

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 17, 2026

NEW ISSUE
BOOK-ENTRY ONLY

NOT RATED

In the opinion of Dilworth Paxson LLP, Freehold, New Jersey (“Bond Counsel”), assuming continuing compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”) applicable to the Notes and subject to certain provisions of the Code which are described herein, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed by the Code, however, interest on the Notes is included in “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. Under the laws of the State of New Jersey, as enacted and construed on the date of the original delivery of the Notes, interest on the Notes and gain from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein.

\$6,986,000
BOROUGH OF SHIP BOTTOM
IN THE COUNTY OF OCEAN, NEW JERSEY
BOND ANTICIPATION NOTES, SERIES 2026A
(Non-Callable) (Bank-Qualified)

Coupon: ___% Yield: ___% CUSIP: _____

Dated: Date of Delivery

Due: July 7, 2027

The \$6,986,000 Bond Anticipation Notes, Series 2026A (the “Notes”) of the Borough of Ship Bottom, in the County of Ocean, New Jersey (the “Borough”) will be issued as fully registered Notes in the form of one certificate for the aggregate principal amount of the Notes and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), Brooklyn, New York, which will act as Securities Depository. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants or transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Notes on behalf of the individual purchasers. Individual purchases may be made in the principal amount of \$5,000 or any integral multiple of \$1,000 in excess thereof through book-entries made on the books and the records of DTC and its participants. Individual purchasers of the Notes will not receive certificates representing their beneficial ownership interests in the Notes.

Principal of and interest on the Notes is payable on the due date, as shown above. As long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payment of the principal and interest on the Notes will be made by the Borough directly to DTC or its nominee, Cede & Co. The Notes are not subject to redemption prior to maturity.

The Notes, along with other available funds of the Borough, will be used to: (i) refund, on a current basis, the Borough’s \$7,063,000 Bond Anticipation Notes, Series 2025A, dated July 10, 2025 and maturing July 9, 2026 (the “Prior Notes”); and (ii) pay the costs of issuing the Notes.

The Notes will constitute general obligations of the Borough for the payment of the principal of and interest on which the full faith, credit and taxing power of the Borough is available, and all the taxable real property within the Borough is subject to the levy of *ad valorem* taxes, without limitation as to rate or amount, for such purposes.

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 TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Notes are offered when, as and if received by the Underwriter (hereinafter defined) and subject to prior sale, withdrawal or modification of the offer without notice, and to approval of legality by Dilworth Paxson LLP, Freehold, New Jersey, Bond Counsel, and certain other conditions described herein. Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey, serves as Municipal Advisor to the Borough in connection with the issuance of the Notes. It is expected that the Notes, in definitive form, will be available for delivery on or about July 8, 2026.

**BIDS FOR THE NOTES, IN ACCORDANCE WITH THE NOTICE OF SALE,
WILL BE RECEIVED ON JUNE 24, 2026.**

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

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

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

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

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**OFFICIAL STATEMENT
OF THE
BOROUGH OF SHIP BOTTOM
IN THE COUNTY OF OCEAN, NEW JERSEY
\$6,986,000 BOND ANTICIPATION NOTES, SERIES 2026A**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices attached hereto, has been prepared by the Borough of Ship Bottom (the “Borough”), in the County of Ocean (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$6,986,000 Bond Anticipation Notes, Series 2026A (the “Notes”).

THE NOTES

General Description

The Notes will be dated the date of delivery and will mature on the due date, as shown on the front cover hereof. The interest on the Notes will be payable on the due date as shown on the front cover page. The Notes will be issued in book-entry form only.

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

Denominations and Place of Payment

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

Book-Entry-Only System

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

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes 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.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct Participants' 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 Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Notes are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes 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 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Paying Agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

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

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

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

Discontinuance of Book-Entry Only System

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

Optional Redemption

The Notes are not subject to redemption prior to their stated maturity.

AUTHORIZATION AND USE OF PROCEEDS

The Notes are authorized and being issued pursuant to the Local Bond Law of the State of New Jersey (N.J.S.A. 40A:2-1 et seq.), and the acts amendatory thereof and supplemental thereto, and various bond ordinances of the Borough.

The Notes, along with other available funds of the Borough in the amount of \$77,000, will be used to: (i) refund, on a current basis, the Borough's \$7,063,000 Bond Anticipation Notes, Series 2025A, dated July 10, 2025 and maturing July 9, 2026 (the "Prior Notes"); and (ii) pay the costs of issuing the Notes. The Notes and the improvements or purposes for which the Notes are to be issued have been authorized by bond ordinances duly adopted by the Borough, which bond ordinances are described in the following table by ordinance number, amount of Prior Notes being refunded with proceeds of the Notes:

<u>Ordinance No.</u>	<u>Description</u>	<u>Amount of Prior Notes to be Refunded</u>
2018-11	Reconstruction of 14 th , 15 th and 16 th Streets, finally adopted November 27, 2018.	\$86,100
2021-14, as amended by 2025-03	Construction of the new Borough Hall Phase V, finally adopted August 24, 2021 and amended February 25, 2025.	475,000
2023-06	Construction of the new Borough Hall - Phase IV, finally adopted March 28, 2023.	1,752,500
2023-09	Improvements to East 25 th Street and West 10 th Street, finally adopted June 27, 2023.	302,100
2023-10, as amended by 2024-25	Improvements to West 27 th Street and East Bay Terrace, finally adopted June 27, 2023 and amended November 26, 2024.	412,300
2024-22	Acquisition of police and public works vehicles, finally adopted September 24, 2024.	300,000
2025-02	Acquisition of various emergency responder vehicles and equipment, finally adopted February 25, 2025.	375,000
2025-04	Acquisition of Real Property, finally adopted April 22, 2025.	<u>3,283,000</u>
Total:		<u>\$6,986,000</u>

SECURITY FOR THE NOTES

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

The Borough

The Borough, primarily a residential community, is located on Long Beach Island, a barrier island in the County. See Appendix “A” for general information regarding the Borough.

CERTAIN RISK FACTORS

Cyber Security

The Borough relies on a complex technology environment to conduct its various operations. As a result, the Borough faces certain cyber security threats at various times including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and digital networks and systems. To mitigate the risks of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the Borough has invested in multiple forms of cybersecurity and operational safeguards.

Climate Change

As a coastal community located on a barrier island, the Borough is susceptible to the effects of extreme weather events and natural disasters, including coastal storms and flooding, which could result in negative economic impacts. These effects may be amplified by a prolonged global temperature increase over the next several decades (commonly referred to as “climate change”), which scientific studies indicate may be occurring. Scientific studies on climate change predict that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events like Superstorm Sandy will become more frequent. Coastal areas like the Borough are at risk of substantial flood damage over time, potentially affecting private development and public infrastructure. The economic impacts resulting from such extreme weather events could include a loss of ad valorem tax revenue, interruption of municipal services, and escalated recovery costs. No assurance can be given as to whether future extreme weather events will occur that could materially adversely affect the financial condition of the Borough.

MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

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

The Local Bond Law governs the issuance of bonds 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 Borough are general full faith and credit obligations.

Debt Limits

The authorized bonded indebtedness of the Borough is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis over the past three years. The equalized valuation basis of a municipality is set by statute as the average for the last three preceding years of the equalized value of all taxable real property and improvements and certain Class II railroad property within its boundaries, as determined annually by the State Director of Taxation. Certain categories of debt, which include the portion of school debt within a school district’s debt limitation and the self-liquidating portion of a utility’s debt, are permitted by statute to be deducted for purposes of computing the statutory debt limit. As shown in Appendix “A”, the Borough has not exceeded its statutory debt limit as of December 31, 2025.

Exceptions to Debt Limits - Extensions of Credit

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

Short Term Financing

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

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

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

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

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

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

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

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

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

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such

appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

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 2.4% or less.

Additionally, legislation constituting P.L. 2010, c. 44, effective July 13, 2010, imposes a two percent (2%) cap on the tax levy of a municipality, county, fire district or solid waste collection district, with certain exceptions and subject to a number of adjustments. The exclusions from the limit include increases required to be raised for capital expenditures, including debt service, increases in pension contributions in excess of 2%, certain increases in health care over 2%, and extraordinary costs incurred by a local unit directly related to a declared emergency. The governing body of a local unit may request approval, through a public question submitted to the legal voters residing in its territory, to increase the amount to be raised by taxation, and voters may approve increases above 2% not otherwise permitted under the law by an affirmative vote of 50%.

The Division has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the

Borough to levy *ad valorem* taxes upon all taxable property within the boundaries of the Borough to pay debt service on bonds and notes.

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

Tax Appeals

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

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

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

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

School Debt Subject to Voter Approval

State law permits local school districts, upon approval of the voters in a Type II school district, to authorize school district debt, including debt in excess of its independent debt limitation by using the available borrowing capacity of the constituent municipality. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the constituent municipality, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met at and subsequent to the issuance and delivery of the Notes for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements

could cause the interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Borough has covenanted to comply with the provisions of the Code applicable to the Notes and has covenanted not to take any action or permit any action that would cause the interest on the Notes to be included in gross income under Section 103 of the Code or cause interest on the Notes to be treated as an item of tax preference for purposes of the alternative minimum tax imposed by the Code on individuals. Dilworth Paxson LLP, Freehold, New Jersey (“Bond Counsel”) will not independently verify the accuracy of those certifications and representations.

Assuming the Borough observes its covenants with respect to compliance with the Code, Bond Counsel is of the opinion that, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Bond Counsel is further of the opinion that interest on the Notes is not treated as a preference item for purposes of calculating the alternative minimum tax imposed by the Code, however, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. See “Certain Federal Tax Considerations” below.

State Taxes

In the opinion of Bond Counsel, under the laws of the State of New Jersey as enacted and construed on the date of original delivery of the Notes, interest on the Notes and any gains from the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

Original Issue Premium

The initial public offering price of the Notes may be greater than the stated redemption price thereof at maturity (the “Premium Notes”). The difference between the initial public offering price for the Premium Notes and the stated redemption price at maturity is “original issue premium.” For federal income tax purposes original issue premium is amortizable periodically over the term of the Premium Notes through reductions in the holder’s tax basis for the Premium Notes for determining gain or loss from sale or redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Premium Notes rather than creating a deductible expense or loss. Purchasers of the Notes should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of the Premium Notes.

Certain Federal Tax Considerations

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

Bond Counsel is not rendering any opinion on any federal tax matters other than those described under the caption “TAX MATTERS.” Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Backup Withholding

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Notes is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Notes may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Notes for federal or state income tax purposes, and thus on the value or marketability of the Notes. This impact could result 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), repeal of the exclusion of interest on the Notes from gross income of the owners thereof for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Notes may occur. Prospective purchasers of the Notes should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Notes may affect the tax status of interest on the Notes. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Notes, or the interest thereon, if any action is taken with respect to the Notes or the proceeds thereof upon the advice or approval of counsel other than Bond Counsel.

Section 265 Qualification

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

The Borough **is** designating the Notes as qualified for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations under Section 265 of the Code.

ALL POTENTIAL UNDERWRITERS OF THE NOTES SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

LEGALITY FOR INVESTMENT

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

CONTINUING DISCLOSURE

Pursuant to the requirements of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, the Borough will deliver concurrently with the delivery of the Notes, a Continuing Disclosure Certificate in substantially the form annexed hereto as Appendix C (the "Continuing Disclosure Certificate"). The Borough has covenanted for the benefit of the Noteholders in accordance with the provisions of the Continuing Disclosure Certificate, to provide or cause to be provided notices of the occurrence of certain enumerated events to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access Dataport ("EMMA").

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

LITIGATION

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

MUNICIPAL BANKRUPTCY

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 401, et seq., as amended by Public Law 95-598, approved November 6, 1978, and as further amended on November 3, 1988, by an Act to Amend the Bankruptcy Law to Provide for Special Revenue Notes, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors' rights and municipalities in general. Chapter IX permits a state or any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts to file a petition in a bankruptcy court for the ultimate purpose of effecting a plan to adjust its debts. Chapter IX directs such a petitioner to file with the Bankruptcy Court a list of the petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner, with the exception that such petition does not operate as a stay of application of pledged special revenues to the payment of indebtedness secured by such revenues; grants priority to administrative and operational expenses and to debts owed for services or material, up to \$4,000 per individual or corporation, actually provided within ninety (90) days of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; provides that any securities issued under a reorganization plan will be exempt from the securities laws and, therefore, exempt from registration requirements; permits the petitioner, during bankruptcy proceedings, to continue to pay pre-petition debt without prior court approval; and provides that the plan must be accepted by a class of creditors, in writing, by or on behalf of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors. A plan shall not be approved by the Bankruptcy Court unless it is in the best interests of creditors and is feasible.

Reference should also be made to N.J.S.A. 52:27-40 through 52:27-45.11, which provides that any county, municipality, or other political subdivision of this State has the power to file a petition with any Bankruptcy Court, provided the approval of the municipal finance commission has been obtained, and such petition has been authorized by ordinance of the governing body of the political subdivision. The powers of the municipal finance commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter 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. However, the Bankruptcy Act does provide that a municipality must obtain any regulatory or electoral approval necessary under constitutional, statutory, or charter provisions, for actions taken under the reorganization plan.

CERTAIN REFERENCES

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

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

CERTIFICATION OF OFFICIAL STATEMENT

The Borough hereby states that the descriptions and statements herein relating to the Borough are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Notes, by certificates signed by an official of the Borough, that to their knowledge such descriptions and statements, as of the date hereof, and as of closing, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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

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

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

RATING

The Notes have not been rated. The Borough has an outstanding long-term rating of “Aa3” from Moody’s Ratings which was assigned to the Borough’s General Obligation Bonds, Series 2023. Such long-term rating is neither assigned or applicable to the Notes.

UNDERWRITER

The Notes have been purchased from the Borough, at a public sale, by _____ (the “Underwriter”) at a price of \$ _____. The Underwriter is obligated to purchase all of the Notes if any are purchased.

The Underwriter intends to offer the Notes to the public initially at the offering yield set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriter in offering the Notes to the public. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into investment trusts) at a yield higher than the public offering yield set forth on the cover page, and such public offering yield may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, a division of First Security Municipal Advisors, Inc., Hamilton, New Jersey (the “Municipal Advisor”), has served as Municipal Advisor to the Borough in connection with the issuance of the Notes and has assisted in matters related to the planning, structuring and terms of the Notes. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of, or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the Appendices hereto. The Municipal Advisor is an Independent Registered Municipal Advisor pursuant to the Dodd-Frank Act and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

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

FINANCIAL STATEMENTS

Appendix “B” contains certain unaudited financial information for the Borough’s fiscal year ending December 31, 2025 compiled by Suplee, Clooney & Company, Westfield, New Jersey (the “Auditor”) and certain audited financial data of the Borough for the Borough’s fiscal year December 31, 2024. The audited financial data was extracted from the report prepared by the Auditor to the extent and for the period set forth in their report appearing in Appendix “B”. 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 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 the Borough’s Chief Financial Officer, 1621 Long Beach, Ship Bottom, New Jersey 08008, telephone (609) 494-2171 ext. 120, or to its Municipal Advisor, Phoenix Advisors, a division of First Security Municipal Advisors, Inc., 2000 Waterview Drive, Suite 101, Hamilton, New Jersey 08691, telephone (609) 291-0130.

MISCELLANEOUS

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

**BOROUGH OF SHIP BOTTOM, IN THE
COUNTY OF OCEAN, NEW JERSEY**

By: _____
Kathleen Flanagan
Chief Financial Officer

Dated: June __, 2026

APPENDIX A
GENERAL INFORMATION REGARDING THE BOROUGH

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INFORMATION REGARDING THE BOROUGH¹

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

General Information

The Borough was originally incorporated as the Borough of Ship Bottom-Beach Arlington by an Act of the New Jersey Legislature on March 3, 1925, from portions of Long Beach Township, based on the results of a referendum held on May 23, 1925. The Borough name was shortened to “Ship Bottom” in 1947.

Covering an area of approximately 1.2 square miles, the Borough is located on Long Beach Island, an island approximately 18 miles long and 1-mile wide, bounded by Barnegat Bay on the west and the Atlantic Ocean on the east. The Borough is approximately 90 miles south of New York City, and 60 miles east of Philadelphia, Pennsylvania. It is primarily a seashore residential community, noted for its beaches, boating and sport fishing. The Borough's location and maritime flavor have served to attract residents from other parts of the State, nearby Pennsylvania and the New York metropolitan area.

The Borough is also known as the "Gateway to Long Beach Island", as Route 72 provides the sole road access from Manahawkin in Stafford Township, ending in the Borough as it crosses Manahawkin Bay via the Manahawkin Bay Bridge (formally known as the Dorland J. Henderson Memorial Bridge).

Form of Government

The Borough is governed under the Borough form of New Jersey municipal government. The governing body consists of a Mayor and a Borough Council, with all positions elected at-large on a partisan basis as part of the November general election. A Mayor is elected directly by the voters to a four-year term of office. The Borough Council comprises of six members elected to serve three-year terms on a staggered basis, with two seats coming up for election each year in a three-year cycle. The Borough form of government, the most common system used in the state, is a "weak mayor / strong council" government in which council members act as the legislative body with the mayor presiding at meetings and voting only in the event of a tie. The mayor makes committee and liaison assignments for council members and most appointments are made by the mayor with the advice and consent of the council. Each Council member chairs a committee that oversees a department: Revenue and Finance, Public Safety, Water/Sewer, Parks and Recreation, Public Property, and Public Buildings and Community Affairs.

¹ Source: The Borough, unless otherwise indicated.

Education

The Borough is a constituent member of the Southern Regional High School District (the "Regional School District"). There is presently one middle school and one high school for grades seven through twelve operated by the Southern Regional Board of Education. The constituent municipalities of the Regional School District are the Boroughs of Barnegat Light, Beach Haven, Harvey Cedars, Ship Bottom and Surf City and the Townships of Long Beach and Stafford.

Taxes for the support of the Regional School District, as approved by the voters in the Regional School District, are levied on the valuations in the seven municipalities as equalized by the County.

The Regional School District functions through a nine-member board, elected by the voters to staggered three-year terms. In addition to the nine members representing the constituent municipalities, two additional members, with limited voting rights, represent the sending district of the Township of Ocean. The sending districts pay tuition on a per-pupil basis through their local board of education.

The Borough is also a constituent member of the Long Beach Island Consolidated School District (the "Consolidated District"), which operates two schools for Kindergarten through grade six. The constituent municipalities of the Long Beach Island Consolidated School District are the Boroughs of Barnegat Light, Harvey Cedars, Ship Bottom, Surf City and the Township of Long Beach.

Taxes for the support of the Consolidated District, as approved by the voters in the Consolidated District, are levied on the valuations of the five municipalities.

The Consolidated District functions through a nine-member board, elected by the voters to staggered three-year terms.

Pension and Retirement Systems

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

The Public Employees' Retirement System ("PERS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

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

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

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Employment and Unemployment Comparisons

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

	<u>Total</u> <u>Labor Force</u>	<u>Employed</u> <u>Labor Force</u>	<u>Total</u> <u>Unemployed</u>	<u>Unemployment</u> <u>Rate</u>
<u>Borough</u>				
2025	478	454	24	5.0%
2024	483	456	27	5.6%
2023	488	462	26	5.3%
2022	478	458	20	4.2%
2021	491	440	51	10.4%
<u>County</u>				
2025	291,727	276,396	15,331	5.3%
2024	293,284	280,025	13,259	4.5%
2023	292,457	279,888	12,569	4.3%
2022	287,161	275,556	11,605	4.0%
2021	279,507	260,912	18,595	6.7%
<u>State</u>				
2025	4,905,633	4,648,499	257,134	5.2%
2024	4,898,008	4,676,064	221,944	4.5%
2023	4,867,113	4,659,779	207,334	4.3%
2022	4,756,002	4,572,879	183,123	3.9%
2021	4,654,243	4,342,075	312,168	6.7%

Source: New Jersey Department of Labor, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2024)

	<u>Borough</u>	<u>County</u>	<u>State</u>	<u>National</u>
Median Household Income	\$108,750	\$89,863	\$103,556	\$80,734
Median Family Income	163,393	112,175	127,025	99,999
Per Capita Income	94,068	44,947	54,253	44,673

Source: US Bureau of the Census, 2024 American Community Survey 5-Year Estimates

Population

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

<u>Year</u>	<u>Borough</u>		<u>County</u>		<u>State</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2024 est.	1,125	2.5%	666,434	4.6%	9,500,851	2.3%
2020	1,098	-5.0%	637,229	10.5%	9,288,994	5.7%
2010	1,156	-16.5%	576,567	12.8%	8,791,894	4.5%
2000	1,384	2.4%	510,916	17.9%	8,414,350	8.9%
1990	1,352	-5.3%	433,203	25.2%	7,730,188	5.0%

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

Largest Taxpayers

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

<u>Taxpayers</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Baldwin Residence LLC	\$17,277,600	1.17%
LBI Gateway Hotel, LLC	6,633,400	0.45%
Ron John Surf Shop of FLA, Inc.	3,096,200	0.21%
Dineen, Edward J. & Kathleen M.	3,241,900	0.22%
Mahoney, Shawn & Lorraine	3,111,000	0.21%
Hochstrasser, Louis	2,987,200	0.20%
Marchione, Patrick & Lorraine	2,965,100	0.20%
Kahl, Egon Willy & Ann V.	2,872,400	0.19%
Sujak, Hasim (Ed)	2,776,800	0.19%
CVS Corp #6947-01 Occupancy Dept	<u>2,727,000</u>	<u>0.19%</u>

Source: Borough Tax Assessor.

Comparison of Tax Levies and Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Current Year Collection</u>	<u>Current Year % of Collection</u>
2025 U	\$18,398,477	\$18,368,438	99.84%
2024	17,664,150	17,617,840	99.74%
2023	16,666,723	16,604,871	99.63%
2022	15,157,424	15,084,677	99.52%
2021	14,901,953	14,849,976	99.65%

U=Unaudited
Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Tax</u>	<u>Total Delinquent</u>	<u>Delinquent % of Tax Levy</u>
2025 U	\$0	\$20,557	\$20,557	0.11%
2024	0	46,153	46,153	0.26%
2023	0	49,245	49,245	0.30%
2022	0	69,924	69,924	0.46%
2021	0	47,868	47,868	0.32%

U=Unaudited
Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

Property Acquired by Tax Lien Liquidation

<u>Year</u>	<u>Property Acquired For Taxes</u>
2025 U	\$75,700
2024	75,700
2023	75,700
2022	75,700
2021	75,700

U=Unaudited
Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

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

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

<u>Year</u>	<u>General Municipal</u>	<u>Consolidated School</u>	<u>Regional School</u>	<u>Total County</u>	<u>Total</u>
2025	\$0.425	\$0.053	\$0.196	\$0.567	\$1.241
2024	0.405	0.050	0.225	0.525	1.205
2023	0.385	0.048	0.230	0.486	1.149
2022	0.375	0.049	0.200	0.435	1.059
2021	0.365	0.048	0.219	0.422	1.054

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

Valuation of Property

<u>Year</u>	<u>Assessed Value of Real Property</u>	<u>True Value of Real Property</u>	<u>Ratio of Assessed to True Value</u>	<u>Assessed Value of Public Utility Equip.</u>	<u>Equalized Valuation</u>
2025	\$1,473,545,000	\$2,602,976,506	56.61%	\$0	\$2,602,976,506
2024	1,454,201,700	2,568,807,101	56.61%	0	2,568,807,101
2023	1,437,950,600	2,335,093,537	61.58%	0	2,335,093,537
2022	1,420,957,500	2,010,978,630	70.66%	0	2,010,978,630
2021	1,400,405,607	1,678,942,102	83.41%	0	1,678,942,102

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

Classification of Ratables

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

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartments</u>	<u>Total</u>
2025	\$20,771,600	\$1,315,345,400	\$0	\$134,278,600	\$0	\$3,149,400	\$1,473,545,000
2024	20,700,000	1,296,563,000	0	133,789,300	0	3,149,400	1,454,201,700
2023	22,101,800	1,280,465,200	0	132,234,200	0	3,149,400	1,437,950,600
2022	27,417,600	1,258,930,600	0	131,459,900	0	3,149,400	1,420,957,500
2021	26,217,600	1,238,906,800	0	132,131,807	0	3,149,400	1,400,405,607

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

Financial Operations

The following table summarizes the Borough’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

	Adopted <u>2022</u>	Adopted <u>2023</u>	Adopted <u>2024</u>	Adopted <u>2025</u>	Introduced <u>2026</u>
<u>REVENUE</u>					
Fund Balance Utilized	\$2,065,585	\$2,949,527	\$2,055,493	\$1,988,493	\$899,250
Miscellaneous Revenues	2,029,308	2,029,794	2,306,184	2,282,818	2,280,815
Receipts from Delinquent Taxes	46,500	66,500	49,245	46,153	20,557
Amount to be Raised by Taxation	<u>5,330,707</u>	<u>5,537,815</u>	<u>5,740,830</u>	<u>6,112,810</u>	<u>6,396,825</u>
Total Revenue:	<u>\$9,472,100</u>	<u>\$10,583,635</u>	<u>\$10,151,752</u>	<u>\$10,430,274</u>	<u>\$9,597,446</u>
<u>APPROPRIATIONS</u>					
General Purpose (Inside CAP)	\$7,667,541	\$8,096,286	\$8,150,066	\$8,507,953	\$7,925,672
Operations (Outside CAP)	172,802	555,096	410,794	381,797	427,470
Municipal Grants	0	0	0	0	0
Capital Improvement Fund	390,000	250,000	350,000	289,000	25,000
Municipal Debt Service	1,059,493	1,577,366	1,136,005	1,201,030	1,187,330
Deferred Charges	10,850	0	0	0	0
Judgments	0	0	0	0	0
Reserve for Uncollected Taxes	<u>171,414</u>	<u>104,887</u>	<u>104,887</u>	<u>50,495</u>	<u>31,974</u>
Total Appropriations:	<u>\$9,472,100</u>	<u>\$10,583,635</u>	<u>\$10,151,752</u>	<u>\$10,430,274</u>	<u>\$9,597,446</u>

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

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

<u>Year</u>	<u>Fund Balance</u>	<u>Utilized in Budget of Succeeding Year</u>
2025 U	\$1,036,763	\$899,250
2024	2,274,780	1,988,493
2023	2,862,564	2,055,495
2022	4,121,981	2,949,527
2021	4,471,061	2,065,585

U=Unaudited

Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

Water/Sewer Utility Operating Fund

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

<u>Year</u>	<u>Balance</u> <u>12/31</u>	<u>Utilized in Budget</u> <u>of Succeeding Year</u>
2025 U	\$678,967	\$565,835
2024	2,078,848	1,680,566
2023	2,808,915	956,546
2022	2,536,216	85,233
2021	2,209,833	0

U=Unaudited

Source: Annual Audit Reports and/or Annual Financial Statements (unaudited)

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Borough Indebtedness as of December 31, 2025

General Purpose Debt

Serial/Term Bonds	\$11,305,000
Bond Anticipation Notes	7,063,000
Bonds and Notes Authorized but Not Issued	2,809,363
Other Bonds, Notes and Loans	38,780
Total:	<u>\$21,216,143</u>

Local/Regional School District Debt

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

Self-Liquidating Debt

Serial/Term Bonds	\$3,920,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	6,936,846
Other Bonds, Notes and Loans	21,139,233
Total:	<u>\$31,996,079</u>

TOTAL GROSS DEBT

\$53,212,222

Less: Statutory Deductions

General Purpose Debt	\$0
Local/Regional School District Debt	0
Self-Liquidating Debt	31,996,079
Total:	<u>\$31,996,079</u>

TOTAL NET DEBT

\$21,216,143

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2024)²

<u>Name of Related Entity</u>	<u>Related Entity Debt Outstanding</u>	<u>Borough Percentage</u>	<u>Borough Share</u>
Consolidated School District	\$0	6.78%	\$0
Regional School District	0	0.00%	0
County	562,210,826	1.61%	<u>9,047,587</u>
Net Indirect Debt			\$9,047,587
Net Direct Debt			<u>15,164,607</u>
Total Net Direct and Indirect Debt			<u>\$24,212,194</u>

Debt Limit

Average Equalized Valuation Basis (2023, 2024, 2025)	\$2,502,292,381
Permitted Debt Limitation (3.50%)	87,580,233
Less: Net Debt	21,216,143
Remaining Borrowing Power	<u>\$66,364,090</u>
Percentage of Net Debt to Average Equalized Valuation	0.848%
Gross Debt Per Capita based on 2020 population of 1,098	\$48,463
Net Debt Per Capita based on 2020 population of 1,098	\$19,323

Source: Annual Debt Statement of the Borough

² The Borough's percentage of County debt is based on the Borough's share of total equalized valuation in the County.

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APPENDIX B
FINANCIAL STATEMENTS OF THE BOROUGH

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**UNAUDITED FINANCIAL DATA OF THE BOROUGH
FOR THE YEAR ENDED DECEMBER 31, 2025**

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Compiled Financial Statements

of the

Borough of Ship Bottom

in the

*County of Ocean
New Jersey*

for the

*Year Ended
December 31, 2025*

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SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

ACCOUNTANT'S COMPILATION REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Ship Bottom
County of Ocean
Ship Bottom, New Jersey 08008

We have compiled the accompanying balance sheets - regulatory basis of the various individual funds from the 2025 Annual Financial Statement (AFS) of the Borough of Ship Bottom, County of Ocean, New Jersey as of December 31, 2025, and the related statements of operations and changes in fund balances - regulatory basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements - regulatory basis have been prepared on a prescribed basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with the modified accrual basis, with certain exceptions, and the budget laws of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements and schedules information that is the representation of management of the Borough of Ship Bottom. We have not audited or reviewed the accompanying financial statements - regulatory basis and, accordingly, do not express an opinion or any other form of assurance on them.

Management of the Borough of Ship Bottom has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Borough of Ship Bottom's financial position - regulatory basis and the results of its operations and changes in its fund balance - regulatory basis. Accordingly, these financial statements are not designed for those who are not informed about such matters.

SUPLEE, CLOONEY & COMPANY
Certified Public Accountants

/s/ Robert W. Swisher
Robert W. Swisher, C.P.A., R.M.A

May 29, 2026

BOROUGH OF SHIP BOTTOM

BALANCE SHEET - CURRENT FUND

(UNAUDITED)
YEAR 2025

A S S E T S

Current Fund:	
Cash	\$ 3,463,887.69
	<u>\$ 3,463,887.69</u>
Receivables and Other Assets With Full Reserves:	
Delinquent Property Taxes Receivable	\$ 20,556.96
Property Acquired for Taxes	75,700.00
Revenue Accounts Receivable	2,591.42
Interfund - Federal and State Grant Fund	106,183.27
Interfund - Animal Control Fund	211.62
Interfund - Other Trust Fund	3,306.10
Prepaid Local District School Tax	43,755.99
	<u>\$ 252,305.36</u>
Total Current Fund	<u>\$ 3,716,193.05</u>
Grant Fund:	
Cash	\$ 84,664.76
Grant Aid Receivable	201,000.00
Total Grant Fund	<u>\$ 285,664.76</u>
Total	<u><u>\$ 4,001,857.81</u></u>

LIABILITIES, RESERVES AND FUND BALANCE

Current Fund:	
Liabilities:	
Appropriation Reserves	\$ 964,432.38
Encumbrances Payable	82,439.05
Regional School Tax Payable	420,795.75
County Taxes Payable	50,974.17
Prepaid Taxes	466,693.64
Tax Overpayments	22,285.64
Due State of New Jersey Ch. 20, P.L.1971	2,750.00
Interfund - General Capital Fund	263,742.55
Interfund - Water/Sewer Operating Funds Payable	806.60
Interfund - Payroll Fund	7,948.03
Reserve for Revaluation	144,256.48
	<u>2,427,124.29</u>
Reserve for Receivables and Other Assets	252,305.36
Fund Balance	<u>1,036,763.40</u>
Total Current Fund	<u>\$ 3,716,193.05</u>
Grant Fund:	
Grants-Appropriated	\$ 98,397.39
Grants-Unappropriated	12,174.35
Encumbrances Payable	68,909.75
Interfund - Current Fund	106,183.27
Total Grant Fund	<u>\$ 285,664.76</u>
Total	<u><u>\$ 4,001,857.81</u></u>

Source: Borough 2025 Unaudited Annual Financial Statement

Deferred School Taxes at December 31, 2025	<u><u>\$ 1,264,641.78</u></u>
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BOROUGH OF SHIP BOTTOM

SUMMARY OF CURRENT FUND OPERATIONS

<u>REVENUE AND OTHER INCOME REALIZED</u>	<u>(UNAUDITED) YEAR 2025</u>
Fund Balance Utilized	\$ 1,988,493.41
Miscellaneous Revenue Anticipated	2,446,303.48
Receipts From Delinquent Taxes	46,153.16
Receipts From Current Taxes	18,368,438.13
Non-Budget Revenue	73,124.45
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	532,997.50
Canceled Grant Appropriated Reserves	38,108.00
Canceled Accounts Payable	8,612.97
Canceled Reserve for Prepaid School Tax	13,411.50
	<hr/>
Total Revenues and Other Income Realized	\$ <u>23,515,642.60</u>
 <u>EXPENDITURES AND OTHER CHARGES</u>	
Budget and Emergency Authorizations:	
Operations:	
Salaries and Wages	\$ 3,825,008.90
Other Expenses	4,104,386.36
Capital Improvements	289,000.00
Municipal Debt Service	1,201,000.92
Deferred Charges and Statutory Expenditures	972,280.73
Local District School Tax	779,280.00
Regional School Tax	2,893,723.00
County Taxes	8,400,205.65
Municipal Open Space Tax	147,354.50
Interefund Advances Originating in 2025	100,073.08
Refund of Prior Years Revenue	52,853.01
	<hr/>
Total Expenditures and Other Charges	\$ <u>22,765,166.15</u>
Excess/(Deficit) in Revenue	\$ 750,476.45
Fund Balance, January 1, 2025	\$ <u>2,274,780.36</u>
	<hr/>
	3,025,256.81
Decreased by:	
Utilized as Anticipated Revenue	<u>1,988,493.41</u>
Fund Balance, December 31, 2025	\$ <u><u>1,036,763.40</u></u>

Source: Borough 2025 Unaudited Annual Financial Statement

BOROUGH OF SHIP BOTTOM
BALANCE SHEET - TRUST FUND

(UNAUDITED)
YEAR 2025

A S S E T S

Animal Control Fund:	
Cash	\$ <u>463.62</u>
Total Animal Control Fund	\$ <u>463.62</u>
Other Trust Fund:	
Cash	\$ <u>5,088,083.33</u>
Total Other Trust Fund	\$ <u>5,088,083.33</u>
Total	\$ <u><u>5,088,546.95</u></u>

LIABILITIES, RESERVES AND FUND BALANCE

Animal Control Fund:	
Reserve For Animal Control Fund Expenditures	\$ 250.80
Interfund - Current Fund	211.62
Due to State of New Jersey	<u>1.20</u>
Total Animal Control Fund	\$ <u>463.62</u>
Other Trust Fund:	
Interfund - Current Fund	\$ 3,306.10
Trust Fund Reserves	5,079,189.96
Encumbrances Payable	<u>5,587.27</u>
Total Other Trust Fund	\$ <u>5,088,083.33</u>
Total	\$ <u><u>5,088,546.95</u></u>

Source: Borough 2025 Unaudited Annual Financial Statement

BOROUGH OF SHIP BOTTOM

BALANCE SHEET - GENERAL CAPITAL FUND

(UNAUDITED)
YEAR 2025

ASSETS

Cash	\$ 3,615,593.02
Deferred Charges to Future Taxation:	
Funded	11,343,780.03
Unfunded	9,872,363.38
Federal and State Grants Receivable	318,763.11
Interfund - Current Fund	<u>263,742.55</u>
	<u>\$ 25,414,242.09</u>

LIABILITIES, RESERVES AND FUND BALANCE

Bond Anticipation Notes Payable	\$ 7,063,000.00
General Serial Bonds Payable	11,305,000.00
Loans Payable	38,780.03
Capital Improvement Fund	442,864.42
Encumbrances Payable	726,840.40
Improvement Authorizations:	
Funded	1,039,054.94
Unfunded	4,328,625.61
Reserve for Capital Projects	435,748.34
Fund Balance	<u>34,328.35</u>
	<u>\$ 25,414,242.09</u>

Source: Borough 2025 Unaudited Annual Financial Statement

Bonds and Notes Authorized but Not Issued at December 31, 2025	<u>\$ 2,809,363.38</u>
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BOROUGH OF SHIP BOTTOM

BALANCE SHEET - WATER/SEWER UTILITY OPERATING AND CAPITAL FUNDS

(UNAUDITED)
YEAR 2025

ASSETS

Operating Fund:

Assets:

Cash	\$ 2,390,996.66
Interfund - Current Fund	806.60
Consumer Accounts Receivable	<u>374,331.29</u>

Total Operating Fund \$ 2,766,134.55

Capital Fund:

Cash	\$ 2,493,560.20
Fixed Capital	41,169,154.94
Fixed Capital - Authorized and Uncompleted	9,403,046.95
Interfund Water/Sewer Utility Operating Fund	<u>1,295,522.44</u>

Total Capital Fund \$ 54,361,284.53

\$ 57,127,419.08

LIABILITIES, RESERVES AND FUND BALANCE

Operating Fund:

Liabilities:

Appropriation Reserves	\$ 337,439.56
Encumbrances Payable	24,000.60
Accounts Payable	
Water/Sewer Overpayments	5,340.85
Interfund - Water/Sewer Utility Capital Fund	1,295,522.44
Accrued Interest on Bonds, Notes and Loans	<u>50,532.39</u>

1,712,835.84

Reserve for Receivables and Other Assets 374,331.29

Fund Balance 678,967.42

Total Operating Fund \$ 2,766,134.55

Capital Fund:

General Serial Bonds Payable	\$ 3,920,000.00
Loans Payable	21,139,232.75
Encumbrances Payable	425,322.73
Improvement Authorizations	
Funded	2,755,184.11
Unfunded	6,197,862.84
Capital Improvement Fund	897,558.93
Reserve for Refurbishment of Water Tower	450,000.00
Reserve for Amortization	15,370,939.06
Deferred Reserve for Amortization	<u>3,205,184.11</u>

Total Capital Fund \$ 54,361,284.53

\$ 57,127,419.08

Source: Borough 2025 Unaudited Annual Financial Statement

Bonds and Notes Authorized but Not Issued at December 31, 2025 \$ 6,936,845.97

BOROUGH OF SHIP BOTTOM

SUMMARY OF WATER/SEWER UTILITY FUND OPERATIONS

<u>REVENUE AND OTHER INCOME REALIZED</u>	(UNAUDITED) <u>YEAR 2025</u>
Fund Balance Utilized	\$ 1,680,566.00
Water Rents	775,074.25
Sewer Rents	1,030,534.51
Miscellaneous	111,649.37
Tower Lease Rental	170,170.51
Other Credits to Income:	
Unexpended Balance of Appropriation Reserves	<u>166,987.08</u>
 Total Revenues and Other Income Realized	 \$ <u>3,934,981.72</u>
 <u>EXPENDITURES AND OTHER CHARGES</u>	
Budget and Emergency Authorizations:	
Operations:	
Salaries and Wages	\$ 195,000.00
Other Expenses	1,352,000.00
Capital Improvements	525,000.00
Municipal Debt Service	1,540,066.00
Deferred Charges and Statutory Expenditures	38,500.00
Refund of Prior Year Revenue	<u>3,730.24</u>
 Total Expenditures and Other Charges	 \$ <u>3,654,296.24</u>
 Excess/(Deficit) in Revenue	 \$ 280,685.48
 Fund Balance, January 1, 2025	 \$ <u>2,078,847.94</u>
	<u>2,359,533.42</u>
Decreased by:	
Utilized as Anticipated Revenue	<u>1,680,566.00</u>
 Fund Balance, December 31, 2025	 \$ <u><u>678,967.42</u></u>

Source: Borough 2025 Unaudited Annual Financial Statement

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**AUDITED FINANCIAL STATEMENTS OF THE BOROUGH
FOR THE YEAR ENDED DECEMBER 31, 2024**

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Report of Audit

on the

*Financial Statements
and Supplementary Schedules*

of the

Borough of Ship Bottom

in the

*County of Ocean
New Jersey*

for the

*Year Ended
December 31, 2024*

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SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Borough Council
Borough of Ship Bottom
County of Ocean
Ship Bottom, New Jersey 08008

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account groups of the Borough of Ship Bottom (the "Borough"), as of and for the years ended December 31, 2024 and 2023, the related statements 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 individual funds for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Borough's regulatory 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 "Matter Giving Rise to Adverse Opinion" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account groups of the Borough as of December 31, 2024 and 2023, or the results of its operations and changes in fund balance for the years then ended or the revenues or expenditures for the year ended December 31, 2024.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory basis financial statements referred to above present fairly, in all material respects, the financial position of the various individual funds and account groups of the Borough as of December 31, 2024 and 2023, the results of its operations and changes in fund balance for the years then ended and the revenues and expenditures for the year ended December 31, 2024 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") as described in Note 1.

SUPLEE, CLOONEY & COMPANY LLC

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Borough on the basis of the financial reporting provisions prescribed by the Division, 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 the regulatory financial statements in accordance with the regulatory basis of accounting prescribed by the Division, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of regulatory financial statements that are free from material misstatement, whether due to fraud or error. In preparing the regulatory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough'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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the regulatory 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 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 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 judgment made by a reasonable user based on the financial statements.

SUPLEE, CLOONEY & COMPANY LLC

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

- exercise professional judgment 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 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 Borough'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged 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 Borough's regulatory financial statements. The supplementary information, and data listed in the table of contents as required by the Division 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, and data listed in the table of contents, as required by the Division are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

SUPLEE, CLOONEY & COMPANY LLC

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2025 on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 of the Borough's 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 Borough's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS



REGISTERED MUNICIPAL ACCOUNTANT NO. 439

June 6, 2025



SUPLEE, CLOONEY & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

The Honorable Mayor and Members
of the Borough Council
Borough of Ship Bottom
County of Ocean
Ship Bottom, New Jersey 08008

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory financial statements of the various individual funds and the account groups of the Borough of Ship Bottom, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Borough's regulatory financial statements, and have issued our report thereon dated June 6, 2025. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Ship Bottom prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, that demonstrates compliance with a modified accrual basis and the budget laws of the State of New Jersey, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

SUPLEE, CLOONEY & COMPANY LLC

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough of Ship Bottom's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We noted other matters in the internal control which are discussed in Part II, General Comments and Recommendations section of the audit report.

Compliance and Other Matters

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

Purpose of This Report

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



CERTIFIED PUBLIC ACCOUNTANTS



REGISTERED MUNICIPAL ACCOUNTANT NO. 439

June 6, 2025

CURRENT FUND

BOROUGH OF SHIP BOTTOM

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2024</u>	<u>BALANCE DECEMBER 31, 2023</u>
<u>ASSETS</u>			
Current Fund:			
Cash and Cash Equivalents	A-4	\$ 7,781,540.80	\$ 5,516,971.02
Change Fund	A-5	1,425.00	1,275.00
Petty Cash Fund	A-6	250.00	250.00
		<u>7,783,215.80</u>	<u>5,518,496.02</u>
Receivables with Full Reserves:			
Taxes Receivable	A-8	46,153.16	49,245.26
6% YEP Receivable	A-9		796.34
Property Acquired for Taxes at Assessed Valuation	A-10	75,700.00	75,700.00
Revenue Accounts Receivable	A-11	2,591.42	1,363.39
Prepaid Local District School Tax	A-17	57,167.49	64,862.99
Interfunds Receivable	A-20	79,627.91	99,862.95
		<u>261,239.98</u>	<u>291,830.93</u>
Deferred Charges:			
Overexpenditure of Appropriations	A-7	10,162.73	
		<u>8,054,618.51</u>	<u>5,810,326.95</u>
Federal and State Grant Fund:			
Cash and Cash Equivalents	A-4	45,309.87	79,117.21
Interfunds Receivable	A-24	20,765.14	62,483.53
Grants Receivable	A-25	138,700.00	168,875.00
		<u>204,775.01</u>	<u>310,475.74</u>
		<u>\$ 8,259,393.52</u>	<u>\$ 6,120,802.69</u>

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2024</u>	<u>BALANCE DECEMBER 31, 2023</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Appropriation Reserves	A-3:A-19	\$ 661,773.62	\$ 1,036,784.07
Deferred Revenue Municipal Relief Fund Aid	A-12		25,809.53
Due to State of New Jersey (Ch. 20, P.L. 1971)	A-13	2,000.00	2,250.00
Tax Overpayments	A-14	11,839.79	39,244.92
Prepaid Taxes	A-15	412,779.75	412,088.81
Due County - Added and Omitted Taxes	A-16	61,307.47	60,205.28
Regional School District Taxes Payable	A-18	612,195.75	624,822.75
Interfunds Payable	A-20	3,644,323.01	349,501.74
Accounts Payable	A-21	8,612.97	12,730.87
Reserve for:			
Encumbrances	A-22	25,853.25	77,994.25
Revaluation	A-23	77,912.56	14,500.00
		<u>5,518,598.17</u>	<u>2,655,932.22</u>
Reserve for Receivables		261,239.98	291,830.93
Fund Balance	A-1	<u>2,274,780.36</u>	<u>2,862,563.80</u>
		<u>8,054,618.51</u>	<u>5,810,326.95</u>
Federal and State Grant Fund:			
Reserve for Encumbrances	A-22	36,294.16	85,805.00
Interfunds Payable	A-24	9,705.24	9,705.24
Grants - Appropriated	A-26	157,403.03	180,581.97
Grants - Unappropriated	A-27	1,372.58	34,383.53
		<u>204,775.01</u>	<u>310,475.74</u>
		<u>\$ 8,259,393.52</u>	<u>\$ 6,120,802.69</u>

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	YEAR ENDED <u>2024</u>	YEAR ENDED <u>2023</u>
<u>REVENUE AND OTHER INCOME</u>			
Fund Balance Utilized	A-2	\$ 2,055,493.41	\$ 2,949,526.76
Miscellaneous Revenue Anticipated	A-2	2,461,714.15	2,141,343.89
Receipts from Delinquent Taxes	A-2	49,245.26	69,923.73
Receipts from Current Taxes	A-2	17,617,339.74	16,604,370.97
Non-Budget Revenues	A-2	291,413.74	506,514.33
Other Credits to Income:			
Prior Year Reserve for Prepaid Local District			
School Tax Canceled	A-17	7,695.50	1,113.75
Unexpended Balance of Appropriation Reserves	A-19	913,132.95	967,940.12
Liquidated Reserve Due From County of Ocean			24,760.00
Canceled Tax Overpayments	A-14	31,842.85	
Canceled Grant Appropriated and Unappropriated Reserves	A20:A-24	8,607.98	
<u>Total Income</u>		<u>23,441,990.58</u>	<u>23,265,993.65</u>
<u>EXPENDITURES</u>			
Budget Appropriations:			
Salaries and Wages		3,645,410.48	3,584,212.00
Other Expenses		4,067,755.82	4,191,237.03
Capital Improvements		350,000.00	250,000.00
Municipal Debt Service		1,135,932.45	1,575,845.11
Deferred Charges and Statutory Expenditures		<u>362,044.00</u>	<u>373,933.00</u>
	A-3	10,051,142.75	10,430,227.14
Municipal Open Space Preservation	A-3	145,439.76	
County Taxes	A-16	7,623,450.41	6,931,133.19
Added Taxes Due County	A-16	61,307.47	60,205.23
Local District School Taxes	A-17	725,634.00	694,852.00
Regional School District Taxes	A-18	3,276,523.00	3,301,777.00
Interfund Advances	A-20	79,614.96	57,634.00
Refund of Prior Year Revenue	A-4	1,168.26	
<u>Total Expenditures</u>		<u>\$ 21,974,280.61</u>	<u>\$ 21,575,883.61</u>

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

STATEMENTS OF OPERATIONS
AND CHANGES IN FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	<u>YEAR ENDED</u> <u>2024</u>	<u>YEAR ENDED</u> <u>2023</u>
<u>EXPENDITURES (CONTINUED)</u>			
Excess/(Deficit) in Revenue		\$ 1,467,709.97	\$ 1,690,110.04
Fund Balance January 1	A	<u>2,862,563.80</u>	<u>4,121,980.52</u>
		4,330,273.77	5,812,090.56
Decreased by:			
Utilized as Anticipated Revenue	A-1	<u>2,055,493.41</u>	<u>2,949,526.76</u>
Fund Balance December 31	A	<u>\$ 2,274,780.36</u>	<u>\$ 2,862,563.80</u>

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

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

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	SPECIAL N.J.S.A. 40A:4-87		
Fund Balance Anticipated	A-1	\$ 2,055,493.41	\$ _____	\$ 2,055,493.41	\$ _____
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-11	15,000.00		15,300.00	300.00
Other	A-11	20,000.00		19,640.00	(360.00)
Fees and Permits	A-11	17,500.00		22,360.00	4,880.00
Fines and Costs - Municipal Court	A-11	83,000.00		96,232.54	13,232.54
Interest and Costs on Taxes	A-11	18,500.00		21,412.46	2,912.46
Interest on Investments and Deposits	A-11	34,000.00		167,243.85	133,243.85
Beach Badge Fees	A-11	975,000.00		989,862.00	14,882.00
Post Office Rent	A-11	15,000.00			(15,000.00)
Boat Ramp Fees	A-11	45,000.00		52,155.00	7,155.00
Hotel/Motel Tax	A-11	350,481.45		328,415.61	(22,065.84)
Energy Receipts Tax	A-11	250,392.00		250,392.20	0.20
Municipal Relief Fund Aid	A-11	25,809.53		25,809.53	
Uniform Construction Code Fees	A-11	100,000.00		102,000.00	2,000.00
Shared Services Agreements:					
Tax Collection Services					
Salaries and Wages	A-11	32,460.48		32,460.48	
Other Expenses	A-11	9,104.36		9,104.36	
Capital Fund Balance	A-11	98,687.66		98,687.66	
Interfund Liquidation - Animal Control Trust Fund	A-11	625.00		625.00	
Interfund Liquidation - Other Trust Funds	A-11	47,825.00		47,825.00	
Interfund Liquidation - Water -Sewer Utility Operating Funds	A-11	51,400.00		51,400.00	
American Rescue Plan Firefighters Grant	A-24	75,000.00		75,000.00	
Body Armor Replacement Fund	A-24	1,331.85		1,331.85	
Clean Communities Program	A-24	10,587.13	12,025.13	22,612.26	
Ocean County Tourism Grant	A-24		2,325.00	2,325.00	
Recycling Tonnage Grant	A-24	14,479.35		14,479.35	
Stormwater Assistance Grant	A-24	15,000.00		15,000.00	
	A-1	\$ 2,306,183.61	\$ 14,350.13	\$ 2,461,714.15	\$ 141,180.21

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

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

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	SPECIAL N.J.S.A. 40A:4-87		
Receipts from Delinquent Taxes	A-1:A-2	\$ 49,245.26	\$ _____	\$ 49,245.26	\$ _____
Amount to be Raised by Taxation for Support of Municipal Budget	A-8	5,740,829.72	_____	5,890,372.13	149,542.41
<u>Budget Totals</u>		10,151,752.20	14,350.13	10,456,824.95	290,722.62
Non-Budget Revenues	A-1:A-2	_____	_____	291,418.74	291,418.74
		\$ 10,151,752.20	\$ 14,350.13	\$ 10,748,243.69	\$ 582,141.36
	REF.	A-3	A-3		

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

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

	<u>REF.</u>	
<u>ANALYSIS OF REALIZED REVENUE</u>		
Current Tax Collections	A-1:A-3	\$ 17,517,339.74
Appropriation "Reserve for Uncollected Taxes"	A-3	<u>134,337.03</u>
		17,722,726.77
Less: Allocated to School and County Taxes	A-3	<u>11,332,354.54</u>
	A-2	<u>\$ 5,390,372.13</u>
<u>RECEIPTS FROM DELINQUENT TAXES</u>		
Delinquent Tax Collections	A-8	\$ <u>49,245.26</u>
	A-1:A-2	<u>\$ 49,245.26</u>
<u>MISCELLANEOUS REVENUES</u>		
3% Year End Penalty Receivable	A-9	\$ 795.34
Revenue Accounts Receivable	A-11	2,330,169.35
Interfund - Federal and State Grant Fund	A-20:A-24	<u>130,743.46</u>
	A-1:A-2	<u>\$ 2,461,714.15</u>
<u>ANALYSIS OF NON-BUDGET REVENUE</u>		
Auction Proceeds		\$ 40,147.39
Bids		350.00
Cable TV Franchise		22,490.62
Copies		242.00
Curbing Administrative Fees		975.00
Firearms ID Cards		1,350.00
NSF Checks		322.31
Planning Board Fees		14,125.00
Police Reports		1,223.00
Recreation Passes		12,030.00
Recycling		3,920.30
SC/METS Administrative Fees		245.00
Traffic Control and Police Off Duty Administrative Fees		15,950.00
Vital Statistics		2,327.00
Voided Checks of Prior Year		149,700.15
Unclassified		<u>25,363.47</u>
	A-4	291,266.74
Statutory Excess in Animal Control Reserve	A-20	<u>152.00</u>
	A-1:A-2	<u>\$ 291,413.74</u>

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

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

	APPROPRIATED		EXPENDED			UNEXPENDED BALANCE CANCELED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED		
<u>OPERATIONS WITHIN CAPS</u>							
<u>GENERAL GOVERNMENT</u>							
Administrative and Executive							
Salaries and Wages	\$ 67,500.00	\$ 67,500.00	\$ 57,436.32	\$	\$ 10,063.68	\$	\$
Other Expenses	26,500.00	12,500.00	12,500.00				
Human Resources (Personnel)							
Other Expenses	50,000.00	35,000.00	23,386.99		11,613.01		
Mayor and Council							
Salaries and Wages	45,000.00	45,000.00	42,500.00		2,500.00		
Other Expenses	5,000.00	5,000.00	2,460.46	377.90	2,161.64		
Municipal Clerk							
Salaries and Wages	110,000.00	110,000.00	100,901.36		9,098.64		
Other Expenses	30,000.00	30,000.00	15,983.20		14,016.80		
Financial Administration (Treasury)							
Salaries and Wages	85,000.00	90,000.00	90,000.00				
Other Expenses	45,500.00	40,500.00	22,094.79	325.00	18,080.21		
Audit Services							
Other Expenses	50,000.00	50,000.00	43,175.00		6,825.00		
Information Technology							
Other Expenses	75,000.00	75,000.00	62,061.65		12,938.35		
Revenue Administration (Tax Collection)							
Salaries and Wages	75,000.00	75,000.00	58,250.61		16,749.39		
Other Expenses	17,500.00	17,500.00	13,193.72		4,306.28		
Liquidation of Tax Title Liens							
Other Expenses	1,000.00	1,000.00			1,000.00		
Tax Assessment Administration							
Salaries and Wages	40,000.00	40,000.00	39,741.24		258.76		
Other Expenses	15,000.00	15,000.00	9,948.83		5,051.17		
Other Expenses - Revaluation	75,000.00	75,000.00	75,000.00				
Legal Services							
Other Expenses	170,000.00	240,000.00	222,298.15		17,701.85		
Consulting Services							
Other Expenses	10,000.00						
Engineering Services							
Other Expenses	100,000.00	70,000.00	47,233.30		22,766.70		
Historic Preservation							
Other Expenses	5,000.00	5,000.00	5,000.00				
Municipal Prosecutor							
Other Expenses	15,000.00	15,000.00	12,900.00		2,100.00		
<u>LAND USE ADMINISTRATION</u>							
Land Use Board							
Salaries and Wages	30,000.00	30,000.00	26,161.87		3,838.13		
Other Expenses	55,000.00	40,000.00	26,072.57	4,200.00	9,727.43		
Zoning Enforcement							
Salaries and Wages	60,000.00	60,000.00	48,823.44		11,176.56		
Other Expenses	13,000.00	13,000.00	8,605.77		4,394.23		

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

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

	APPROPRIATED		EXPENDED			UNEXPENDED BALANCE CANCELED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED	RESERVED		
Other Code Enforcement							
Salaries and Wages	\$ 30,000.00	\$ 30,000.00	\$ 17,554.19	\$	\$ 12,445.81	\$	\$
Other Expenses	15,000.00	15,000.00	7,248.75		7,751.25		
<u>INSURANCE</u>							
General Liability	115,000.00	115,000.00	110,081.68		4,918.32		
Worker's Compensation	170,000.00	170,000.00	106,514.75		63,485.25		
Employee Group Health	575,000.00	575,000.00	557,015.79	1,938.99	16,045.22		
<u>PUBLIC SAFETY</u>							
Police Department							
Salaries and Wages	1,500,000.00	1,572,062.91	1,568,435.49		3,627.42		
Other Expenses	140,575.00	136,575.00	133,572.00	2,296.86	706.14		
Office of Emergency Management							
Salaries and Wages	3,000.00	3,000.00	2,000.00		1,000.00		
Other Expenses	39,000.00	24,000.00	18,898.86		5,101.14		
Aid to Volunteer Fire Company	76,951.00	76,951.00	76,951.00				
First Aid Organization Contribution	25,000.00	50,000.00	50,000.00				
Municipal Court							
Salaries and Wages	157,500.00	157,500.00	152,071.42		5,428.58		
Other Expenses	22,000.00	22,000.00	10,616.58		11,383.42		
Public Defender							
Other Expenses	10,000.00	10,000.00	1,900.00		8,100.00		
<u>PUBLIC WORKS</u>							
Streets and Road Maintenance							
Salaries and Wages	175,000.00	144,000.00	115,161.26		28,838.74		
Other Expenses	37,500.00	37,500.00	33,181.50	4,318.50			
Schedule C	17,500.00	17,500.00	9,979.77		7,520.23		
Garbage and Trash Removal							
Other Expenses	450,000.00	520,000.00	475,083.26		44,916.74		
Recycling							
Salaries and Wages	26,750.00	26,750.00	17,703.66		9,046.34		
Other Expenses	25,000.00	15,000.00	2,222.47		12,777.53		
Public Buildings and Grounds							
Salaries and Wages	87,500.00	77,500.00	74,465.10		3,034.90		
Other Expenses	125,000.00	135,000.00	121,510.24	3,848.46	9,641.30		
Equipment Maintenance and Repair							
Salaries and Wages	147,500.00	147,500.00	157,662.73				10,162.73
Other Expenses	55,000.00	55,000.00	47,547.27	51.00	7,401.73		

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

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

	APPROPRIATED		PAID OR CHARGED	EXPENDED		UNEXPENDED BALANCE CANCELED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION		ENCUMBERED	RESERVED		
Animal Control Services							
Other Expenses	\$ 7,500.00	\$ 7,500.00	\$ 3,956.70	\$ 651.87	\$ 2,891.63	\$	\$
Aid to Senior Citizens Center (R.S.40:48-94):							
Other Expenses	7,000.00	7,000.00	7,000.00				
Aid to Museum (N.J.S.A. 40:23-22):							
Other Expenses	300.00	300.00	-		300.00		
<u>WHARVES, DOCKS AND BULKHEADS</u>							
Salaries and Wages	35,000.00	35,000.00	30,242.11		4,757.89		
Other Expenses	25,500.00	25,500.00	24,919.85		580.15		
<u>PARKS AND RECREATION FUNCTIONS</u>							
Recreation							
Salaries and Wages	47,500.00	49,437.09	49,437.09				
Other Expenses	51,000.00	51,000.00	23,033.52	1,295.60	26,670.88		
<u>BEACHFRONT MAINTENANCE</u>							
Salaries and Wages	185,000.00	190,000.00	190,000.00				
Other Expenses	55,000.00	55,000.00	35,833.98	5,372.99	13,793.03		
<u>BEACH OPERATIONS</u>							
Salaries and Wages	603,200.00	603,200.00	601,536.30		1,663.70		
Other Expenses	91,000.00	95,000.00	90,358.19		4,641.81		
<u>BEACH REPLENISHMENT</u>							
Other Expenses	1,000.00						
<u>CELEBRATION OF PUBLIC EVENTS</u>							
Other Expenses	60,000.00	60,000.00	58,640.11	1,176.28	183.61		
<u>UNIFORM CONSTRUCTION CODE - APPROPRIATIONS OFFSET BY DEDICATED REVENUES (N.J.A.C. 5:23-4.17)</u>							
Uniform Construction Code Enforcement Functions							
Salaries and Wages	37,500.00	37,500.00	31,348.96		6,151.04		
Other Expenses	31,000.00	11,900.00	8,834.74		3,065.26		
<u>UNCLASSIFIED</u>							
Electricity	83,096.00	83,096.00	69,042.92		14,053.08		
Street Lighting	140,000.00	140,000.00	102,788.90		37,211.10		
Telephone	37,500.00	46,500.00	46,315.46		184.54		
Natural Gas	27,500.00	27,500.00	23,811.24		3,688.76		

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

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

	APPROPRIATED		EXPENDED		UNEXPENDED BALANCE CANCELED	OVER- EXPENDED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	ENCUMBERED		
Gasoline	\$ 89,750.00	\$ 80,750.00	\$ 48,342.00		\$ 32,408.00	\$
Sanitary Landfill	215,000.00	145,000.00	137,425.79		7,574.21	
Accumulated Absence Liability	125,000.00	125,000.00	125,000.00			
Salary Settlements and Adjustments	35,000.00	22,000.00			22,000.00	
Total Operations within Caps	<u>7,288,022.00</u>	<u>7,288,022.00</u>	<u>6,640,974.90</u>	<u>25,853.25</u>	<u>631,356.58</u>	<u>10,162.73</u>
Detail:						
Salaries and Wages	3,582,950.00	3,612,950.00	3,471,433.15		151,679.58	10,162.73
Other Expenses	3,705,072.00	3,675,072.00	3,169,541.75	25,853.25	479,677.00	
<u>DEFERRED CHARGES AND STATUTORY EXPENDITURES</u>						
<u>WITHIN CAPS</u>						
Statutory Expenditures:						
Contribution to:						
Public Employees Retirement System	160,100.00	160,100.00	160,100.00			
Social Security System (O.A.S.I.)	285,000.00	285,000.00	277,380.06		7,619.94	
Police and Firemen's Retirement System of NJ	391,144.00	391,144.00	391,144.00			
Defined Contribution Retirement Program	5,000.00	5,000.00			5,000.00	
Unemployment and Disability Insurance	20,800.00	20,800.00	13,204.46		7,595.54	
Total Deferred Charges and Statutory Expenditures within Caps	<u>862,044.00</u>	<u>862,044.00</u>	<u>841,828.52</u>		<u>20,215.48</u>	
Total Appropriations within Caps	<u>8,150,066.00</u>	<u>8,150,066.00</u>	<u>7,482,803.42</u>	<u>25,853.25</u>	<u>651,572.06</u>	<u>10,162.73</u>
<u>OPERATIONS EXCLUDED FROM CAPS</u>						
Length of Service Award Program	12,000.00	12,000.00	8,800.00		3,200.00	
Recycling Tax	7,000.00	7,000.00			7,000.00	
Interlocal Municipal Service Agreements:						
Shared Services Agreements:						
Township of Long Beach:						
Tax Collection Services:						
Salaries and Wages	32,460.48	32,460.48	32,460.48			
Other Expenses	9,104.36	9,104.36	9,104.36			
Transportation:						
Other Expenses	20,000.00	20,000.00	20,000.00			
Construction/Zoning Enforcement:						
Other Expenses	80,000.00	80,000.00	80,000.00			
Police:						
Other Expenses						
Dispatch/911	75,900.00	75,900.00	75,898.84		1.16	
Enforsys, MDT and LPR	4,425.00	4,425.00	4,425.00			
Board of Health:						
Other Expenses	53,506.00	53,506.00	53,505.60		.40	

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

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

	<u>APPROPRIATED</u>		<u>EXPENDED</u>			<u>UNEXPENDED BALANCE CANCELED</u>	<u>OVER- EXPENDED</u>
	<u>BUDGET</u>	<u>BUDGET AFTER MODIFICATION</u>	<u>PAID OR CHARGED</u>	<u>ENCUMBERED</u>	<u>RESERVED</u>		
<u>PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES</u>							
American Rescue Plan Firefighters Grant	\$ 75,000.00	\$ 75,000.00	\$ 75,000.00	\$	\$	\$	\$
Body Armor Replacement Fund	1,331.85	1,331.85	1,331.85				
Clean Communities Program	10,587.13	22,612.26	22,612.26				
Ocean County Tourism Grant		2,325.00	2,325.00				
Recycling Tonnage Grant	14,479.35	14,479.35	14,479.35				
Stormwater Assistance Grant	15,000.00	15,000.00	15,000.00				
Total Operations excluded from Caps	<u>410,794.17</u>	<u>425,144.30</u>	<u>414,942.74</u>		<u>10,201.56</u>		
Detail:							
Salaries and Wages	32,460.48	32,460.48	32,460.48				
Other Expenses	378,333.69	392,683.82	382,482.26		10,201.56		
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</u>							
Capital Improvement Fund	150,000.00	150,000.00	150,000.00				
4th Street Park Improvements	100,000.00	100,000.00	100,000.00				
Reserve for Bulkhead Repairs/Replacement	100,000.00	100,000.00	100,000.00				
Total Capital Improvements excluded from Caps	<u>350,000.00</u>	<u>350,000.00</u>	<u>350,000.00</u>				
<u>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</u>							
Payment of Bond Principal	494,000.00	494,000.00	494,000.00				
Payment of Bond Anticipation Notes and Capital Notes	45,000.00	45,000.00	45,000.00				
Interest on Bonds	555,125.00	555,125.00	555,116.38			8.62	
Interest on Notes	22,000.00	22,000.00	21,938.89			61.11	
Green Trust Loan Program:							
Loan Repayments for Principal & Interest	19,880.00	19,880.00	19,877.18			2.82	
Total Municipal Debt Service excluded from Caps	<u>1,136,005.00</u>	<u>1,136,005.00</u>	<u>1,135,932.45</u>			<u>72.55</u>	
Total General Appropriations excluded from Caps	<u>1,896,799.17</u>	<u>1,911,149.30</u>	<u>1,900,875.19</u>		<u>10,201.56</u>	<u>72.55</u>	
Subtotal General Appropriations	10,046,365.17	10,061,215.30	9,383,678.61	25,853.25	661,773.62	72.55	10,162.73
Reserve for Uncollected Taxes	104,387.03	104,887.03	104,887.03				
	<u>\$ 10,151,752.20</u>	<u>\$ 10,166,102.33</u>	<u>\$ 9,488,565.64</u>	<u>\$ 25,853.25</u>	<u>\$ 661,773.62</u>	<u>\$ 72.55</u>	<u>\$ 10,162.73</u>
<u>REF.</u>	A-2		A1	A-1:A22	A, A-1		A-7

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

BOROUGH OF SHIP BOTTOM

CURRENT FUND

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

	<u>REF.</u>	<u>BUDGET AFTER MODIFICATION</u>
Appropriation by 40A:4-87	A-2	\$ 14,350.13
Budget	A-3	<u>10,151,752.20</u>
		<u>\$ 10,166,102.33</u>
		<u>EXPENDED PAID OR CHARGED</u>
Reserve for Uncollected Taxes	A-2	\$ 104,887.03
Disbursements	A-4	9,187,192.59
Reserve for Revaluation	A-23	63,412.56
Interfund - Federal and State Grant Fund	A-24	<u>133,073.46</u>
		<u>\$ 9,488,565.64</u>

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

TRUST FUND

BOROUGH OF SHIP BOTTOM

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2024</u>	<u>BALANCE DECEMBER 31, 2023</u>
<u>ASSETS</u>			
Animal Control Trust Fund:			
Cash and Cash Equivalents	B-1	\$ <u>1,111.69</u>	\$ <u>950.76</u>
		<u>1,111.69</u>	<u>950.76</u>
Trust - Other:			
Cash and Cash Equivalents	B-1	1,434,851.07	1,305,692.76
Interfund Receivable	B-4	<u>3,000.00</u>	<u> </u>
		<u>1,437,851.07</u>	<u>1,305,692.76</u>
		\$ <u>1,438,962.76</u>	\$ <u>1,306,643.52</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCES</u>			
Animal Control Trust Fund:			
Reserve for Animal Control Trust Fund Expenditures	B-2	\$ 298.80	\$ 324.80
Due State of New Jersey	B-3	5.40	
Interfunds Payable	B-4	<u>807.49</u>	<u>625.96</u>
		<u>1,111.69</u>	<u>950.76</u>
Trust - Other:			
Interfunds Payable	B-4	79,180.42	48,188.30
Reserve for Encumbrances	B-5		921.92
Miscellaneous Reserves	B-6	<u>1,358,670.65</u>	<u>1,256,582.54</u>
		<u>1,437,851.07</u>	<u>1,305,692.76</u>
		\$ <u>1,438,962.76</u>	\$ <u>1,306,643.52</u>

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

GENERAL CAPITAL FUND

"C"

BOROUGH OF SHIP BOTTOM

GENERAL CAPITAL FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2024</u>	<u>BALANCE DECEMBER 31, 2023</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	C-2	\$ 1,108,022.68	\$ 1,161,619.93
Deferred Charges to Future Taxation:			
Funded	C-4	11,852,598.85	12,365,046.87
Unfunded	C-5	3,707,008.38	3,252,008.38
Grants Receivable	C-6	226,101.86	1,025,126.32
Interfunds Receivable	C-7	<u>892,270.19</u>	<u>748,435.06</u>
		\$ <u>17,786,001.96</u>	\$ <u>18,552,236.56</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-8	\$ 11,795,000.00	\$ 12,289,000.00
Bond Anticipation Notes Payable	C-9	1,692,000.00	440,000.00
Green Trust Loans Payable	C-10	57,598.85	76,046.87
Improvement Authorizations:			
Funded	C-11	896,802.46	1,321,944.14
Unfunded	C-11	1,742,019.16	2,264,918.83
Capital Improvement Fund	C-12	642,864.42	592,864.42
Reserve for Encumbrances	C-13	460,243.41	1,144,094.64
Capital Reserves	C-14	499,118.34	324,680.00
Fund Balance	C-1	<u>355.32</u>	<u>98,687.66</u>
		\$ <u>17,786,001.96</u>	\$ <u>18,552,236.56</u>

There were bonds and notes authorized but not issued on December 31, 2024 of \$2,015,008.38 (Schedule C-15) and on December 31, 2023 of \$2,312,008.38.

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

BOROUGH OF SHIP BOTTOM

GENERAL CAPITAL FUND

STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2023	C	\$ 98,687.66
Increased by:		
Premium on Bond Anticipation Notes Issued	C-2	<u>355.32</u>
		99,042.98
Decreased by:		
Payment to Current Fund as Anticipated Revenue	C-2	<u>98,687.66</u>
Balance, December 31, 2024	C	\$ <u><u>355.32</u></u>

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

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WATER - SEWER UTILITY FUND

BOROUGH OF SHIP BOTTOM
WATER - SEWER UTILITY FUND
BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2024</u>	<u>BALANCE DECEMBER 31, 2023</u>
<u>ASSETS</u>			
Operating Fund:			
Cash and Cash Equivalents	D-5	\$ 836,564.44	\$ 1,837,474.88
Interfunds Receivable	D-10	<u>1,481,020.12</u>	<u>1,105,877.59</u>
		<u>2,317,584.56</u>	<u>2,943,352.47</u>
Receivables with Full Reserves:			
Water Rents Receivable	D-7	142,384.42	145,327.04
Sewer Rents Receivable	D-8	<u>205,498.04</u>	<u>212,112.89</u>
		<u>347,882.46</u>	<u>357,439.93</u>
<u>Total Operating Fund</u>		<u>2,665,467.02</u>	<u>3,300,792.40</u>
Capital Fund:			
Cash and Cash Equivalents	D-5	1,767,714.25	2,094,090.51
DOT Grant Receivable	D-5		3,000,000.00
Fixed Capital	D-14	40,609,416.52	40,325,929.51
Fixed Capital Authorized and Uncompleted	D-15	8,662,785.37	8,946,272.38
Interfunds Receivable	D-16	<u>3,078,698.27</u>	<u>9,705.24</u>
<u>Total Capital Fund</u>		<u>54,118,614.41</u>	<u>54,375,997.64</u>
		<u>\$ 56,784,081.43</u>	<u>\$ 57,676,790.04</u>

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

BOROUGH OF SHIP BOTTOM
WATER - SEWER UTILITY FUND
BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2024</u>	<u>BALANCE DECEMBER 31, 2023</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	D-4:D-9	\$ 178,748.89	\$ 35,383.58
Interfunds Payable	D-10	3,000.00	51,408.69
Overpayments	D-11	4,932.02	1,908.75
Accrued Interest on Bonds, Notes and Loans	D-12	49,626.15	45,284.86
Reserve for Encumbrances	D-13	2,429.56	451.64
		<u>238,736.62</u>	<u>134,437.52</u>
Reserve for Receivables		347,882.46	357,439.93
Fund Balance	D-1	2,078,847.94	2,808,914.95
<u>Total Operating Fund</u>		<u>2,665,467.02</u>	<u>3,300,792.40</u>
Capital Fund:			
Reserve for Encumbrances	D-13	423,944.69	669,455.60
Interfunds Payable	D-16	1,826,313.50	1,574,882.47
Serial Bonds Payable	D-17	4,135,000.00	4,357,000.00
New Jersey Infrastructure Bank:			
Loans Payable	D-18	20,397,118.89	20,999,742.05
Interim Construction Note	D-19	700,381.00	700,381.00
Improvement Authorizations:			
Funded	D-20	2,755,808.36	2,704,800.72
Unfunded	D-20	5,906,977.01	6,241,471.66
Capital Improvement Fund	D-21	822,558.93	672,558.93
Reserve for Amortization	D-22	14,394,703.67	13,552,095.12
Deferred Reserve for Amortization	D-23	2,755,808.36	2,704,800.72
Fund Balance	D-2	198,809.37	198,809.37
<u>Total Capital Fund</u>		<u>54,118,614.41</u>	<u>54,375,997.64</u>
		<u>\$ 56,784,081.43</u>	<u>\$ 57,676,790.04</u>

There were bonds and notes authorized but not issued on December 31, 2024 of \$6,889,189.97 (Schedule D-24) and on December 31, 2023 of \$6,958,183.00.

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

BOROUGH OF SHIP BOTTOM

WATER - SEWER UTILITY OPERATING FUND

STATEMENTS OF OPERATIONS
AND CHANGES IN OPERATING FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	<u>YEAR ENDED DECEMBER 31, 2024</u>	<u>YEAR ENDED DECEMBER 31, 2023</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	D-3	\$ 956,546.08	\$ 85,233.00
Water Rents	D-3	784,760.24	772,761.06
Sewer Rents	D-3	1,057,283.81	1,033,000.48
Miscellaneous	D-3	100,846.67	428,757.34
Tower Lease Rental	D-3	182,154.92	133,571.06
Capital Fund Balance	D-3	198,809.37	299,296.00
Other Credits to Income:			
Unexpended Balance of			
Appropriation Reserves	D-9	<u>15,951.98</u>	<u>216,521.78</u>
<u>TOTAL INCOME</u>		<u>3,296,353.07</u>	<u>2,969,140.72</u>
<u>EXPENDITURES</u>			
Operating	D-4	1,485,000.84	1,257,108.26
Capital Improvements	D-4	150,000.00	150,000.00
Debt Service	D-4	1,390,623.16	1,164,342.42
Statutory Expenditures	D-4	<u>44,250.00</u>	<u>39,500.00</u>
		<u>3,069,874.00</u>	<u>2,610,950.68</u>
Refund of Prior Year Revenue	D-5		<u>258.25</u>
<u>TOTAL EXPENDITURES</u>		<u>3,069,874.00</u>	<u>2,611,208.93</u>
Regulatory Excess to Fund Balance		226,479.07	357,931.79
Fund Balance January 1	D	<u>2,808,914.95</u>	<u>2,536,216.16</u>
		<u>3,035,394.02</u>	<u>2,894,147.95</u>
Less: Utilized as Anticipated Revenue	D-1	<u>956,546.08</u>	<u>85,233.00</u>
Fund Balance December 31	D	<u>\$ 2,078,847.94</u>	<u>\$ 2,808,914.95</u>

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

BOROUGH OF SHIP BOTTOM
WATER/SEWER UTILITY CAPITAL FUND
STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	
Balance December 31, 2023	D	\$ 198,809.37
Decreased by:		
Payment to Utility Operating Fund as Anticipated Revenue	D-5	\$ <u>198,809.37</u>

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

BOROUGH OF SHIP BOTTOM
WATER/SEWER UTILITY OPERATING FUND
 STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

	<u>REF.</u>	<u>ANTICIPATED</u>	<u>REALIZED</u>	<u>EXCESS</u>
Fund Balance Anticipated	D-1	\$ 956,546.08	\$ 956,546.08	\$
Water Rents	D-1:D-7	745,000.00	784,760.24	39,760.24
Sewer Rents	D-1:D-8	1,000,000.00	1,057,283.81	57,283.81
Miscellaneous	D-1:D-3	49,518.55	100,846.67	51,328.12
Tower Lease Rental	D-1:D-5	120,000.00	182,154.92	62,154.92
Capital Fund Balance	D-1:D-5	<u>198,809.37</u>	<u>198,809.37</u>	<u></u>
	D-4	<u>\$ 3,069,874.00</u>	<u>\$ 3,280,401.09</u>	<u>\$ 210,527.09</u>

ANALYSIS OF REALIZED REVENUE

Miscellaneous:			
Interest on Delinquent Accounts		\$	1,388.34
Investment Interest			96,123.99
Other Miscellaneous			<u>3,334.34</u>
	D-3:D-5	\$	<u>100,846.67</u>

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

BOROUGH OF SHIP BOTTOM

WATER/SEWER UTILITY OPERATING FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2024

	APPROPRIATIONS		EXPENDED		UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Operating:					
Salaries and Wages	\$ 185,000.00	\$ 185,000.00	\$ 167,375.61	\$ 17,624.39	\$
Other Expenses	1,300,000.84	1,300,000.84	1,150,161.15	149,839.69	
<u>Total Operating</u>	<u>1,485,000.84</u>	<u>1,485,000.84</u>	<u>1,317,536.76</u>	<u>167,464.08</u>	
Capital Improvements:					
Capital Improvement Fund	150,000.00	150,000.00	150,000.00		
<u>Total Capital Improvements</u>	<u>150,000.00</u>	<u>150,000.00</u>	<u>150,000.00</u>		
Debt Service:					
Payment of Bond Principal	222,000.00	222,000.00	222,000.00		
Interest on Bonds	166,000.00	166,000.00	166,000.00		
Infrastructure Loan Principal	602,623.16	602,623.16	602,623.16		
Infrastructure Loan Interest	400,000.00	400,000.00	400,000.00		
<u>Total Debt Service</u>	<u>1,390,623.16</u>	<u>1,390,623.16</u>	<u>1,390,623.16</u>		
Statutory Expenditures:					
Contribution To:					
Public Employees Retirement System	20,000.00	20,000.00	20,000.00		
Social Security System (O.A.S.I.)	15,000.00	15,000.00	12,530.27	2,469.73	
Unemployment Compensation Insurance	9,250.00	9,250.00	434.92	8,815.08	
<u>Total Deferred Charges and Statutory Expenditures</u>	<u>44,250.00</u>	<u>44,250.00</u>	<u>32,965.19</u>	<u>11,284.81</u>	
	\$ <u>3,069,874.00</u>	\$ <u>3,069,874.00</u>	\$ <u>2,891,125.11</u>	\$ <u>178,748.89</u>	\$
	REF.	D-3	D-1	D:D-1	D-1
Disbursements		D-5	\$ 2,322,695.55		
Accrued Interest on Bonds, Notes and Loans		D-12	566,000.00		
Reserve for Encumbrances		D-13	2,429.56		
			\$ <u>2,891,125.11</u>		

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

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PAYROLL FUND

BOROUGH OF SHIP BOTTOM

PAYROLL FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>BALANCE DECEMBER 31, 2024</u>	<u>BALANCE DECEMBER 31, 2023</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 50,200.57	\$ 29,160.13
Interfunds Receivable	<u>7,948.03</u>	<u>7,948.03</u>
	<u>\$ 58,148.60</u>	<u>\$ 37,108.16</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Payroll Liabilities	<u>\$ 58,148.60</u>	<u>\$ 37,108.16</u>
	<u>\$ 58,148.60</u>	<u>\$ 37,108.16</u>

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

GENERAL FIXED ASSETS ACCOUNT GROUP

BOROUGH OF SHIP BOTTOM
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEETS - REGULATORY BASIS

	<u>BALANCE DECEMBER 31, 2024</u>	<u>BALANCE DECEMBER 31, 2023</u>
<u>GENERAL FIXED ASSETS</u>		
Land	\$ 43,307,000.00	\$ 43,307,000.00
Buildings	13,034,000.00	12,477,100.00
Equipment & Vehicles	4,299,467.44	4,250,300.18
Construction in Progress	<u>2,768,309.50</u>	<u>1,727,113.02</u>
	<u>\$ 63,408,776.94</u>	<u>\$ 61,761,513.20</u>
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>		
Investment in General Fixed Assets	<u>\$ 63,408,776.94</u>	<u>\$ 61,761,513.20</u>

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

NOTES TO FINANCIAL STATEMENTS

BOROUGH OF SHIP BOTTOM

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of Ship Bottom is an instrumentality of the State of New Jersey established to function as a municipality. The Borough Council consists of elected officials and is responsible for the fiscal control of the Borough.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organizations; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization.

Except as noted below, the financial statements of the Borough of Ship Bottom include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough of Ship Bottom, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Borough of Ship Bottom do not include the operations of any libraries, first aid organizations, volunteer fire companies, the consolidated school district or the regional school district, in as much as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles, (GAAP).

NOTE 11 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

The accounting policies of the Borough of Ship Bottom 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 respect to public funds. Under this method of accounting, the financial transactions and accounts of the Borough of Ship Bottom are organized on the basis of funds and account groups which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific governmental activity. As required by the Division of Local Government Services, the Borough accounts for its financial transactions through the following individual funds and account groups:

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

Trust Fund - receipt, 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 capital facilities, other than those acquired in the Current Fund.

Water - Sewer Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally owned water - sewer utility.

Payroll Fund - Receipt and disbursement of funds for payroll costs and payroll taxes.

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other 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 accounting policies and differences in the State of New Jersey are as follows:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. Federal and state grants are realized as revenue when anticipated in the Borough's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Borough which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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 and constitute part of the Borough's statutory Appropriation Reserve balance. Appropriation reserves covering unexpended 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 and utility bonds and notes are provided on the cash basis; interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - the proceeds from the sale of municipal assets can be held in a reserve until anticipated as revenue in a future budget. GAAP requires such proceeds to be recorded as revenue in the year of sale.

NOTE 11 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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. GAAP does not require the establishment of an offsetting reserve.

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Borough as part of its basic financial statements. General fixed assets are defined as nonexpendable personal property having a physical existence, a useful life of more than one year and an acquisition cost of \$5,000.00 or more per unit.

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.

No depreciation has been provided on general fixed assets or reported in the financial statements.

The Borough has developed a fixed assets accounting and reporting system based upon an inspection and historical cost analysis except for land and buildings acquired prior to December 31, 1985 which are stated at current replacement values as permitted by N.J.A.C. 5:30-5.6. Except for land and buildings, fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Assets Account Group rather than in a governmental fund.

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

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

Inventories of Supplies - the costs 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. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital - Water - Sewer Utility

Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Water - 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. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization account in the utility capital fund represents charges to operations for the cost of acquisitions of property, equipment and improvements. The utility does not record depreciation on fixed assets.

Accounting and Financial Reporting for Pensions

Under GAAP, municipalities are required to recognize their distributive shares of the net pension liability, deferred outflows of resources and deferred inflows of resources in the Statement of Net Position and the total pension related expense in the Statement of Revenues, Expenses and Changes in Net Position and in the Notes to the Financial Statements in accordance with GASB 68.

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net pension liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 68 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 68 however, local units are permitted to disclose the most recently available information as it relates to the New Jersey Division of Pensions and Benefits reporting on GASB 68. As of the date of this report the information for the period ended June 30, 2024 was not available, therefore the information dated June 30, 2023 is disclosed.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

Under GAAP, municipalities are required to recognize their distributive shares of the net OPEB liability, deferred outflows of resources and deferred inflows of resources in the Statement of Net Position and the total OPEB related expense in the Statement of Revenues, Expenses and Changes in Net Position and in the Notes to the Financial Statements in accordance with GASB 75.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) (Continued)

New Jersey's municipalities and counties do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording the net OPEB liability as a liability on their balance sheets. However, N.J.A.C. 5:30 6.1(c) (2) requires municipalities to disclose GASB 75 information in the Notes to the Financial Statements. The disclosure must meet the requirements of GASB 75 however, local units are permitted to disclose the most recently available information as it relates to the New Jersey Division of Pensions and Benefits reporting on GASB 75. As of the date of this report the information for the period ended June 30, 2024 was not available, therefore the information dated June 30, 2023 is disclosed.

Leases

Under GAAP, lease receivables are measured at the present value of the lease payments expected to be received during the lease term. Payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized in a systematic and rational manner over the lease term.

Lease liabilities represent obligations to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Payments for short-term leases with a term of 12 months or less are expensed as incurred and these leases are not included as lease liabilities or right-to-use assets on the statements of net position.

New Jersey's municipalities do not follow GAAP accounting principles and, as such, do not follow GASB requirements with respect to recording lease receivables, deferred outflows, lease liabilities or deferred inflows on their balance sheets.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general-purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division, and which differ from the financial statements required by GAAP.

NOTE 21 CASH AND CASH EQUIVALENTS

The Borough considers petty cash, change funds, cash in banks, deposits in the New Jersey Cash Management Fund and certificates of deposit as cash and cash equivalents.

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions which are located in New Jersey, and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation (FDIC). The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00.

The Borough of Ship Bottom had the following cash and cash equivalents at December 31, 2024:

	PETTY CASH AND CHANGE FUND	CASH IN BANK	DEPOSITS IN TRANSIT	OUTSTANDING CHECKS	RECONCILED BALANCE
Current Fund	\$1,675.00	\$8,305,871.61	\$105,666.33	\$629,997.14	\$7,783,215.80
Federal and State Grant Fund		49,959.87		4,650.00	45,309.87
Animal Control Trust Fund		1,111.69			1,111.69
Trust Other Fund		1,458,741.57		23,890.50	1,434,851.07
General Capital Fund		1,121,600.80		13,578.12	1,108,022.68
Water-Sewer Operating Fund		898,884.56	5,895.70	68,215.82	836,564.44
Water-Sewer Capital Fund		1,768,726.41		1,012.16	1,767,714.25
Payroll Fund		50,983.57		783.00	50,200.57
	<u>\$1,675.00</u>	<u>\$13,655,880.08</u>	<u>\$111,562.03</u>	<u>\$742,126.74</u>	<u>\$13,029,990.37</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Borough does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of the statute. As of December 31, 2024, based upon the coverage provided by FDIC and NJ GUDPA, no amount of the bank balance was exposed to custodial credit risk.

Of the cash on deposit in the bank, \$250,000.00 was covered by FDIC insurance and a collateral pool under NJ GUDPA covered \$13,073,173.36. An amount of \$332,706.72 was on deposit in the name of various developers for escrow and is insured by FDIC insurance or uninsured depending on the deposits of the individual developer in the depository.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchase of investments by the Borough is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units.
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C. 52:18A-90.4) or

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2024</u>	<u>YEAR 2023</u>	<u>YEAR 2022</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 13,544,598.85	\$ 12,805,046.87	\$ 13,184,732.32
Water - Sewer Utility:			
Bonds, Notes and Loans	<u>25,232,499.89</u>	<u>26,057,123.05</u>	<u>25,775,815.82</u>
Total Issued	<u>38,777,098.74</u>	<u>38,862,169.92</u>	<u>38,960,548.14</u>
Less:			
Funds Temporarily Held to Pay			
Bonds, Notes and Loans,			
Accounts Receivable and			
Self-Liquidating Purpose	<u>32,121,689.86</u>	<u>32,862,751.25</u>	<u>31,023,214.10</u>
Total Deductions	<u>32,121,689.86</u>	<u>32,862,751.25</u>	<u>31,023,214.10</u>
Net Debt Issued	<u>6,655,408.88</u>	<u>5,999,418.67</u>	<u>7,937,334.04</u>
Authorized But Not Issued:			
General:			
Bonds, Notes and Loans	2,015,008.38	2,812,008.38	781,358.38
Water - Sewer Utility:			
Bonds, Notes and Loans	<u>6,889,189.97</u>	<u>6,958,183.00</u>	<u>5,215,023.00</u>
Total Authorized But Not Issued	<u>8,904,198.35</u>	<u>9,770,191.38</u>	<u>5,996,381.38</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 15,559,607.23</u>	<u>\$ 15,769,610.05</u>	<u>\$ 13,933,715.42</u>

BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED

Equalized Valuation Basis* - December 31, 2024	\$ <u>2,304,959,756.00</u>
3-1/2 of Equalized Valuation Basis (Municipal)	\$ 80,673,591.46
Net Debt	<u>15,559,607.23</u>
Remaining Borrowing Power	\$ <u>65,113,984.23</u>

*Equalized Valuation Basis is the average of the equalized valuation of real estate, including improvements, and the assessed valuation of Class II Rail Road Property of the Borough of Ship Bottom for the last three (3) preceding years.

NOTE 3: MUNICIPAL DEBT (CONTINUED)

CALCULATION OF "SELF-LIQUIDATING PURPOSE"
WATER - SEWER UTILITY PER N.J.S.40A:2-45

Revenue from Fees, Rents, and Other Charges for Year and Fund Balance		\$ 3,081,591.72
Deductions:		
Operating and Maintenance Cost	\$ 1,529,250.84	
Debt Service per Water - Sewer Account	<u>1,390,623.16</u>	
Total Deductions		<u>2,919,874.00</u>
Excess in Revenue		\$ <u>161,717.72</u>

LONG-TERM DEBT OBLIGATIONS:

General Capital Fund:

Serial Bonds:

Various % General Improvement Bonds Series 2017A issued September 21, 2017, installment maturities to September 15, 2030	\$ 435,000.00
Various % General Improvement Bonds Series 2017C issued September 21, 2017, installment maturities to September 15, 2035	285,000.00
Various % General Improvement Bonds Series 2023 issued October 17, 2023, installment maturities to October 15, 2043	<u>11,075,000.00</u>
	\$ <u>11,795,000.00</u>

The General Capital Fund bonds mature serially in installments to the year 2043. Aggregate debt service requirements during the next five fiscal years and thereafter are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2025	\$ 490,000.00	\$ 530,241.26
2026	490,000.00	502,641.26
2027	510,000.00	476,441.26
2028	535,000.00	449,391.26
2029	550,000.00	420,922.50
2030-34	2,840,000.00	1,701,420.00
2035-39	3,280,000.00	1,092,425.00
2040-43	<u>3,100,000.00</u>	<u>340,531.26</u>
Total	\$ <u>11,795,000.00</u>	\$ <u>5,514,013.80</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG TERM DEBT OBLIGATIONS (CONTINUED)

General Capital Fund (Continued)

Green Trust Loan Program

The Borough has a low interest loan (2%) under the New Jersey Department of Environmental Protection's Green Trust Loan Program. The \$319,655.00 loan for Waterfront Park was finalized on February 5, 2008. The Borough must repay the loan in semi-annual installments over twenty years. Loan payments are due through the year 2027.

Debt service requirements for the two loans are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2025	\$ 18,818.82	\$ 1,058.35
2026	19,197.07	680.09
2027	<u>19,582.96</u>	<u>294.23</u>
Total	<u>\$ 57,598.85</u>	<u>\$ 2,032.67</u>

Water - Sewer Utility Capital Fund:

Serial Bonds

Various % Water-Sewer Utility Bonds Series 2017B issued September 21, 2017, installment maturities to September 15, 2037	\$ 1,480,000.00
Various % Water-Sewer Utility Bonds Series 2017D issued September 21, 2017, installment maturities to September 15, 2035	630,000.00
Various % Water-Sewer Utility Bonds Series 2023 issued October 17, 2023, installment maturities to October 15, 2043	<u>2,025,000.00</u>
	<u>\$ 4,135,000.00</u>

NOTE 3) MUNICIPAL DEBT (CONTINUED)

LONG TERM DEBT OBLIGATIONS (CONTINUED)

Water - Sewer Utility Capital Fund (Continued)

Serial Bonds (Continued)

The Water - Sewer Utility Capital Fund bonds Mature serially in installments to the year 2043. Aggregate debt service requirements during the next five fiscal years are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2025	\$ 215,000.00	\$ 156,093.76
2026	225,000.00	146,093.76
2027	230,000.00	137,793.76
2028	230,000.00	129,693.76
2029	250,000.00	121,412.52
2030-34	1,410,000.00	460,205.10
2035-39	1,030,000.00	220,762.58
2040-43	<u>545,000.00</u>	<u>59,106.28</u>
Total	\$ <u>4,135,000.00</u>	\$ <u>1,431,161.52</u>

New Jersey Environmental Infrastructure Loans

The Borough received various low interest loans (variable rate) under the New Jersey Environmental Infrastructure Trust Loan Program. The respective loan balances at December 31, 2024 are enumerated below. Loan payments are due in semi-annual installments over twenty years. Loan payments are due through the year 2053.

New Jersey Environmental Infrastructure Trust - 2008A (CW)	\$ 73,646.77
New Jersey Environmental Infrastructure Trust - 2008A (DW)	217,969.12
New Jersey Environmental Infrastructure Trust - 2020A-1 (CW)	2,166,241.13
New Jersey Environmental Infrastructure Trust - 2020A-1 (DW)	1,565,984.44
New Jersey Environmental Infrastructure Trust - 2022A-2 (DW)	8,479,507.60

NOTE 3: MUNICIPAL DEBT (CONTINUED)

LONG-TERM DEBT OBLIGATIONS (CONTINUED):

Water-Sewer Utility Capital Fund (Continued):

New Jersey Environmental Infrastructure Loans (Continued):

New Jersey Environmental
Infrastructure Trust - 2023A-W1 (CW) 3,772,906.18

New Jersey Environmental
Infrastructure Trust - 2023AW-1 (DW) 4,120,863.65

\$ 20,397,118.89

Debt Service requirements during the next five fiscal years and thereafter are as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2025	\$ 726,065.60	\$ 441,484.02
2026	733,221.54	427,784.02
2027	728,482.58	413,854.02
2028	724,384.61	399,244.02
2029	686,384.61	384,384.02
2030-34	3,641,923.05	1,717,895.08
2035-39	4,023,739.32	1,363,370.08
2040-44	3,045,693.95	1,011,867.60
2045-49	3,440,906.95	622,404.72
2050-53	<u>2,646,316.68</u>	<u>159,079.31</u>
Total	\$ <u>20,397,118.89</u>	\$ <u>6,941,366.89</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SHORT-TERM DEBT OBLIGATIONS:

Bond Anticipation Notes:

General Capital Fund:

DATE OR ORDINANCE NUMBER	DATE OF ORIGINAL ISSUE	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	AMOUNT
2018-11	10/15/24	10/15/24	07/11/25	3.75%	\$ 95,000.00
2023-06	10/17/23	10/15/24	07/11/25	3.75%	395,000.00
2023-09	10/15/24	10/15/24	07/11/25	3.75%	318,000.00
2023-10/2024-25	10/15/24	10/15/24	07/11/25	3.75%	434,000.00
2023-06	10/15/24	10/15/24	07/11/25	3.75%	<u>450,000.00</u>
					<u>\$ 1,692,000.00</u>

NJEIT Interim Construction Notes:

Water - Sewer Utility Capital Fund:

On or about February 14, 2020 and January 22, 2021, the Borough signed loan agreements with the New Jersey Environmental Infrastructure Trust, (NJEIT) in order to provide funding for Ordinance #'s 2019-22 and 2019-27. The NJEIT assigned the projects the following project numbers: 1528001-004, S340311-04 and S340311-05. Funding in the amount of \$9,962,490 was approved by the NJEIT. Parts of the loans are still in the interim construction phase of the loan process while other parts of the loan have gone to permanent financing. Of the respective amounts approved, \$8,735,034 was drawn down through December 31, 2024. As of December 31, 2024, a balance of \$1,227,456 remained available for draw down. The balance of the interim construction note at December 31, 2024 was \$700,381.00

BONDS AND NOTES AUTHORIZED BUT NOT ISSUED:

At December 31, 2024, the Borough had bonds and notes authorized but not issued as follows:

General Capital Fund	\$ 2,015,008.38
Water - Sewer Utility Capital Fund	\$ 6,889,189.97

NOTE 4) COMPENSATED ABSENCES

Under the terms of various contracts, Borough employees are allowed to accumulate unused vacation and sick pay over the life of their working careers which may be taken as time off or paid at a later date. It is estimated that the current cost of such unpaid compensation would approximate \$1,208,134.41. Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community affairs, State of New Jersey, the accumulated cost of such unpaid compensation is not required to be reported in the financial statements as presented and any amounts required to be paid are raised in that year's budget and no liability is accrued on December 31, 2024. The Borough has accumulated \$650,886.16 for this purpose in the Trust Other Fund and has budgeted \$25,000.00 in 2025 and continues to budget funds to provide for these liabilities as they arise.

NOTE 5) FUND BALANCES APPROPRIATED

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

Current Fund	\$ 1,988,493
Water - Sewer Utility Fund	\$ 1,680,566

NOTE 6) PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Borough bills and collects its own property taxes and also the taxes for the County, the Local School District and the Regional School District. The collections and remittance of county and school taxes are accounted for in the Current Fund. Borough property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund.

NOTE 7) TAXES AND WATER = SEWER CHARGES COLLECTED IN ADVANCE

Taxes and water = sewer charges collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
Prepaid Taxes	\$412,779.75	\$412,088.81
Tax Overpayments	11,839.79	39,244.92
Water - Sewer Overpayments	4,932.02	1,908.75

NOTE 8: CONTINGENT LIABILITIES

The Borough participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditures of funds for eligible purposes. These programs are subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2024, the Borough does not believe that any material liabilities will result from such audits.

NOTE 9: LITIGATION

The Borough is a member of the Ocean County Municipal Joint Insurance Fund, and any and all claims for damages under the New Jersey Tort Claims Act are covered by the self-insurance pool provided by the Fund. There is no anticipated or pending tort claim litigation which will result in any direct and uninsured liability of the Borough. Rather, all matters of tort claim have adequate insurance protection.

It is the opinion of the Borough officials that there is no litigation threatened or pending that would materially affect the financial position of the Borough or adversely affect the Borough's ability to levy, collect and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

NOTE 10: RISK MANAGEMENT

The Borough 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. The Borough is a member of the Ocean County Municipal Joint Insurance Fund, and the Municipal Excess Liability Fund, public entity risk pools currently operating as a common risk management and insurance program for municipalities within the State. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Borough. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - The Borough has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Borough is required to remit an employer's match to the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State.

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at December 31, 2024:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Current Fund	\$ 79,627.91	\$ 3,644,323.01
Federal and State Grant Fund	20,765.14	9,705.24
Animal Control Trust Fund		807.49
Trust Other Fund	3,000.00	79,180.42
General Capital Fund	892,270.19	
Water- Sewer Operating Fund	1,481,020.12	3,000.00
Water- Sewer Capital Fund	3,078,698.27	1,826,313.50
Payroll Fund	<u>7,948.03</u>	
	<u>\$ 5,563,329.66</u>	<u>\$ 5,563,329.66</u>

All balances resulted from the time lag between the dates that short-term loans were disbursed and payments between funds were received.

NOTE 12: PENSION PLANS

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS) or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System, the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

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

NOTE 12: PENSION PLANS (CONTINUED)

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit, in which case, benefits would begin the first day of the month after the member attains normal retirement age.

The vesting and benefit provisions for PFRS are set by N.J.S.A. 43:16A and 43:3B. All benefits vest after ten years of service, except for disability benefits, which vest after four years of service. Retirement benefits for age and service are available at age 55. Members may seek special retirement after achieving 25 years of creditable service or they may elect deferred retirement after achieving ten years of service.

Newly elected or appointed officials that have an existing DCRP account or are a member of another State-administered retirement system are immediately vested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully vested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 5.5% of their base salary and employers contribute 3.0%.

Funding Policy

The contribution policy for PERS is set by N.J.S.A. 43:15A and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.50% of base salary. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits and post-retirement medical premiums.

NOTE 12: PENSION PLANS (CONTINUED)

Funding Policy (Continued)

The contribution policy for PFRS is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employers are required to contribute at an actuarially determined rate. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments and non-contributory death benefits. PFRS members contributed at a uniform rate of 10.00% of base salary.

Certain portions of the costs are contributed by the employees. The Borough's share of pension, which is based upon the annual billings received from the state, amounted to \$571,244.00 for 2024, \$630,935.00 for 2023 and \$577,390.00 for 2022. All contributions were equal to the required contributions for each of the three years, respectively.

Certain Borough employees are also covered by the Federal Insurance Contribution Act.

Accounting and Financial Reporting for Pensions – GASB 68

As discussed in Note 1, as of the date of this report, the information for the period ended June 30, 2024 for PERS was not available. Therefore, the information dated June 30, 2023 is disclosed.

Public Employees Retirement System (PERS)

At June 30, 2023, the State reported a net pension liability of \$1,951,801.00 for the Borough's proportionate share of the total net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the Borough's proportion was 0.0134752209 percent, which was a decrease of 0.0011664102 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State recognized an actuarially determined pension expense of \$3,118.00 for the Borough's proportionate share of the total pension expense. The pension expense recognized in the Borough's financial statements based on the April 1, 2023 billing was \$184,638.00.

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

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

	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>
Differences between expected and actual experience	\$ 18,662.00	\$ 7,978.00
Changes of assumptions	4,288.00	118,288.00
Net difference between projected and actual earnings on pension plan investments	8,988.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>103,277.00</u>	<u>201,871.00</u>
	<u>\$ 135,215.00</u>	<u>\$ 328,137.00</u>

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30,</u>	Amount
2024	(\$122,766.80)
2025	(77,235.80)
2026	60,658.20
2027	(34,102.80)
2028	<u>(19,474.80)</u>
	<u><u>(\$192,922.00)</u></u>

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	2.75-6.55%
	Based on
	Years of Service
Investment Rate of Return	7.00%

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

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

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 assets class included in PERS's target assets allocation as of June 30, 2023 asset are summarized in the following table:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasury's	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Sensitivity of the Borough's proportionate share of net pension liability to changes in the discount rate

The following presents the Borough's proportionate share of the net pension liability of the participating employers as of June 30, 2023 respectively, calculated using the discount rate as disclosed above as well as what the Borough's proportionate share of 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:

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Borough's proportionate share of the pension liability	\$2,540,830.00	\$1,951,801.00	\$1,450,460.00

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2023, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

The amounts contributed by the State on behalf of the Borough under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a non-employer contributing entity. Since the Borough does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Borough related to this legislation.

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Public Employees Retirement System (PERS) (Continued)

Special Funding Situation (Continued)

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Borough as of June 30, 2023 was 0.0135263823% which was a decrease of 0.0011737445 percent from its proportion measured as of June 30, 2022. The non-employer contributing entities' contribution and employer pension expense and related revenue for the years ended June 30, 2023 and June 30, 2022 was \$6,087.00 and \$4,649.00, respectively.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

Police and Firemen's Retirement System (PFRS)

At June 30, 2023, the State reported a net pension liability of \$3,246,440.00 for the Borough's proportionate share of the total PFRS net pension liability. The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2023, the Borough's proportion was 0.0293827900 percent, which was a decrease of 0.0049331400 percent from its proportion measured as of June 30, 2022.

NOTE 12) PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

For the year ended June 30, 2023, the State recognized an actuarially determined pension expense of \$248,401.00. The pension expense recognized in the Borough's financial statements based on the April 1, 2023, billing was \$446,297.00.

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

	Deferred Outflow of <u>Resources</u>	Deferred Inflow of <u>Resources</u>
Differences between expected and actual experience	\$ 139,006.00	\$ 154,826.00
Changes of assumptions	7,007.00	219,213.00
Net difference between projected and actual earnings on pension plan investments	165,335.00	
Changes in proportion and differences between Borough contributions and proportionate share of contributions	<u>163,685.00</u>	<u>505,701.00</u>
	<u>\$ 475,033.00</u>	<u>\$ 879,740.00</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30</u>	Amount
2024	\$ (194,743.20)
2025	(189,649.20)
2026	126,668.80
2027	(85,181.20)
2028	(62,416.20)
Thereafter	<u>612.00</u>
	<u>\$ (404,709.00)</u>

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	All future years 3.25-16.25% Based on years of Service
Investment Rate of Return	7.00%

Employee mortality rates were based on the Pubs-2010 amount-weighted mortality table with a 105.6% adjustment for males and 102.5% adjustment for females. For healthy annuitants, mortality rates were based on the Pubs-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females. Disability rates were based on the Pubs-2010 amount-weighted mortality table with a 152.0% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on scale MP-2021.

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

NOTE 12) PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Rate of Return

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

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasury's	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of both June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the 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 Borough's proportionate share of the net pension liability to changes in the discount rate

The following presents the Borough's proportionate share of the net pension liability of the participating employers as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the Borough's proportionate share of the 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:

	June 30, 2023		
	1% Decrease 6.00%	At Current Discount Rate 7.00%	1% Increase 8.00%
Borough's proportionate share of the PFRS pension liability	\$4,523,347.00	\$3,246,440.00	\$2,183,083.00

NOTE 12: PENSION PLANS (CONTINUED)

Accounting and Financial Reporting for Pensions - GASB 68 (Continued)

Police and Firemen's Retirement System (PFRS) (Continued)

Special Funding Situation

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

The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Borough as of December 31, 2023 and 2022 is 0.0293826200% and 0.0343159400% respectively, the non-employer contributing entities' contribution for the year ended June 30, 2023 and 2022 was \$68,410.00 and \$87,029.00, respectively and the employer pension expense and related revenue for the year ended June 30, 2023 and 2022 was \$68,043.00 and \$80,652.00, respectively.

At June 30, 2023 and 2022, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$598,194.00 and \$699,055.00, respectively.

At June 30, 2023, the Borough's and State of New Jersey's proportionate share of the PFRS net pension liability were as follows:

Borough's Proportionate Share of Net Pension Liability	\$3,246,440.00
State of New Jersey Proportionate Share of Net Pension Liability Associated with the Borough	<u>598,194.00</u>
	<u>\$3,844,634.00</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NOTE 13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75

As of the date of this report, the New Jersey Division of Pension and Benefits has not provided updated actuarial valuations for other post-employment obligations for the year ended June 30, 2024. The New Jersey Division of Pension and Benefits will post these reports on their website as they are made available. The footnote below includes the most current information made publicly available, which had a reporting date of June 30, 2023.

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

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

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

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

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

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.

Contributions

The Borough's contributions to SHBP for the years ended December 31, 2024, 2023 and 2022 were \$55,456.44, \$41,786.44, and \$13,827.00 respectively, which equaled the required contributions for each year.

Total Net OPEB Liability

At June 30, 2023, the Plan reported a Liability of \$6,086,652.00 for the Borough's proportionate share of the collective Net OPEB liability. The total Net OPEB Liability measured as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023.

The Borough's proportion of the Net OPEB Liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2022 through June 30, 2023.

At June 30, 2023, the Borough's proportion was 0.040560 percent, which was an increase of 0.008561 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the State reported OPEB expense of \$119,137.00. This OPEB expense was based on the OPEB plans June 30, 2023 measurement date.

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Total Net OPEB Liability (Continued)

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$280,685.00	\$1,652,936.00
Changes of assumptions	788,450.00	1,720,502.00
Net difference between projected and actual earnings on OPEB plan investments		1,004.00
Changes in proportion	<u>3,424,314.00</u>	<u>852,487.00</u>
	<u>\$4,493,449.00</u>	<u>\$4,226,929.00</u>

Other local amounts reported by the State as the Borough's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the State's actuarially calculated OPEB (benefit)/expense as follows:

Year Ended	<u>Amount</u>
<u>June 30,</u>	
2024	(\$176,161.60)
2025	(51,219.60)
2026	208,393.40
2027	370,936.40
2028	224,848.40
Thereafter	<u>(310,277.00)</u>
	<u>\$266,520.00</u>

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

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:

Salary Increases:	
Public Employees Retirement System (PERS):	
Initial fiscal year applied	
Rate for all future years	2.75% to 6.55%
Police and Firemen's Retirement System (PFRS):	
Rate for all future years	3.25% to 16.25%

Mortality

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

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

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

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

Discount Rate

The discount rate for June 30, 2023 was 3.65%. 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.

NOTE 13: ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Health Care Trend Assumption

For Pre-Medicare medical benefits, the trend rate is initially 6.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO, the trend rate is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.5% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Sensitivity of the Borough's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability associated with the Borough as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the Net OPEB Liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2023		
	1.00% Decrease (2.65%)	At Discount Rate (3.65%)	1.00% Increase (4.65%)
Borough's proportionate share of the Net OPEB Liability	\$7,050,280.00	\$6,086,652.00	\$5,311,560.00

Sensitivity of the Borough's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trends

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

	June 30, 2023		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Borough's proportionate share of the Net OPEB Liability	\$5,172,940.00	\$6,086,652.00	\$7,256,490.00

Special Funding Situation

The Borough, by resolution of the governing body, has elected to provide postretirement medical coverage to certain employees under the provisions of Chapter 330, P.L. 1997.

NOTE 13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – GASB 75 (CONTINUED)

Special Funding Situation (Continued)

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.

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 nonemployer 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.

The non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the Borough as of December 31, 2023 and 2022 is 0.020317% and 0.0024331% respectively, and the employer pension benefit and related revenue for the year ended June 30, 2023 and 2022 was \$128,534.00 and \$134,642.00, respectively.

At June 30, 2023 and 2022, the State's proportionate share of the net OPEB liability attributable to the Borough for the special funding situation is \$708,879.00 and \$820,882.00 respectively.

At June 30, 2023, the Borough's and State of New Jersey's proportionate share of the Net OPEB Liability were as follows:

Borough's proportionate share of the Net OPEB Liability	\$6,086,652.00
State of New Jersey's proportionate share of Net OPEB Liability associated with the Borough	<u>708,879.00</u>
	<u>\$6,795,531.00</u>

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

NOTE 14: SCHOOL TAXES

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

	LOCAL DISTRICT SCHOOL TAX		REGIONAL SCHOOL DISTRICT TAX	
	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023	BALANCE DECEMBER 31, 2024	BALANCE DECEMBER 31, 2023
Balance of Tax	\$ 181,408.51	\$ 173,713.01	\$ 1,638,261.53	\$ 1,650,888.53
Deferred	<u>238,576.00</u>	<u>238,576.00</u>	<u>1,026,065.78</u>	<u>1,026,065.78</u>
Tax Payable	\$ <u>(57,167.49)</u>	\$ <u>(64,862.99)</u>	\$ <u>612,195.75</u>	\$ <u>624,822.75</u>

NOTE 15: LENGTH OF SERVICE AWARD PROGRAM

The Borough of Ship Bottom adopted an ordinance establishing a Length of Service Award Program to ensure retention of the Borough’s volunteers pursuant to N.J.S.A. 40A:14-183 *et seq.*

Under this program, each volunteer member that performs the minimum amount of service will have an annual amount up to \$1,150.00 deposited into a tax deferred income account that will earn interest for the volunteer. The Borough’s costs amounted to \$8,800.00 in 2024, \$9,548.00 in 2023 and \$7,514.12 in 2022. The accompanying financial statements do not include the Borough’s Length of Service Awards Program’s activities. The Borough’s Length of Service Awards Program’s financial statements are contained in a separate review report, as required by state regulations.

NOTE 16: FIXED ASSETS

Below is a summary of the General Fixed Assets Account Group for the year ended December 31, 2024:

	Balance December <u>31, 2023</u>	<u>Additions</u>	<u>Deletions</u>	Balance December <u>31, 2024</u>
Land	\$ 43,307,000.00	\$	\$	\$ 43,307,000.00
Buildings	12,477,100.00	556,900.00		13,034,000.00
Equipment & Vehicles	4,250,300.18	360,700.48	311,533.22	4,299,467.44
Construction in Progress	<u>1,727,113.02</u>	<u>1,041,196.48</u>		<u>2,768,309.50</u>
	<u>\$ 61,761,513.20</u>	<u>\$ 1,958,796.96</u>	<u>\$ 311,533.22</u>	<u>\$ 63,408,776.94</u>

NOTE 17: LEASES

The Borough has entered into four (4) cell tower leases with AT&T, Verizon, T-Mobile, and Dish Wireless which commenced in 2001, 2017, 2018 and 2023 respectively. The agreements all have five (5) year lease terms with the option to renew for four (4) additional lease terms. Payments received by the Borough during 2024 totaled \$182,154.92.

The Borough entered into a lease agreement on April 2, 2020 with Konica Minolta for a Biz Hub C759 Copier/Printer. The lease term is sixty (60) months with a monthly payment of 228.11/month. At this time, the Borough has not exercised its option to purchase the equipment. Other options include renewing the lease or returning the equipment.

The Borough entered into a lease agreement on May 30, 2019 with Pitney Bowes for a SendPro C Series (Version 4) postage machine. The lease term is sixty (60) months with a monthly payment of 120.10/month. During the period under audit, specifically June 13, 2024, the Borough renewed the lease. The lease term is sixty (60) months with a monthly payment of 132.57/month. At this time, the Borough has not exercised its option to purchase the equipment. Other options include renewing the lease or returning the equipment.

NOTE 18: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events occurring after the financial statement date through June 6, 2025 which is the date the financial statements were available to be issued. Based upon this evaluation, the Borough has determined that except for the items set forth below, there are no other subsequent events that need to be disclosed.

The Borough adopted the following capital ordinances as of June 6, 2025:

<u>PROJECT</u>	<u>AMOUNT OF DEBT PROPOSED</u>
<u>General Capital Fund:</u>	
Acquisition of Emergency Responder Vehicles/equipment	\$2,375,000.00
Acquisition of Real Property	3,325,000.00

NOTE 19: DEFERRED CHARGES

<u>Current Fund</u>	Balance December 31, 2024	Raised 2025 Budget
Overexpenditure of Appropriation	\$10,162.73	\$10,162.73

APPENDIX C
FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Borough of Ship Bottom, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of its Bond Anticipation Notes, Series 2026A, in the aggregate principal amount of \$_____ (the "Notes"). The Notes are being issued pursuant to various bond ordinances duly adopted by the Issuer. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Noteholders and Beneficial Owners of the Notes and in order to assist the Participating Underwriter in complying with the provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Exchange Act").

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

"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 Notes (including persons holding Notes through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Notes for federal income tax purposes.

"Continuing Disclosure Information" shall mean: (i) any notice required to be filed with the MSRB pursuant to Section 4 hereof; and (ii) any notice of an event required to be filed with the MSRB pursuant to Section 3(c) hereof.

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

"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 MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Exchange Act.

"Noteholder" shall mean any person who is the registered owner of any Note, including holders of beneficial interests in the Notes.

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

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

"State" shall mean the State of New Jersey.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on the credit enhancements reflecting financial difficulties;
5. substitution of the 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 Notes, or other material events affecting the tax-exempt status of the Notes;
7. modifications to rights of Noteholders, if material;
8. Note calls, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Notes, if material;
11. rating changes;

12. bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect Noteholders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event described in subsection (a) for which the disclosure obligation is dependent upon materiality, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If disclosure of a Listed Event is required, the Issuer shall in a timely manner not in excess of ten business days after the occurrence of the event, file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the Issuer.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

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

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the same manner as for a Listed Event under Section 3(a), and shall include a narrative explanation of the reason for the amendment or waiver.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any Noteholder or Beneficial Owner of the Notes may

take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer 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 Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Noteholders and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: July __, 2026

BOROUGH OF SHIP BOTTOM, IN THE
COUNTY OF OCEAN, NEW JERSEY

By: _____
KATHLEEN FLANAGAN,
Chief Financial Officer

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APPENDIX D
FORM OF BOND COUNSEL'S OPINION

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

July __, 2026

Mayor and Borough Council of the
Borough of Ship Bottom, in the
County of Ocean, New Jersey

RE: Borough of Ship Bottom, County of Ocean, New Jersey
\$ _____ Bond Anticipation Notes, Series 2026A

Dear Mayor and Members of the Borough Council:

We have examined a record of the proceedings relating to the issuance of \$ _____ Bond Anticipation Notes, Series 2026A (the "Notes") of the Borough of Ship Bottom, in the County of Ocean, a municipal corporation of the State of New Jersey (the "Borough"). The Notes are dated July __, 2026, mature July __, 2027, and bear interest at the rate of ___% per annum payable at maturity. The Notes [are initially registered in the name of, and held by, Cede & Co., as nominee for The Depository Trust Company, Brooklyn, New York, in book-entry-only form] and are not subject to redemption prior to maturity.

The Notes are issued pursuant to the Local Bond Law of the State of New Jersey (Chapter 2 of Title 40A of the New Jersey Statutes, as amended), and in anticipation of the issuance of bonds and are authorized by virtue of the bond ordinances described in the Certificate of Determination and Award dated the date hereof (the "Bond Ordinances"). The Notes are being issued to (i) currently refund a portion of the Borough's bond anticipation notes originally issued in the amount of \$7,063,000, dated July 10, 2025 and maturing on July 9, 2026; and (ii) pay costs associated with the issuance of the Notes (collectively, the "Project").

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

signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. We have relied, as to the execution and delivery of the Notes, on a certificate of the Borough executed by the Mayor, Clerk, and Chief Financial Officer. We have not reviewed and are not passing upon any statistical or financial data or other information or offering materials relating to the Borough, the Project or the Notes, which may have been provided to any purchaser or prospective purchaser of the Notes or disclosed in any preliminary or final Official Statement distributed in connection with the offering of the Notes. Therefore, we express no opinion herein as to the adequacy or accuracy of such information or any such Official Statement.

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

The Borough has taken the actions necessary for the Notes to be designated or deemed designated as "qualified tax-exempt obligations," as defined in and for purposes of Section 265(b)(3) of the Code, and has made certain representations and covenants necessary to cause the Notes to continue to be obligations described in such Section of the Code during the period in which the Notes are outstanding.

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

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

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

3. Assuming the Borough observes its covenants with respect to compliance with the Code, under laws, regulations, rulings and judicial decisions existing on the date of the original delivery of the Notes, interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In addition, interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed by the Code, however, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

Other than as set forth in Paragraphs 2 and 3 hereof, we express no opinion regarding other federal and state tax consequences arising with respect to the Notes.

The opinions set forth herein are given solely for the benefit of the original purchaser of the Notes and the addressee hereof and may not be relied on by any other person or entity without our express prior written consent. This opinion is rendered on the basis of federal law and the laws of the State of New Jersey as enacted and construed on the date hereof. We express no opinion as to any matter not set forth in the numbered paragraphs above, including, without limitation, with respect to, and assume no responsibility for, the accuracy, adequacy or completeness of any financial or other information relating to the Borough furnished in connection with the sale of the Notes and make no representation that we have independently verified any such information. The opinions set forth herein are given solely as of the date hereof, and we do not undertake to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

DILWORTH PAXSON LLP

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