		12,431.26		-	
Local Arts Beach Concerts	5,000.00	5,000.00		5,000.00		-	
Drunk Driving Enforcement Fund	-	9,516.16		9,516.16		-	
FFY - 2022-2024 Competitive CMAQ Program	165,000.00	165,000.00		165,000.00		-	
	<u>370,393.74</u>	<u>408,487.64</u>		<u>407,487.64</u>		<u>1,000.00</u>	
<b>Total Public and Private Programs Off-Set by Revenues</b>							
	497,770.75	535,864.65		514,864.65		21,000.00	
<b>Total Operations - Excluded from "CAPS"</b>							
Detail:							
Salaries and Wages	184,621.00	184,621.00		184,621.00		-	
Other Expenses	313,149.75	351,243.65		330,243.65		21,000.00	
<b>(C) Capital Improvements</b>							
Capital Improvement Fund	93,500.00	93,500.00		93,500.00		-	
<b>Public and Private Programs Offset by Revenues:</b>							
NJ DOT Trust Fund Authority Act	350,000.00	350,000.00		350,000.00		-	
West Atlantic Avenue						-	
	<u>443,500.00</u>	<u>443,500.00</u>		<u>443,500.00</u>		<u>-</u>	
<b>Total Capital Improvements</b>							

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
(D) Debt Service							
Payment of Bond Principal	1,510,000.00	1,510,000.00	1,510,000.00	1,510,000.00	-	-	-
Payment of Bond Anticipation and Capital Notes	395,920.00	395,920.00	395,920.00	395,920.00	-	-	-
Interest on Bonds	25,000.00	25,000.00	25,000.00	24,930.55	-	-	69.45
Interest on Notes							
Total Debt Service	<u>1,930,920.00</u>	<u>1,930,920.00</u>	<u>1,930,920.00</u>	<u>1,930,850.55</u>	<u>-</u>	<u>-</u>	<u>69.45</u>
(E) Deferred Charges							
None	-	-	-	-	-	-	-
Total Deferred Charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>2,872,190.75</u>	<u>2,910,284.65</u>	<u>2,910,284.65</u>	<u>2,889,215.20</u>	<u>-</u>	<u>21,000.00</u>	<u>69.45</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>15,927,453.95</u>	<u>15,965,547.85</u>	<u>15,965,547.85</u>	<u>13,979,136.55</u>	<u>281,286.59</u>	<u>1,705,055.26</u>	<u>69.45</u>
(M) Reserve for Uncollected Taxes	<u>1,169,716.16</u>	<u>1,169,716.16</u>	<u>1,169,716.16</u>	<u>1,169,716.16</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 17,097,170.11</u>	<u>\$ 17,135,264.01</u>	<u>\$ 17,135,264.01</u>	<u>\$ 15,148,852.71</u>	<u>\$ 281,286.59</u>	<u>\$ 1,705,055.26</u>	<u>\$ 69.45</u>
Budget		\$ 17,097,170.11				Cancelled	\$ 69.45
Appropriations by 40A:4-87		38,093.90				Overexpended	-
Emergency Appropriations		-					
Reserve for Uncollected Taxes			\$ 1,169,716.16				
Federal and State Grants			757,487.64				
Deferred Charges			-				
Disbursements			13,221,648.91				
		\$ 17,135,264.01	\$ 15,148,852.71				\$ 69.45

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

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Animal Control Fund:		
Cash	\$ 63,031.15	58,933.05
	<u>63,031.15</u>	<u>58,933.05</u>
Length of Service Award Program		
Investment held for LOSAP	233,644.19	221,244.19
	<u>233,644.19</u>	<u>221,244.19</u>
Other Funds:		
Cash - Treasurer	1,643,779.07	1,710,695.05
Due from South Jersey Industries	924.45	-
Due from Current Fund	-	1,750.00
Due from General Capital Fund	350.00	350.00
	<u>1,645,053.52</u>	<u>1,712,795.05</u>
	<u>1,941,728.86</u>	<u>1,992,972.29</u>
<u>Liabilities, Reserves, and Fund Balance</u>		
Animal Control Fund:		
Due to Current Fund	51,544.55	44,411.45
Due to State of New Jersey	4.20	1.20
Reserve for Animal Control Fund Expenditures	11,482.40	14,520.40
	<u>63,031.15</u>	<u>58,933.05</u>
Length of Service Award Program		
Investment held for LOSAP	233,644.19	221,244.19
	<u>233,644.19</u>	<u>221,244.19</u>
Other Funds:		
Due to Current Fund	-	1,950.46
Miscellaneous Reserves	1,645,053.52	1,710,844.59
	<u>1,645,053.52</u>	<u>1,712,795.05</u>
Total	\$ <u>1,941,728.86</u>	<u>1,992,972.29</u>

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

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

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Cash	\$ 2,611,102.10	1,946,597.26
Due from Federal and State Grant Fund	-	1,400,000.00
Deferred Charges to Future Taxation -		
Funded	11,311,000.00	12,821,000.00
Unfunded	5,237,136.56	3,472,321.56
	<u>19,159,238.66</u>	<u>19,639,918.82</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	680,734.08	1,579,098.39
Bond Anticipation Notes Payable	4,264,000.00	2,500,000.00
Serial Bonds Payable	11,311,000.00	12,821,000.00
Improvement Authorizations:		
Funded	267,523.09	387,080.52
Unfunded	2,270,504.17	1,758,564.29
Due to Current Fund	165,000.00	264,191.08
Due to Trust Fund	350.00	350.00
Reserve for Bequest - JFK Park	23,000.00	23,000.00
Reserve for Acquisition of Vehicle	10,000.00	10,000.00
Reserve for Debt Service	76,742.66	141,864.88
Capital Improvement Fund	6,315.00	5,700.00
Fund Balance	84,069.66	149,069.66
	<u>\$ 19,159,238.66</u>	<u>19,639,918.82</u>

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

2020	972,321.56
2021	973,136.56

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

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

	2021	2020
Beginning Balance January 1	\$ 149,069.66	85,504.68
Increased by:		
Cancellation of Improvement Authorizations	-	63,564.98
Decreased by:		
Anticipated Revenue in Current Fund	65,000.00	-
Ending Balance December 31	\$ 84,069.66	149,069.66

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



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

	2021	2020
<b><u>ASSETS</u></b>		
Operating Fund:		
Cash and Investments	\$ 4,050,752.39	3,064,806.97
Change Fund	400.00	400.00
Due from Current Fund	7,400.91	7,400.91
	4,058,553.30	3,072,607.88
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	123,608.57	136,993.20
Sewer Liens	5,048.38	3,899.38
	128,656.95	140,892.58
Total of Operating Fund	4,187,210.25	3,213,500.46
Capital Fund:		
Due from Current Fund	1,490,832.00	1,490,832.00
Due from Sewer Operating Fund	1,785,399.94	1,142,857.67
Fixed Capital -		
Complete	9,475,727.42	9,475,727.42
Authorized and Uncompleted	6,351,750.00	5,030,000.00
Total of Capital Fund	19,103,709.36	17,139,417.09
Total Assets	\$ 23,290,919.61	20,352,917.55

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

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

	2021	2020
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	\$ 139,062.20	95,562.81
Encumbrances Payable	79,322.48	35,306.13
Sewer Rent Prepayments	28,567.88	20,806.70
Due to Sewer Capital	1,785,399.94	1,142,857.67
Accrued Interest on Bonds and Notes	28,102.50	32,035.83
	2,060,455.00	1,326,569.14
Reserve for Receivables	128,656.95	140,892.58
Fund Balance	1,998,098.30	1,746,038.74
Total of Operating Fund	4,187,210.25	3,213,500.46
Capital Fund:		
Encumbrances Payable	228,333.06	562,599.14
Improvement Authorizations		
Funded	526,000.00	632,080.17
Unfunded	2,310,756.00	1,246,105.00
Bond Anticipation Notes Payable	2,321,000.00	1,000,000.00
Serial Bonds Payable	2,729,000.00	3,039,000.00
NJEIT Bonds Payable	395,410.50	536,515.75
Reserve to Pay Debt	85,146.60	66,159.08
Reserves for Amortization	10,004,402.51	9,553,297.26
Deferred Reserve for Amortization	91,914.41	91,914.41
Fund Balance	411,746.28	411,746.28
Total of Capital Fund	19,103,709.36	17,139,417.09
Total Liabilities, Reserves and Fund Balance	\$ 23,290,919.61	20,352,917.55

There were Bonds and Notes Authorized But Not Issued at December 31,

2020	285,000.00
2021	285,750.00

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

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

	2021	2020
<u>Revenue and Other Income Realized</u>		
Fund Balance Anticipated	\$ 25,000.00	104,200.00
Rents	2,763,036.63	2,721,085.51
Miscellaneous	77,093.27	85,495.49
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	92,244.65	85,150.41
		-
Total Income	2,957,374.55	2,995,931.41
<u>Expenditures</u>		
Operations:		
Salaries and Wages	581,270.00	607,000.00
Other Expenses	386,830.00	374,000.00
Atlantic County Utility Authority	1,100,000.00	1,100,000.00
Debt Service	572,214.99	556,329.11
Deferred Charges and Statutory Expenditures	40,000.00	40,000.00
Total Expenditures	2,680,314.99	2,677,329.11
Excess in Revenues	277,059.56	318,602.30
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute deferred charges to budget of succeeding year	-	-
Statutory Excess to Fund Balance	277,059.56	318,602.30
Fund Balance January 1	1,746,038.74	1,531,636.44
Decreased by:		
Utilization as Anticipated Revenue	25,000.00	104,200.00
Fund Balance December 31	\$ 1,998,098.30	1,746,038.74

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

**SEWER UTILITY CAPITAL FUND  
STATEMENT OF CAPITAL FUND BALANCE  
REGULATORY BASIS  
FOR THE YEARS ENDED DECEMBER 31,**

	2021	2020
Balance January 1,	\$ 411,746.28	395,546.28
Increased By:		
Cancellation of Improvement Authorization	-	16,200.00
Balance December 31,	\$ 411,746.28	411,746.28

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

**SEWER OPERATING FUND  
STATEMENT OF REVENUES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Antic. Budget	Realized	Excess Or (Deficit)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating Surplus Anticipated	\$ 25,000.00	25,000.00	-
Rents - Sewer	2,662,000.00	2,763,036.63	101,036.63
	<u>\$ 2,687,000.00</u>	<u>2,788,036.63</u>	<u>101,036.63</u>

**Analysis of Realized Revenue**

Rents

Consumer Accounts Receivable \$ 2,763,036.63

Miscellaneous

Interest on Delinquent Rents 16,689.74

Interest Earned 37,225.27

Interest & Costs 828.26

Egg Harbor Township Shared Service 12,900.00

Miscellaneous 9,450.00

\$ 77,093.27

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

**SEWER OPERATING FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Appropriations			Expended			(Overexpended) Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Encumbered	Reserved		
<b>OPERATING</b>							
Salaries and Wages	\$ 581,270.00	581,270.00	537,680.18	40,000.00	3,589.82		
Other Expenses	386,830.00	386,830.00	306,199.14	25,322.48	55,308.38		
ACUA - Share of Costs	1,100,000.00	1,100,000.00	1,005,836.00	14,000.00	80,164.00		
	<u>2,068,100.00</u>	<u>2,068,100.00</u>	<u>1,849,715.32</u>	<u>79,322.48</u>	<u>139,062.20</u>		<u>-</u>
<b>DEBT SERVICE</b>							
Payment on Bond Principa and Capital Notes	451,200.00	451,200.00	451,105.25				94.75
Interest on Bonds	115,200.00	115,200.00	111,137.52	-			4,062.48
Interest on Notes	12,500.00	12,500.00	9,972.22				2,527.78
	<u>578,900.00</u>	<u>578,900.00</u>	<u>572,214.99</u>	<u>-</u>	<u>-</u>		<u>6,685.01</u>
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>							
Deferred Charges							
None							
Contribution to: Social Security System (O.A.S.I.)	40,000.00	40,000.00	40,000.00				
	<u>40,000.00</u>	<u>40,000.00</u>	<u>40,000.00</u>	<u>-</u>	<u>-</u>		<u>-</u>
	<u>2,687,000.00</u>	<u>2,687,000.00</u>	<u>2,461,930.31</u>	<u>79,322.48</u>	<u>139,062.20</u>		<u>6,685.01</u>
		Accrued Interest	\$ 121,109.74			Cancelled	6,685.01
		Deferred Charges	0.00			Overexpended	0.00
		Disbursed	2,340,820.57				6,685.01
		\$	<u>2,461,930.31</u>				

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

	<u>2021</u>	<u>2020</u>
General Fixed Assets:		
Land and Improvements	\$ 8,367,676.50	8,367,676.50
Buildings and Improvements	6,494,125.83	6,169,936.93
Machinery and Equipment	9,594,044.48	8,818,743.38
Total General Fixed Assets	<u>24,455,846.81</u>	<u>23,356,356.81</u>
Investment in General Fixed Assets	<u>\$ 24,455,846.81</u>	<u>23,356,356.81</u>

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

**CITY OF SOMERS POINT  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**A. Reporting Entity**

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

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

**B. Description of Funds**

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

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

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

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

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

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

**C. Basis of Accounting**

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

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

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



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are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

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

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved.

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

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

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

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

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$3,000 are capitalized. No depreciation has been provided for in the financial statements.

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

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

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

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

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

Interest on Delinquent Taxes – It is the policy of the City of Somers Point to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Levy of Utility Charges – The City operates a sewer utility fund. Rates are determined by ordinance and changed as necessary. Sewer charges are based on flat fees and usage based on the type of entity. Charges are billed annually and due in semi-annually installments on March 1, and September 1.

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

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

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

**D. Required Financial Statements**

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

**E. Comparative Data**

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

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

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 93, "Replacement of Interbank Offered Rates". This statement, which is effective for periods ending December 31, 2021, will not have any effect on the City's financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the City's financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the City's financial reporting.

In June 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". This statement will not have any effect on the City's financial reporting.

**Note 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2021 and 2020 statutory budgets included a reserve for uncollected taxes in the amount of \$1,169,716.16 and \$1,200,442.53. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2021 and 2020 statutory budgets was \$2,314,000.00 and \$1,996,211.22. In addition, the City operates a self-liquidating sewer utility. Under New Jersey Statutes a separate budget for the utility must be adopted concurrently with the operating budget of the City. The utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2021 and 2020 utility budgets was \$25,000.00 and \$104,200.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2021 and 2020 calendar years:

Budget Category	2021	2020
<u>Current Fund</u>		
Data Processing		
Other Expenses	\$ -	70,000.00
Street Lighting		
Other Expenses	25,000.00	-
Department of Parks and Recreation Facilities		
Salaries and Wages	-	(21,000.00)
Utility Operating Fund		
None		-

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NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During 2021 and 2020, the following budget insertions were approved:

Budget Category	2021	2020
Drunk Driving Enforcement	\$ 9,516.16	-
NJ OEM_PDM_C Grant		
Exton Road Pump Station	-	287,887.50
Clean Communities	28,577.74	26,850.14

The City may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2021 and 2020, City Council did not approve any emergency appropriations.

**Note 3: INVESTMENTS**

As of December 31, 2021 and 2020, the municipality had no investments, other than as noted below.

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

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

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

**Investments – Length of Service Award Program (LOSAP)**

As more fully described in Note 18, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et seq. except that all investments are retained in the name of the City. All investments are valued at fair value. In accordance with NJAC 5:30-14.37 the investments are maintained by MassMutual, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2021 and 2020 amounted to \$233,644.19 and \$221,244.19, respectively.

**Note 4: CASH**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The municipality’s policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of

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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, 2021 and 2020, \$0 of the municipality's bank balance \$16,296,306.86 and of \$13,837,651.54 was exposed to custodial credit risk.

**Note 5: FIXED ASSETS**

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2021 and 2020:

	Balance 12/31/2020	Additions	Retirements/ Adjustments	Balance 12/31/2021
Land and Improvements	\$ 8,367,676.50			8,367,676.50
Buildings and Improvements	6,169,936.93	324,188.90		6,494,125.83
Machinery and Equipment	8,818,743.38	775,301.10		9,594,044.48
	<u>\$ 23,356,356.81</u>	<u>1,099,490.00</u>	<u>-</u>	<u>24,455,846.81</u>

	Balance 12/31/2019	Additions	Retirements/ Adjustments	Balance 12/31/2020
Land and Improvements	\$ 8,367,676.50			8,367,676.50
Buildings and Improvements	5,202,670.05	967,266.88		6,169,936.93
Machinery and Equipment	8,611,236.00	561,690.38	(354,183.00)	8,818,743.38
Lease-Purchases (Copiers)	10,189.20		(10,189.20)	-
	<u>\$ 22,191,771.75</u>	<u>1,528,957.26</u>	<u>(364,372.20)</u>	<u>23,356,356.81</u>

**Note 6: SHORT-TERM OBLIGATIONS**

	Balance 12/31/20	Issued	Retired	Balance 12/31/21
Bond Anticipation Notes payable:				
General	\$ 2,500,000.00	4,264,000.00	2,500,000.00	4,264,000.00
Utility	1,000,000.00	2,321,000.00	1,000,000.00	2,321,000.00
	<u>\$ 3,500,000.00</u>	<u>6,585,000.00</u>	<u>3,500,000.00</u>	<u>6,585,000.00</u>
	Balance 12/31/19	Issued	Retired	Balance 12/31/20
Bond Anticipation Notes payable:				
General	\$ -	2,500,000.00		2,500,000.00
Utility	-	1,000,000.00		1,000,000.00
	<u>\$ -</u>	<u>3,500,000.00</u>	<u>-</u>	<u>3,500,000.00</u>

The bond anticipation note outstanding as of December 31, 2021 is held by Piper Sandler & Co. and will mature on December 20, 2022. Interest at a rate of 1.25% per annum is due upon maturity.

**Note 7: LONG TERM DEBT.**

Long-term debt as of December 31, 2021 and 2020 consisted of the following:

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	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021	Amounts Due Within One Year
Bonds payable:					
General	\$ 12,821,000.00		1,510,000.00	11,311,000.00	1,571,000.00
Utility	3,575,515.75		451,105.25	3,124,410.50	475,105.25
Total	<u>16,396,515.75</u>	-	<u>1,961,105.25</u>	<u>14,435,410.50</u>	<u>2,046,105.25</u>
Other liabilities:					
Compensated Absences Payable	<u>1,255,765.22</u>	<u>100,832.65</u>	<u>220,849.58</u>	<u>1,135,748.29</u>	<u>48,560.19</u>
Total long-term liabilities	<u>\$ 17,652,280.97</u>	<u>100,832.65</u>	<u>2,181,954.83</u>	<u>15,571,158.79</u>	<u>2,094,665.44</u>

  

	Balance 12/31/19	Issued	Retired	Balance 12/31/2020	Amounts Due Within One Year
Bonds payable:					
General	\$ 14,241,000.00		1,420,000.00	12,821,000.00	1,510,000.00
Utility	4,007,621.00		432,105.25	3,575,515.75	451,105.25
Total	<u>18,248,621.00</u>	-	<u>1,852,105.25</u>	<u>16,396,515.75</u>	<u>1,961,105.25</u>
Other liabilities:					
Compensated Absences Payable	<u>1,177,347.95</u>	<u>176,915.70</u>	<u>98,498.43</u>	<u>1,255,765.22</u>	<u>139,242.40</u>
Total long-term liabilities	<u>\$ 19,425,968.95</u>	<u>176,915.70</u>	<u>1,950,603.68</u>	<u>17,652,280.97</u>	<u>2,100,347.65</u>

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

\$5,691,000 General Obligation Bonds dated 9/15/12 payable in annual installments through 9/15/22. Interest is paid semiannually at rates from 2.00% to 3.00% per annum. The balance remaining at December 31, 2021 was \$751,000.00.

\$12,030,000 General Improvement Bond dated 10/1/19 payable in annual installments through 10/1/2031. Interest is paid semiannually at rates from 2.00% to 4.00% per annum. Bonds maturing on or after October 1, 2027 are redeemable at the option of the City, in whole or in part, on any date on or after October 1, 2026. The balance remaining as of December 31, 2021 was \$10,560,000.00.

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

\$910,000 New Jersey Environmental Infrastructure Trust Bonds dated 12/2/10 payable in annual installments through 8/1/25. Interest is paid semiannually at a rate of 5.00% per annum. The balance remaining as of December 31, 2021 was \$304,000.00. \$1,410,000.00 of bonds were originally anticipated to be issued however the project was complete and \$500,000.00 of the bonds were canceled. In May 2016, the City participated in the NJEIT refunding of this bond issue. As a result, the City was able to save a total of \$55,522.27 which consisted of \$37,000 of savings credit against the principal and \$18,522.27 of interest.

\$862,463.00 New Jersey Environmental Infrastructure Trust Bonds dated 12/2/10 payable in annual installments through 8/1/23 bearing no interest. The balance remaining as of December 31, 2021 was \$91,410.50. \$1,465,000.00 of bonds were originally anticipated to be issued however the project was complete and \$602,537.00 of the bonds were canceled.

\$1,109,000 Sewer Utility Bond dated 9/15/12 payable in annual installments through 9/15/22. Interest is paid semiannually at rates varying from 2.00% to 3.00% per annum. The balance remaining as of December 31, 2021 was \$119,000.00.

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\$2,970,000 General Improvement Bond dated 10/1/19 payable in annual installments through 10/1/2031. Interest is paid semiannually at rates from 2.00% to 4.00% per annum. Bonds maturing on or after October 1, 2027 are redeemable at the option of the City, in whole or in part, on any date on or after October 1, 2026. The balance remaining as of December 31, 2021 was \$2,610,000.

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

Year	General		Sewer Utility		Total
	Principal	Interest	Principal	Interest	
2022	\$ 1,571,000.00	350,520.00	475,105.25	101,880.00	2,498,505.25
2023	940,000.00	302,700.00	313,305.25	87,650.00	1,643,655.25
2024	1,000,000.00	274,500.00	343,000.00	77,200.00	1,694,700.00
2025	1,065,000.00	244,500.00	353,000.00	65,350.00	1,727,850.00
2026	1,120,000.00	201,900.00	290,000.00	50,400.00	1,662,300.00
2027-2031	5,615,000.00	401,700.00	1,350,000.00	92,300.00	7,459,000.00
	<u>\$ 11,311,000.00</u>	<u>1,775,820.00</u>	<u>3,124,410.50</u>	<u>474,780.00</u>	<u>16,686,010.50</u>

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As of December 31, 2021 the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year and the total interest charged to the current budget was \$420,850.55 and to the utility budget was \$121,109.74.

<u>Summary of Municipal Debt</u>	<u>Year 2021</u>	<u>Year 2020</u>	<u>Year 2019</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 15,575,000.00	15,321,000.00	14,241,000.00
Sewer Utility - Bonds and Notes	5,445,410.50	4,575,515.75	4,007,621.00
Total Issued	<u>21,020,410.50</u>	<u>19,896,515.75</u>	<u>18,248,621.00</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	973,136.56	972,321.56	718,700.00
Sewer Utility - Bonds and Notes	285,750.00	285,000.00	210,000.00
Total Authorized But Not Issued	<u>1,258,886.56</u>	<u>1,257,321.56</u>	<u>928,700.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>22,279,297.06</u>	<u>21,153,837.31</u>	<u>19,177,321.00</u>
<u>Deductions:</u>			
Reserve for Payment of Bonds Self-Liquidating Debt	5,731,160.50	4,860,515.75	4,217,621.00
Total Deductions	<u>5,731,160.50</u>	<u>4,860,515.75</u>	<u>4,217,621.00</u>
Net Debt	<u>\$ 16,548,136.56</u>	<u>16,293,321.56</u>	<u>14,959,700.00</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.392%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 9,138,000.00	9,138,000.00	-
Regional School District Debt	9,273,955.08	9,273,955.08	-
Sewer Utility Debt	5,731,160.50	5,731,160.50	-
General Debt	16,548,136.56	-	16,548,136.56
	<u>\$ 40,691,252.14</u>	<u>24,143,115.58</u>	<u>16,548,136.56</u>

Net Debt \$16,548,136.56 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$1,189,025,064.67 = 1.39221020410.50-%.

The above information is in agreement with the Annual Debt Statement filed by the City of Somers Point.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$	41,615,877.26
Net Debt		16,548,136.56
Remaining Borrowing Power	\$	<u>25,067,740.70</u>

The City of Somers Point School District, as a K-8 school district, is permitted to borrow up to 3% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

**Note 8: LEASE OBLIGATIONS**

Operating Leases:

In November 2016, the City entered into an agreement to lease one (1) copy machine for the tax assessor's office under an operating lease. The term of the lease was 60 months and expired in October 2021. The monthly payment for the lease was \$128.59.

In July 2018, the City entered into an agreement to lease two (2) copy machines for the City Clerk's and Construction offices. The term of the lease is 60 months and it will expire in June 2023. The monthly payment for the lease is \$200.52.

The total operating lease payments were \$3,692.14 in 2021 and \$3,949.32 in 2020.

Capital Leases

The City was leasing six (6) Dodge Charger police sedans totaling \$158,554.80 under a capital lease. Annual lease payments were made to Ford Motor Credit Company and included interest at a rate of 7.50% per annum. The final lease payment was made on September 10, 2021.

The following is a schedule of the future minimum lease payments under these leases and the net minimum lease payments at December 31, 2020.

	<u>Year</u>	<u>Operating</u>
	2022	2,406.24
	2023	1,203.12
	2024	-
Total minimum lease payments	\$	<u>3,609.36</u>

**Note 9: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2021 and 2020, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2022 and 2021 were as follows:

		<u>2022</u>	<u>2021</u>
Current Fund	\$	2,685,000.00	2,314,000.00
Sewer Utility Fund		114,100.00	25,000.00

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The

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total amount of fund balance available to the City to appropriate in the 2022 budget is \$2,838,447.79 for the current fund and \$1,998,098.30 for the utility fund.

**Note 10: SCHOOL TAXES**

Local District School Tax in the amounts of \$11,145,109.00 and \$11,042,286.00 have been raised for the 2021 and 2020 calendar years, respectively and \$11,142,392.00 and \$11,137,933.00 was remitted to the school district leaving a balance due of \$2,717.00.

Regional High School Tax in the amounts of \$8,403,128.00 and \$7,965,171.00 have been raised for the 2021 and 2020 calendar years, respectively and \$8,403,128.50 and \$7,965,405.50 remitted to the school district leaving an \$10.92 balance payable.

**Note 11: TAXES COLLECTED IN ADVANCE**

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

	Balance 12/31/2021	Balance 12/31/2020
Prepaid Taxes	\$ 429,231.78	382,472.11
Cash Liability for Taxes Collected in Advance	\$ 429,231.78	382,472.11

**Note 12: PENSION FUNDS**

Description of Plans

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

Public Employees' Retirement System

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

Police and Fireman's Retirement System

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

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*Defined Contribution Retirement Program (DCRP)*

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.50% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The City's contributions to PERS for the years ended December 31, 2021, 2020, and 2019 were \$414,519.20, \$379,249.62, and \$382,875.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The City's contributions to PFRS for the years ended December 31, 2021, 2020, and 2019 were \$775,344.00, \$765,579.00, and \$761,249.00.

The total payroll for the year ended December 31, 2021, 2020, and 2019 was \$6,526,806.71, \$6,930,525.29, and \$6,251,375.65. Payroll covered by PFRS was \$2,595,614.00, \$2,508,416.00, and \$2,348,898.00. Payroll covered by PERS was \$2,699,764.00, \$2,874,668.00, and \$2,749,853.00.

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of

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coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.

- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

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

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

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

**Note 13: PENSION LIABILITIES**

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2021:

**Public Employees' Retirement System**

The Municipality has a liability of \$6,170,573 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019 that was rolled forward to June 30, 2020. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Municipality's proportion would be 0.03783913020%, which would be a decrease of 1.56% from its proportion measured as of June 30, 2018.

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For the year ended December 31, 2020, the Municipality would have recognized pension expense of \$141,046. At December 31, 2020, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 112,356	\$ (21,822)
Changes of assumptions	200,180	(2,583,677)
Changes in proportion	63,236	(129,817)
Net difference between projected and actual earnings on pension plan investments	210,915	
Total	<u>\$ 586,687</u>	<u>\$ (2,735,316)</u>

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

Year ended June 30,	
2021	\$ (799,055)
2022	(728,495)
2023	(416,316)
2024	(168,351)
2025	(36,411)
Total	<u>\$ (2,148,629)</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00% – 6.00% (based on years of service)
Thereafter	3.00% - 7.00% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4%

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adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were base on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Municipality's proportionate share of the net pension liability	\$ 7,349,135	\$ 6,170,573	\$ 5,171,817

*Pension plan fiduciary net position.*

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

**Police and Firemen's Retirement System**

The Municipality has a liability of \$8,967,713 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2019 that was rolled forward to June 30, 2020. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Municipality's proportion would be 0.06940245510%, which would be a decrease of 8.43% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Municipality would have recognized pension expense of \$325,021. At December 31, 2020, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 90,410	\$ (32,184)
Changes of assumptions	22,567	(2,404,190)
Changes in proportion	28,687	
Net difference between projected and actual earnings on pension plan investments	525,819	(1,191,225)
Total	<u>\$ 667,483</u>	<u>\$ (3,627,599)</u>

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

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Year ended June 30,	
2021	\$ (1,381,384)
2022	(932,267)
2023	(379,532)
2024	(143,374)
2025	(123,559)
Total	<u><u>\$ (2,960,116)</u></u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	3.25% - 15.25% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For healthy annuitants, post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries, the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2020 are summarized in the following table:



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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	27.00%	7.71%
Non-U.S. developed markets equity	13.50%	8.57%
Emerging markets equity	5.50%	10.23%
Private equity	13.00%	11.42%
Real assets	3.00%	9.73%
Real estate	8.00%	9.56%
High yield	2.00%	5.95%
Private credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based 78% of the actuarially determine contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 11,590,336	\$ 8,967,713	\$ 6,789,482

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In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2020 State special funding situation net pension liability amount of \$2,005,329,818.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2020 State special funding situation pension expense of \$227,263,993.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2020. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2020, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.06940245510% for 2020. The net pension liability amount allocated to the Municipality was \$1,391,748. For the fiscal year ending June 30, 2020 State special funding situation pension expense of \$157,727 is allocated to the Municipality.

*Pension plan fiduciary net position.*

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

**Note 14: OTHER POST-RETIREMENT BENEFITS**

*General Information about the Plan:*

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

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

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

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1) retired on a disability pension;

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

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

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

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

*Allocation Methodology:*

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the City these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2020 were \$5,512,481,278 and \$12,598,993,950, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2019 through June 30, 2020. Employer and non-employer allocation percentages have been rounded for presentation purposes.

*Special Funding Situation:*

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

*Net OPEB Liability:*

*Components of Net OPEB Liability*

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2020 is as follows:

	<b>Collective Total</b>	<b>Proportionate Share</b>
Total OPEB Liability	\$ 18,111,485,228	\$ 10,950,379
Plan Fiduciary Net Position	164,862,282	99,677
Net OPEB Liability	<u>\$ 17,946,622,946</u>	<u>\$ 10,850,702</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%	0.91%

At June 30, 2020 the City's proportionate share of the Collective Net OPEB Liability was \$10,850,702. The State's proportionate share for the Special Funding Situation that is associated with the City is \$8,543,971. The City's proportion of the Collective Net OPEB Liability was 0.060461% which was an increase from the prior year of 7.32%. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.156417% which was an increase from the prior year of 19.57%.

City's Proportionate Share of Collective Net OPEB Liability	\$ 10,850,702
State's proportionate share that is associated with the City	8,543,971
Total	<u>\$ 19,394,673</u>

For the Year ended June 30, 2020 the City's Total OPEB Expense was \$(76,190) and the State of New Jersey realized Total OPEB Expense in the amount of \$425,321 for its proportionate share of Total OPEB Expense that is associated with the City.

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

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Inflation rate	2.50%
Salary increases*:	
PERS Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
PFRS	
Rate for all future years	3.25% to 15.25%

\* Salary increases are based on years of service within the respective plan.

**Mortality:**

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020

PFRS: Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2020

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

*Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.00% and decreases to a 4.5% long-term trend rate after seven years.

*Discount Rate*

The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the Net OPEB liability as of June 30, 2020, calculated using the discount rate as disclosed above as well as what the Net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

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**CITY OF SOMERS POINT  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>1% Decrease (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Collective			
Net OPEB Liability	\$ 21,216,688,254	\$ 17,946,612,946	\$ 15,358,051,000
Proportionate Share			
Net OPEB Liability	\$ 12,827,822	\$ 10,850,702	\$ 9,285,632

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

The following presents the net OPEB liability as of June 30, 2020, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Collective			
Net OPEB Liability	\$ 14,850,840,718	\$ 17,946,612,946	\$ 22,000,569,109
Proportionate Share			
Net OPEB Liability	\$ 8,978,967	\$ 10,850,702	\$ 13,301,765

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

At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	<u>Collective Totals</u>		<u>Proportionate Share</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 472,699,992	\$ (3,341,994,109)	\$ 6,891	\$ (2,020,603)
Changes of assumptions	2,684,248,513	(3,991,049,511)	1,622,923	(2,413,028)
Net difference between projected and actual earnings on OPEB plan investments	11,397,084		285,799	
Changes in proportion and differences between contributions and proportionate share of contributions			803,068	(1,472,062)
Total	<u>\$ 3,168,345,589</u>	<u>\$ (7,333,043,620)</u>	<u>\$ 2,718,681</u>	<u>\$ (5,905,693)</u>

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

**CITY OF SOMERS POINT  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

Year ended June 30,	Collective Totals	Proportionate Share
2021	\$ (964,720,007)	\$ (738,247)
2022	(965,594,678)	(738,916)
2023	(967,008,484)	(739,998)
2024	(968,300,349)	(740,986)
2025	(660,258,014)	(505,259)
Thereafter	361,183,501	276,394
Total	<u>\$ (4,164,698,031)</u>	<u>\$ (3,187,012)</u>

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

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

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2020 are as follows:

Service cost	\$ 605,949,339
Interest on Total OPEB Liability	497,444,533
Expected Investment Return	(7,632,336)
Administrative Expenses	9,913,267
Changes of Benefit Terms	1,034,142
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Differences between Expected and Actual Experience	(550,598,668)
Changes in Assumptions	(418,656,482)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	4,535,144
Total Collective OPEB Expense	<u>\$ 141,988,939</u>

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

	2020	2019	2018
City's Proportionate Share of Net OPEB Liability	0.007145%	0.563350%	0.061798%
City's Share of Net OPEB Liability	\$ 10,850,702	7,631,179	9,681,657
City's Covered Payroll	2,874,668	2,749,853	2,739,512
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	377.46%	277.51%	353.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%	1.97%	1.98%

**CITY OF SOMERS POINT  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

In accordance with Civil Service regulations, the City has permitted employees to accrue unused sick time, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$1,135,748.29 in 2021 and \$1,255,765.22 in 2020. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. It is the City's policy to negotiate the final amount of each payment of accrued sick and vacation pay on an individual basis. Although more days may be accrued, the final amount cannot exceed: 180 days for members of Police Mainland Local #77; \$20,000 for members of Teamsters Local #115; and contractual limitations for individuals with personal service contracts. The amount shown above represents the total number of days of unpaid compensation without taking the 180 day limitation into account. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated absences liability. The City does not accrue the liability.

**Note 16: ECONOMIC DEPENDENCY**

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

**Note 17: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance** - The City maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2021 and 2020 the City did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The City is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

**New Jersey Unemployment Compensation Insurance** – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the City is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The City is billed quarterly for amounts due to the State. The following is a summary of City contributions, employee contributions, reimbursements to the State for benefits and the ending balance of the City’s trust fund for the previous three years:

Calendar Year	City Contributions	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2021	\$ 20,000.00	11,596.14	-	9,100.99	127,588.29
2020	20,000.00	9,178.50	-	3,371.69	105,093.14
2019	20,000.00	7,066.05	-	17,833.83	79,286.33



**CITY OF SOMERS POINT  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 18: LENGTH OF SERVICE AWARDS PROGRAM**

During the year 2001 the voters of the City of Somers Point approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are defined as fire fighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP will also comply with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document.

**Note 19: DEFERRED COMPENSATION**

Employees of the City of Somers Point may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

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

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

**Note 20: CONTINGENT LIABILITIES**

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

**Note 21: INTERFUND BALANCES**

During the most current calendar year ended December 31, 2021, the following interfunds were included on the balance sheets of the various funds of the City of Somers Point:

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**CITY OF SOMERS POINT  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>Due From</u>	<u>Due To</u>
Current Fund		
Federal and State Grant Fund	\$	586,914.50
Animal Control Fund	51,544.55	
General Capital Fund	165,000.00	
Sewer Operating Fund		7,400.91
Sewer Capital Fund		1,490,832.00
Federal and State Grant Fund		
Current Fund	586,914.50	
Animal Control Fund		
Current Fund		51,544.55
Trust Funds - Other		
General Capital	350.00	
General Capital Fund		
Current Fund		165,000.00
Trust Fund - Other		350.00
Sewer Utility Operating Fund		
Current Fund	7,400.91	
Sewer Utility Capital Fund		1,785,399.94
Sewer Utility Capital Fund		
Current Fund	1,490,832.00	
Sewer Utility Operating Fund	<u>1,785,399.94</u>	
	\$ <u><u>4,087,441.90</u></u>	<u><u>4,087,441.90</u></u>

Neither the Grant Fund nor the Sewer Utility Capital Fund have bank accounts. This has caused the interfunds to be created. The remaining interfunds are due to amounts that should have been transferred to the proper bank accounts.

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**CITY OF SOMERS POINT  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 22: SUBSEQUENT EVENTS**

**Capital Ordinances**

On June 23, 2022, City Council adopted the following bond ordinances which will increase the City's authorized debt.

<u>Ordinance #</u>	<u>Purpose</u>	<u>Total Appropriated</u>	<u>Debt Authorized</u>	<u>Date Adopted</u>
12-2022	Various General Improvements	\$3,055,000.00	2,902,250.00	6/23/2022
13-2022	Various Sewer Improvements	1,458,000.00	1,458,000.00	6/23/2022

The capital ordinances include the acquisition of public safety equipment for both the police and fire departments; purchase of a beach groomer, pick-up truck and salt truck for public works; improvements to municipal facilities, including replacement of heater/boiler; purchase of computers, and software upgrades; municipal roadway improvements; and replacements, improvements, and renovations to various pump stations, mains, and other system components.

**Other**

The City has evaluated subsequent events through July 8, 2022, the date which the financial statements were available to be issued and identified no events requiring disclosure.

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

# FLEISHMAN ♦ DANIELS LAW OFFICES, LLC

A NEW JERSEY LIMITED LIABILITY COMPANY  
646 Ocean Heights Avenue - Suite 103  
Linwood, New Jersey 08221

JOEL M. FLEISHMAN, ESQUIRE  
Member NJ & PA Bar  
E-mail: [Joel@fdlawllc.com](mailto:Joel@fdlawllc.com)

(609) 272-1266  
FAX (609) 272-9351

MICHAEL R. RANN, ESQUIRE  
Of Counsel  
Member NJ Bar  
E-mail: [Michael@fdlawllc.com](mailto:Michael@fdlawllc.com)

Please refer to: 20023-32

John W. Daniels, Esquire  
(2002-2016)

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

\_\_\_\_\_, 2022

The Mayor and City Council of the  
City of Somers Point, in the  
County of Atlantic, New Jersey

***RE: City of Somers Point in the County of Atlantic, New Jersey  
\$9,945,000 Aggregate Principal Amount General Obligation Bonds, Series 2022***

Ladies and Gentlemen:

This office has served as Bond Counsel in connection with the issuance and sale by the City of Somers Point in the County of Atlantic, New Jersey (the “**City**”) of \$9,945,000 aggregate principal amount General Obligation Bonds, Series 2022, comprised of \$6,355,000 General Improvement Bonds, Series 2022 (“**General Improvement Bonds**”), and \$3,590,000 Sewer Utility Bonds, Series 2022 (“**Utility Bonds**”, and collectively with the General Improvement Bonds being hereinafter referred to as the “**Bonds**”), all dated the date hereof.

The Bonds are authorized to be issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1, *et seq.* (the “**Act**”); Resolution No. 180-2022 of the City adopted on September 8, 2022, and entitled “*Resolution Providing for the Combination of Certain Issues of General Obligation Bonds or Notes of the City of Somers Point, in the County of Atlantic, New Jersey, into a Single Issue of General Obligation Bonds, Series 2022, in the Aggregate Principal Amount of \$9,945,000, consisting of \$6,355,000 General Improvement Bonds and \$3,590,000 Sewer Utility Bonds*” and the various bond ordinances referred to therein (the “**Bond Ordinances**”), each in all respects duly approved and published as

# FLEISHMAN ♦ DANIELS LAW OFFICES

The Mayor and City Council of the  
City of Somers Point, in the County of Atlantic, New Jersey

October \_\_, 2022

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required by law (the "**Combining Resolution**"); and Resolution No. 181-2022 of the City adopted September 8, 2022, and entitled "*Resolution Determining the Form and Other Details of \$9,945,000 General Obligation Bonds, Series 2022, Consisting of \$6,355,000 General Improvement Bonds and \$3,590,000 Sewer Utility Bonds of the City of Somers Point, County of Atlantic, New Jersey and Providing For Their Sale*" (the "**Bond Resolution**"; and together with the Combining Resolution and the Bond Ordinances, the "**Local Proceedings**").

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

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

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

The Internal Revenue Code of 1986, as amended (the "**Code**"), sets forth certain requirements which must be met at the time of, and on a continuing basis subsequent to, the issuance and delivery of the Bonds in order for the interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of the issuance of the Bonds. On the date hereof, the City has covenanted in its Arbitrage and Tax Certificate (the "**Tax Certificate**") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to the Code. In the

# FLEISHMAN ♦ DANIELS LAW OFFICES

The Mayor and City Council of the  
City of Somers Point, in the County of Atlantic, New Jersey

October \_\_, 2022

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event the City continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the City in the Tax Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax.

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

Except as stated in the preceding two (2) paragraphs, we express no opinion as to any federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other bond counsel.

For purposes of this Opinion, the enforceability (but not the validity) of the documents mentioned herein may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles now or hereafter enacted by any state or by the federal government relating to the enforcement of creditors' rights generally, and the phrase "enforceable in accordance with their terms" shall not mean that specific performance would be available as a remedy in every situation (regardless of whether enforcement is considered in proceedings at law or in equity).

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

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

# **FLEISHMAN ♦ DANIELS LAW OFFICES**

The Mayor and City Council of the  
City of Somers Point, in the County of Atlantic, New Jersey

October \_\_, 2022

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This Opinion is being delivered to you at your request. Our engagement by you with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform you or the reliance parties hereof, if any, of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

**FLEISHMAN ♦ DANIELS LAW OFFICES, LLC**

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**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (“**Disclosure Certificate**”) is executed and delivered as of this \_\_\_\_ day of November, 2022, by the City of Somers Point, County of Atlantic, New Jersey (the “**City**”) pursuant to Resolution No. 181-2022, entitled “*RESOLUTION DETERMINING THE FORM AND OTHER DETAILS OF \$9,945,000 GENERAL OBLIGATION BONDS, SERIES 2022, CONSISTING OF \$6,355,000 GENERAL IMPROVEMENT BONDS AND \$3,590,000 SEWER UTILITY BONDS OF THE CITY OF SOMERS POINT, IN THE COUNTY OF ATLANTIC, NEW JERSEY AND PROVIDING FOR THEIR SALE*”, adopted on September 8, 2022 (the “**Bond Resolution**”); Bond Ordinance Nos. 03-2020 and 04-2020, both finally adopted June 11, 2020; Bond Ordinance Nos. 09-2021 and 10-2021, both finally adopted on June 24, 2021; and Bond Ordinance Nos. 12-2022 and 13-2022, both finally adopted on June 23, 2022, in connection with the issuance and sale by the Issuer of \$9,945,000 aggregate principal amount General Obligation Bonds, Series 2022 (the “**Bonds**”).

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

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

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

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

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

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

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

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

such designation.

“**EMMA**” shall mean the Electronic Municipal Market Access system, an internet-based filing system created and maintained by the MSRB (as defined herein) and approved by the SEC (as defined herein) to provide a central location where investors can obtain municipal bond information including disclosure documents. The City or the Dissemination Agent shall submit disclosure documents to EMMA as a Portable Document File (PDF file) to [www.emma.msrb.org](http://www.emma.msrb.org).

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

“**MSRB**” shall mean the Municipal Securities Rulemaking Board.

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

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

“**State**” shall mean the State of New Jersey.

“**Underwriter**” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the purchase of the Bonds.

### **SECTION 3. Provision of Annual Reports.**

(a) The City shall provide or cause to be provided to the Dissemination Agent not later than September 15 of each year, commencing September 15, 2023 (for the calendar year ending December 31, 2022), until termination of the City’s reporting obligations under this Disclosure Certificate pursuant to the provisions of Section 6 hereof, the Annual Report prepared for the preceding fiscal year of the City. Each Annual Report provided to the Dissemination Agent by the City shall comply with the requirements of Section 4 of this Disclosure Certificate but may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report; and provided, further, that if the audited financial statements of the City are not available by such date, the City shall include unaudited financial statements with its Annual Report and when such audited financial statements become available to the City, the same shall be submitted to the Dissemination Agent no later than thirty (30) days after the receipt of the same by the City.

(b) Not later than September 30 of each year (commencing September 30, 2023), the Dissemination Agent shall file with EMMA a copy of the Annual Report pursuant to subsection (a) hereof.

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

copies to the City (if the Dissemination Agent is not the City).

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

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

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

(1) The audited financial statements of the City (as of December 31 of each year). The audited financial statements are to be prepared in accordance with generally accepted auditing standards and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") that demonstrate compliance with the modified accrual basis, with certain exceptions, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP) and the budget laws of the State.

(2) Certain financial information and operating data of the City consisting of: (a) City indebtedness; (b) the City's most current adopted budget; (c) property valuation information; and (d) tax rate, levy and collection data.

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

**SECTION 5. Reporting of Significant Events.**

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;
7. Modifications to the rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes relating to the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee for the Bonds or the change of name of a trustee for the Bonds, if material;
15. Incurrence of a financial obligation<sup>1</sup> of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Bondholders, if material; and
16. Default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the City, if any such event reflects financial difficulties.

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<sup>1</sup> The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

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

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

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

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

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

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

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

**SECTION 8. [Intentionally Omitted]**

**SECTION 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate and any provision of this Disclosure

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

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

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 11. Default.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner of the Bonds may, at the Bondholder's or Beneficial Owner's cost and expense, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default on the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent.** The Dissemination

Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and, to the extent permitted by law, the City agrees to indemnify and hold the Dissemination Agent (if the Dissemination Agent is not the City) and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. To the extent permitted by law, the City further releases the Dissemination Agent from any liability for the disclosure of any information required by the Rule and this Disclosure Certificate. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

**SECTION 14. Notices.** All notices and submissions required hereunder shall be given to the following, or their successors, by facsimile transmission (with written confirmation of receipt), followed by hard copy sent by certified or registered mail, personal delivery or recognized overnight delivery:

(a) If to the City:

City of Somers Point  
1 W. New Jersey Avenue  
Somers Point, NJ 08244  
Attn: Shana Kestrel, Chief Financial Officer  
Telecopy No.: (609) 927-9088 ext. 130  
Email: skestrel@spgov.org

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

Phoenix Advisors, LLC  
625 Farnsworth Avenue  
Bordentown, New Jersey 08505  
Attn: Anthony Inverso  
Telecopy No.: (609) 291-9940  
Email: ainverso@muniadvisors.com

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

**SECTION 15. Counterparts.** This Disclosure Certificate may be executed in any number of counterparts which shall be executed by authorized signatories of the City and the Dissemination Agent, as applicable, and all of which together shall be regarded for all purposes as one original and shall constitute and be but one and the same.



**SECTION 16. Severability.** If any one or more of the covenants or agreements in this Disclosure Certificate to be performed on the part of the City and the Dissemination Agent should be contrary to law, then such covenant or covenants, agreement or agreements, shall be deemed severable from the remaining covenants and agreements and shall in no way affect the validity of the other provisions of this Disclosure Certificate.

**SECTION 17. Governing Law.** This Disclosure Certificate shall be construed in accordance with and governed by the Laws of the United States of America and the State of New Jersey, as applicable.

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

**[SEAL]**

**CITY OF SOMERS POINT  
ATLANTIC COUNTY, STATE OF NEW JERSEY**

By: \_\_\_\_\_  
John L. Glasser, Mayor

**ATTEST:**

By: \_\_\_\_\_  
Lucy R. Samuelsen, RMC, CMC  
City Clerk

By: \_\_\_\_\_  
Shana Kestrel, Chief Financial Officer

**EXHIBIT "A"**

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

Name of Issuer: City of Somers Point, Atlantic County, New Jersey

Name of Bond Issue: \$9,945,000 General Obligation Bonds, Series 2022

CUSIP No.

Date of Issuance: \_\_\_\_\_, 2022

NOTICE IS HEREBY GIVEN that the above designated City has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate for the Bonds dated as of \_\_\_\_\_, 2022 executed by the City.

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

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

cc: City of Somers Point