

**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 20, 2016**

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

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

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

**\$9,975,000**  
**Township of Lacey**  
**Ocean County, New Jersey**  
**General Obligation Bonds, Series 2016**  
**(Bank Qualified) (Callable)**

**Dated: Date of Delivery**

**Due: December 1, as shown below**

The \$9,975,000 aggregate principal amount of General Obligation Bonds, Series 2016 (the “Bonds”) are general obligations of the Township of Lacey, County of Ocean, State of New Jersey (the “Township”) for which the full faith and credit of the Township are pledged. The Township is authorized and required by law to levy ad valorem taxes on all taxable property within the Township without limitation as to rate or amount for the payment of the principal thereof and the interest thereon.

The Bonds will be issued in fully registered book-entry only form and, when issued, will be registered in the name of and held by Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC, an automated depository for securities and clearing house for securities transactions, will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry only form in the principal amount of \$5,000 or any integral multiple thereof.

The Bonds shall bear interest from the date of delivery thereof, payable semi-annually on December 1 and June 1 of each year, beginning December 1, 2016, at such rates of interest, as shown below, until maturity or earlier redemption. The Bonds will be payable as to principal upon presentation and surrender thereof at the offices of the Township or a duly designated paying agent. Interest on the Bonds will be paid by check, draft or wire transfer mailed, delivered or transmitted by the Township to the registered owner thereof as of the Record Dates (as defined herein).

The Bonds are authorized by, and are issued pursuant to, the provisions of the Local Bond Law, N.J.S.A. 40A:2-1 *et seq.*, as amended and supplemented (the “Local Bond Law”), various bond ordinances duly adopted by the Township Committee on the dates set forth herein, and a bond resolution duly adopted by the Township Committee on January 14, 2016.

The Bonds are being issued to: (i) permanently finance Bond Anticipation Notes previously issued by the Township in the total aggregate principal amount of \$8,000,000 and maturing on February 16, 2016 (the “Prior Notes”); (ii) finance the cost of various capital improvements in and by the Township in the amount of \$1,975,000 and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

The Bonds are subject to optional redemption prior to their stated maturities as set forth herein. See “DESCRIPTION OF THE BONDS” under the subheading entitled “Optional Redemption”.

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

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2016	\$400,000	%	%		2023	\$800,000			
2017	400,000				2024	800,000			
2018	400,000				2025	800,000			
2019	775,000				2026	800,000			
2020	800,000				2027	800,000			
2021	800,000				2028	800,000			
2022	800,000				2029	800,000			

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

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

The Bonds are offered when, as and if issued and delivered subject to the approval of the legality thereof by Dilworth Paxson LLP, Red Bank, New Jersey, Bond Counsel, and certain other conditions. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Financial Advisor to the Township in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Township by the Township Attorney, Gilmore & Monahan, P.A., Toms River, New Jersey. It is anticipated that the Bonds will be available for delivery through DTC on or about February 10, 2016.

**All bids for the Bonds must be submitted in their entirety via BiDCOMP/PARITY Competitive Bidding System (“PARITY”) prior to 11:00 a.m., prevailing New Jersey time on January 27, 2016. All Bids for the Bonds must be in conformance with the Full Notice of Sale for the Bonds which can be viewed in electronic format, along with this Preliminary Official Statement, on the website located at [www.prospectushub.com](http://www.prospectushub.com).**

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 or to registration or qualification under the applicable securities laws of any such jurisdiction.

**TOWNSHIP OF LACEY  
IN THE COUNTY OF OCEAN, NEW JERSEY  
818 W. Lacey Road,  
Forked River, NJ 08731  
(609) 693-1100**

**MAYOR**  
Mayor Steven Kennis

**TOWNSHIP COMMITTEE**  
Peter Curatolo, Deputy Mayor  
Nicholas Juliano  
Timothy McDonald  
Gary Quinn

**TOWNSHIP ADMINISTRATOR**  
Veronica Laureigh

**CHIEF FINANCIAL OFFICER**  
Linda Picaro-Covello

**TAX COLLECTOR**  
Sharon Sulecki

**TOWNSHIP ATTORNEY**  
Gilmore & Monahan, P.A.  
Toms River, New Jersey

**AUDITOR**  
Holman Frenia Allison, PC  
Medford, New Jersey

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

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

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

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

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

The Underwriter has reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

[THIS PAGE INTENTIONALLY LEFT BLANK]

## TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
THE BONDS .....	1
General Description .....	1
Optional Redemption .....	1
Notice of Redemption .....	1
Authorization and Purpose of the Bonds .....	2
Payment of Bonds .....	3
Denominations and Place of Payment .....	3
SECURITY FOR THE BONDS .....	3
The Township .....	3
SUPERSTORM SANDY .....	3
BOOK-ENTRY-ONLY SYSTEM .....	4
Discontinuance of Book-Entry Only System .....	6
MUNICIPAL FINANCE–FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES .....	6
Local Bond Law (N.J.S.A. 40A:2-1 et seq.) .....	6
Debt Limits .....	6
Exceptions to Debt Limits - Extensions of Credit .....	6
The Local Budget Law (N.J.S.A. 40A:4-1 et seq.) .....	7
Appropriation "CAP" .....	8
Tax Appeals .....	9
Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.) .....	9
School Debt Subject to Voter Approval .....	9
TAX MATTERS .....	9
Federal .....	9
New Jersey .....	11
LEGALITY FOR INVESTMENT .....	11
CONTINUING DISCLOSURE .....	11
LITIGATION .....	12
MUNICIPAL BANKRUPTCY .....	12
CERTAIN REFERENCES .....	13
CERTIFICATION OF OFFICIAL STATEMENT .....	13
RATING .....	13
UNDERWRITING .....	13
FINANCIAL ADVISOR .....	14
APPROVAL OF LEGAL PROCEEDINGS .....	14
FINANCIAL STATEMENTS .....	14
ADDITIONAL INFORMATION .....	14
MISCELLANEOUS .....	15
APPENDIX A: GENERAL INFORMATION REGARDING THE TOWNSHIP	
APPENDIX B: AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP FOR THE YEAR ENDED DECEMBER 31, 2014	
APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE	
APPENDIX D: FORM OF BOND COUNSEL’S OPINION	

**OFFICIAL STATEMENT  
OF THE  
TOWNSHIP OF LACEY  
IN THE COUNTY OF OCEAN, STATE OF NEW JERSEY**

**RELATING TO**

**\$9,975,000 GENERAL OBLIGATION BONDS, SERIES 2016  
(BANK-QUALIFIED)(CALLABLE)**

**INTRODUCTION**

This Official Statement, which includes the cover page, and the appendices attached hereto, has been prepared by the Township of Lacey (the “Township”), in the County of Ocean (the “County”), New Jersey (the “State”) in connection with the sale and issuance of \$9,975,000 aggregate principal amount of General Obligation Bonds, Series 2016 (the “Bonds”).

**THE BONDS**

**General Description**

The Bonds will be dated the date of delivery and will mature on December 1 in each of the years and in the principal amounts as shown on the cover hereof. The interest on the Bonds will be payable semi-annually beginning December 1, 2016 and on each June 1 and December 1 thereafter. The record dates for the Bonds are each preceding May 15 and November 15, respectively (the “Record Dates”). The Bonds will be issued in book-entry form only.

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

**Optional Redemption**

The Bonds maturing prior to December 1, 2025 are not subject to optional redemption. The Bonds maturing on or after December 1, 2025 shall be subject to redemption at the option of the Township, in whole or in part, on any date on or after December 1, 2024 at a price of 100% of the principal amount being redeemed (the “Redemption Price”), plus unpaid accrued interest to the date fixed for redemption.

**Notice of Redemption**

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Township or a duly appointed Bond Registrar. So long as the Depository Trust Company (“DTC”) (or any successor thereto) acts as securities depository for the Bonds (“Securities Depository”), such Notice of Redemption shall be sent directly to such depository and not to the Beneficial Owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any Notice of Redemption shall not affect the validity of the redemption

proceedings. If the Township determines to redeem a portion of the Bonds prior to maturity, the maturity of the Bonds to be redeemed shall be selected by the Township; within a maturity, the Bonds to be redeemed shall be selected by the Securities Depository in accordance with its regulations.

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

### **Authorization and Purpose of the Bonds**

The Township is authorized to issue the Bonds pursuant to the Local Bond Law, N.J.S.A. 40A: 2-1 et seq., as amended and supplemented (the "Local Bond Law"). The Bonds are authorized by bond ordinances adopted by the Township Committee on the dates and in the amounts as described in the chart below (the "Bond Ordinances") and by a resolution adopted by the Township Committee on January 14, 2016 (the "Resolution").

The proceeds of the Bonds will be used to provide funds to: (i) refund, on a current basis, Bond Anticipation Notes previously issued by the Township in the total aggregate principal amount of \$8,000,000 and maturing on February 16, 2016 (the "Prior Notes"); (ii) finance the cost of various capital improvements in and by the Township in the amount of \$1,975,000 and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds.

<b>Ordinance Number</b>	<b>Description</b>	<b>Amount of Prior Notes Being Refunded by the Bonds</b>	<b>Amount of New Money</b>
2006-55	Design and Construction of Connector Road	\$168,000	\$0
2007-15	EMS Equipment and Court Security Upgrades	5,000	0
2007-28	Road and Drainage Improvements and Dredging	400,000	0
2008-10	Bayside Beach Dredging	189,000	0
2008-17	Various Improvements	228,000	0
2008-21	Deerhead Lake Dam Improvements	355,000	0
2008-23	Acquisition of Real Property	1,075,000	0
2008-24	Conifer Drive Improvements	198,500	0
2008-26	Various Improvements	98,500	0
2008-27	Purchase Fire Truck and Ambulance	633,000	0
2009-16	Wordens Oyster Pond	94,000	0
2009-28	Conifer Drive Phase III	190,000	0
2011-16	Lake Barnegat Drive North Road Improvements	91,500	0
2011-20	Lake Barnegat Drive North Road Improvements, Alternate 2	78,000	0
2011-21	Purchase of an Ambulance	63,000	0
2012-20	Various Improvements	1,176,000	0
2013-16	Various Improvements	1,675,000	0
2014-14	Various Improvements	1,282,500	0
2015-06	Various Improvements	<u>0</u>	<u>1,975,000</u>
<b>TOTAL:</b>		<u>\$8,000,000</u>	<u>\$1,975,000</u>

## **Payment of Bonds**

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

## **Denominations and Place of Payment**

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

## **SECURITY FOR THE BONDS**

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

## **The Township**

The Township is located in the central area of the County and borders the New Jersey shoreline. See Appendix “A” for demographic and statistical information concerning the Township.

## **SUPERSTORM SANDY**

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

The Township sustained significant sand and debris damage due to the Storm’s winds and resulting floods. The Township lost electrical power, transportation was temporarily disrupted due to displaced sand and debris, and many properties had substantial water damage as a result of the Storm.

To finance the costs resulting from flood damage, wind damage and overtime expense for debris removal, the Township issued a \$1,000,000 Special Emergency Note in December of 2012 (the “2012 Sandy Special Emergency Note”). The 2012 Sandy Special Emergency Note was issued pursuant to the Local Budget Law which permits governmental entities in the State to borrow to pay for certain extraordinary expenses caused by natural disasters, such as the Storm. In 2013, the Township paid the statutorily required principal reduction payments on the 2012 Sandy Special Emergency Note. In December of 2014, the Township paid, in full, the remaining balance of the 2012 Sandy Special Emergency Note.



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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect

only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds and distributions on the Bonds, if any, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Township or its designated Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Township, or the Township's designated Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Township or its designated Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

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

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

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

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

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

#### **Debt Limits**

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

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

The Township may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Township may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Township or substantially reduce the ability of the Township to meet its obligations or to provide essential public improvements and services, or makes certain other statutory

determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Township, without approval of the Local Finance Board, to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

### **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 (the "Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

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

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

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

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

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

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

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

course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

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

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

### **Appropriation "CAP"**

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

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

The Division has advised that counties and municipalities must comply with both budget "CAP" and the tax levy limitation. Neither the tax levy limitation nor the "CAP" law, however, limits the obligation of the Township to levy *ad valorem* taxes upon all taxable property within the boundaries of the Township to pay debt service on its 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 Township must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

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

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

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the Township is on file with the Township 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 Township. If such debt is in excess of the school district's debt limit and the remaining borrowing capacity of the Township, the State Commissioner of Education and the Local Finance Board must approve the proposed debt authorization before it is submitted to the voters for approval.

## **TAX MATTERS**

### **Federal**

Bond Counsel will deliver, concurrently with the issuance of the Bonds, their opinion to the effect that under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. Interest paid on the Bonds will not be a specific preference item for purposes of calculating individual or corporate alternative minimum taxable income; however, interest on the Bonds is included in the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations. In addition, interest on the Bonds may

be included in a foreign corporation's effectively connected earnings and profits upon which certain foreign corporations are required to pay the foreign branch profits tax imposed under Section 884 of the Internal Revenue Code of 1986, as amended (the "Code").

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

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

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

The opinion of Bond Counsel assumes the accuracy of these representations and the future compliance by the Township with its covenants and agreements. Moreover, Bond Counsel has not undertaken to evaluate, determine or inform any person, including any holder of the Bonds, whether any actions taken or not taken, events occurring or not occurring, or other matters that might come to the attention of Bond Counsel would adversely affect the value of, or tax status of the interest on, the Bonds.

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

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

The Township has designated the Bonds, to the extent they are not otherwise deemed designated, as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code and has made certain representations and covenants in the Bond Resolution necessary to cause the Bonds to continue to be qualified tax-exempt obligations during the period in which the Bonds are outstanding. Banks and certain financial institutions described in Section 265(b)(5) of the Code which purchase qualified tax-exempt obligations may take into account as a deductible expense in calculating their federal income tax liability 80 percent of their interest expense allocable to ownership such qualified tax-exempt obligations.

## **New Jersey**

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

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

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

## **LEGALITY FOR INVESTMENT**

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

## **CONTINUING DISCLOSURE**

The Township has covenanted for the benefit of the holders of the Bonds and the beneficial owners of the Bonds to provide certain financial information and operating data of the Township on or prior to September 30 of each year and to comply with the provisions of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended and supplemented, and as detailed in a Continuing Disclosure Certificate (the “Certificate”) to be executed on behalf of the Township by its Chief Financial Officer, in the form appearing in Appendix “C” attached hereto. Such Certificate shall be delivered concurrently with the delivery of the Bonds. Annual financial information, including operating data, and notices of events specified in the Rule, if material, shall be filed with the Municipal Securities Rulemaking Board (the “MSRB”).

The Township previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements: (i) operating data for the fiscal years ending December 31, 2010, 2011, 2012 and 2013; and (ii) audited financial information for the fiscal years ending December 31, 2010, 2011 and 2013. Additionally, the Township acknowledges that it previously failed to file material event notices and late filing notices in connection with its timely filings of (i) audited financial information; (ii) operating data; and (iii) certain rating changes. Such notices of material events and late filings have since been filed



with the Electronic Municipal Market Access (“EMMA”). The Township appointed Phoenix Advisors, LLC in June of 2015 to serve as continuing disclosure agent.

## **LITIGATION**

Upon delivery of the Bonds, the Township shall furnish a certificate of the Township Attorney, Gilmore & Monahan, P.A. (the “Township Attorney”), dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or, to their knowledge, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds. In addition, such certificate shall state that there is no litigation of any nature now pending or threatened by or against the Township wherein an adverse judgment or ruling could have a material adverse impact on the financial condition of the Township or adversely affect the power of the Township 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 Township 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 Bonds, and for Other Purposes, and on October 22, 1994, by the Bankruptcy Reform Act of 1994, and by other bankruptcy laws affecting creditors’ rights and municipalities in general. Chapter 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 Bond Ordinances and the Resolution of the Township, the Bonds, 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 Bond Ordinances and the Resolution will be furnished by the Township 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 Township hereby states that the descriptions and statements herein relating to the Township are true and correct in all material respects and, upon request, it will confirm to the purchasers of the Bonds, by certificates signed by the Township Chief Financial Officer that to his/her knowledge such descriptions and statements, as of the date hereof, and as of the date of delivery of the Bonds, 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 Township considers to be reliable and it makes no warranty, guaranty or other representation which respect to the accuracy and completeness of such information.

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

## **RATING**

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

## **UNDERWRITING**

The Bonds have been purchased at a public sale from the Township by \_\_\_\_, \_\_\_\_, \_\_\_\_ (the "Underwriter") at a price of \$\_\_\_\_\_, pursuant to the notice of sale prepared by the Township for the sale of the Bonds.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public

offering yields set forth on the front cover page of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

### **FINANCIAL ADVISOR**

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

### **APPROVAL OF LEGAL PROCEEDINGS**

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

### **FINANCIAL STATEMENTS**

Appendix "B" contains certain audited financial data of the Township compiled by Holman Frenia Allison, PC, Medford, New Jersey (the "Auditor") for the Township's fiscal year ending December 31, 2014. The audited financial data was provided by the Auditor, to the extent and for the period set forth in their report appearing in Appendix "B", and are included herein in reliance upon the authority of such firm.

### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to the Township's Chief Financial Officer, 818 W. Lacey Road, Forked River, New Jersey 08731, telephone (609) 693-1100 or its Financial Advisor, Phoenix Advisors, LLC, 4 West Park Street, Bordentown, New Jersey, telephone (609) 291-0130.

## **MISCELLANEOUS**

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

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

**TOWNSHIP OF LACEY,  
IN THE COUNTY OF OCEAN, NEW JERSEY**

By: \_\_\_\_\_  
Linda Picaro-Covello  
Chief Financial Officer

Dated: January \_\_\_, 2016

**APPENDIX A**  
**GENERAL INFORMATION REGARDING THE TOWNSHIP**

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

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

### **General Information**

The Township was settled during the period preceding the American Revolutionary War. In 1871, an act of the General Assembly of the State of New Jersey formally established the Township. The Township received its name in honor of General John Lacey.

The Township is approximately eighty-four (84) square miles in area and is located in the central-southern portion of the State, along Barnegat Bay, and is south of the New York-northern New Jersey metropolitan area and east of the Greater Philadelphia Area. The Township is located in the central portion of the County, and is situated approximately seventy (70) miles south of the City of New York City, forty (40) miles north of the City of Atlantic City, fifty (50) miles east of the City of Trenton and sixty (60) miles east of the City of Philadelphia.

The Township is primarily residential in character and includes the areas of Forked River, Lanoka Harbor and Bamber Lakes. A portion of the Township is subject to the Pinelands Protection Act, the purpose of which is to limit the impact of development on the Pinelands' ecosystem which contains a vast reservoir of potable ground water.

### **Form of Government**

The Governing Body of the Township consists of a five (5) member Township Committee, whose members are elected at large for three-year staggered terms by the legally registered voters in the Township. The Committee annually appoints a Mayor from its membership. This is the Township Form of Government as provided by N.J.S.A. 40A:63-1 et seq. The Mayor and Committeepersons comprise the legislative body which formulates policy, appropriates funds and adopts ordinances and resolutions for the conduct of Township business. The Township Committee meets the second and fourth Thursday of each month for regular meetings, and caucus meetings are held prior to the meetings. Both the caucus and regular meetings are open to the public in compliance with New Jersey's Sunshine Law. The public's role at caucus meetings is limited to that of an observer. At regular meetings, however, citizens are given an opportunity to speak on proposed ordinances and resolutions. There is also a time set aside on the regular meeting agenda so that any citizen may address the Committee on matters of concern to him or her.

### **Education**

Township students attend Lacey Township School District (the “School District”) for grades Pre-K to 12. The School District is coterminous with the boundaries of the Township and contains four (4) elementary schools, one (1) intermediate school and one (1) high school.

---

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

## **Retirement Systems**

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

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

Employees who are eligible to participate in a pension plan are enrolled in PERS or PFRS, administered by the Division. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations. The employees contribute a portion of the cost. The Township's share of pension costs, which is based upon the annual billings received from the State, for the past three (3) years are shown in the table below.

<b><u>Year</u></b>	<b><u>PERS</u></b>	<b><u>PFRS</u></b>
2015	\$466,080	\$1,065,711
2014	452,920	1,018,841
2013	478,427	1,193,576

*[Remainder of Page Intentionally Left Blank]*

---

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

## **Employment and Unemployment Comparisons**

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

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<b><u>Township</u></b>				
2014	14,893	13,846	1,047	7.0%
2013	14,962	13,589	1,373	9.2%
2012	15,031	13,475	1,556	10.4%
2011	14,901	13,371	1,530	10.3%
2010	14,839	13,330	1,509	10.2%
<b><u>County</u></b>				
2014	265,294	246,246	19,048	7.2%
2013	265,966	241,669	24,297	9.1%
2012	268,588	240,243	28,345	10.6%
2011	266,155	238,579	27,576	10.4%
2010	264,525	237,379	27,146	10.3%
<b><u>State</u></b>				
2014	4,518,715	4,218,423	300,277	6.6%
2013	4,537,800	4,166,000	371,800	8.2%
2012	4,595,500	4,159,300	436,200	9.5%
2011	4,556,200	4,131,800	424,400	9.3%
2010	4,502,400	4,076,700	425,700	9.5%

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

## **Income (as of 2010)**

	<b><u>Township</u></b>	<b><u>County</u></b>	<b><u>State</u></b>
Median Household Income	\$72,835	\$59,620	\$71,180
Median Family Income	84,031	73,672	86,779
Per Capita Income	31,552	29,826	35,768

Source: US Bureau of the Census 2010



## **Population**

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

<b><u>Year</u></b>	<b><u>Township</u></b>		<b><u>County</u></b>		<b><u>State</u></b>	
	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>	<b><u>Population</u></b>	<b><u>% Change</u></b>
2010	27,644	9.07%	576,567	12.85%	8,791,894	4.49%
2000	25,346	14.48	510,916	17.94	8,414,350	8.85
1990	22,141	56.35	433,203	25.19	7,730,188	4.96
1980	14,161	206.78	346,038	65.99	7,365,001	2.75
1970	4,616	137.94*	208,470	92.60*	7,168,164	18.15*

\* Based off the Population in 1960 in the amount of 1,940; 108,241; and 6,066,782 respectively.  
Source: United States Department of Commerce, Bureau of the Census

## **Largest Taxpayers**

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

<b><u>Taxpayers</u></b>	<b><u>2015</u></b>	<b><u>% of Total</u></b>
	<b><u>Assessed Valuation</u></b>	<b><u>Assessed Valuation</u></b>
Exelon Generation Co, LLC	\$114,054,400	3.02%
JCP & L	50,059,100	1.33%
PR Lacey LLC	29,860,800	0.79%
Exelon Generation Co, LLC	20,656,100	0.55%
Wal-Mart R.E. Business Trust	17,205,400	0.46%
Toll Land XI, LP	15,668,500	0.41%
Forked River Residences, LLC	9,580,100	0.25%
Forked River Power, LLC	7,554,000	0.20%
Taxpayer #1	7,257,800	0.19%
Cav-Burt, LLC	<u>5,302,300</u>	<u>0.14%</u>
<b>Total</b>	<b><u>\$277,198,500</u></b>	<b><u>7.34%</u></b>

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

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

<b><u>Year</u></b>	<b><u>Tax Levy</u></b>	<b><u>Current Year</u></b>	<b><u>Current Year</u></b>
		<b><u>Collection</u></b>	<b><u>% of Collection</u></b>
2014	\$73,218,939	\$72,418,083	98.91%
2013	70,552,994	69,407,691	98.38%
2012	65,809,474	64,685,243	98.29%
2011	63,566,165	62,752,070	98.72%
2010	62,090,933	61,342,149	98.79%

Source: Annual Audit Reports of the Township

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

<b><u>Year</u></b>	<b><u>Amount of Tax Title Liens</u></b>	<b><u>Amount of Delinquent Tax</u></b>	<b><u>Total Delinquent</u></b>	<b><u>% of Tax Levy</u></b>
2014	\$189,226	\$444,311	\$633,536	0.87%
2013	161,768	622,448	784,216	1.11%
2012	136,496	605,878	742,374	1.13%
2011	86,231	488,396	574,627	0.90%
2010	73,513	615,131	688,644	1.11%

Source: Annual Audit Reports of the Township

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

<b><u>Year</u></b>	<b><u>Amount</u></b>
2014	\$3,177,580
2013	3,177,580
2012	3,177,580
2011	3,177,580
2010	3,124,180

Source: Annual Audit Reports of the Township

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

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

<b><u>Year</u></b>	<b><u>Municipal</u></b>	<b><u>Local School</u></b>	<b><u>County</u></b>	<b><u>Total Taxes</u></b>
2015R	\$0.308	\$1.221	\$0.415	\$1.944
2014	0.280	1.066	0.374	1.720
2013	0.252	1.033	0.362	1.647
2012	0.227	0.957	0.342	1.526
2011	0.207	0.926	0.335	1.468

R: Revaluation

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

### **Valuation of Property**

<b><u>Year</u></b>	<b><u>Aggregate Assessed Valuation of Real Property</u></b>	<b><u>Aggregate True Value of Real Property</u></b>	<b><u>Ratio of Assessed to True Value</u></b>	<b><u>Assessed Value of Personal Property</u></b>	<b><u>Equalized Valuation</u></b>
2015R	\$3,777,831,300	\$3,831,083,359	98.61%	\$0	\$3,831,083,359
2014	4,233,376,400	3,782,502,144	111.92	5,123,899	3,787,626,043
2013	4,265,714,000	3,938,066,839	108.32	6,114,151	3,944,180,990
2012	4,293,984,600	3,975,175,523	108.02	7,009,567	3,982,185,090
2011	4,315,506,900	4,080,471,728	105.76	7,164,737	4,087,636,465

R: Revaluation

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

### **Classification of Ratables**

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

<b><u>Year</u></b>	<b><u>Vacant Land</u></b>	<b><u>Residential</u></b>	<b><u>Farm</u></b>	<b><u>Commercial</u></b>	<b><u>Industrial</u></b>	<b><u>Apartments</u></b>	<b><u>Total</u></b>
2015R	\$99,467,900	\$3,158,811,800	\$5,202,300	\$319,523,800	\$190,066,500	\$4,759,000	\$3,777,831,300
2014	107,786,900	3,556,920,000	4,890,500	336,213,100	222,393,200	5,172,700	4,233,376,400
2013	117,660,700	3,577,090,600	5,627,900	337,470,300	222,691,800	5,172,700	4,265,714,000
2012	118,838,300	3,603,971,000	5,671,100	338,037,900	222,691,800	5,172,700	4,294,382,800
2011	121,820,400	3,620,835,200	4,042,300	340,944,500	222,691,800	5,172,700	4,315,506,900

R: Revaluation

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

*[Remainder of Page Intentionally Left Blank]*

## **Financial Operations**

The following table summarizes the Township'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.

<b>Summary of Current Fund Budget</b>					
<b><u>Anticipated Revenues</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Fund Balance	\$3,800,000	\$3,600,000	\$3,600,000	\$3,600,000	\$4,200,000
Miscellaneous Revenues	12,647,667	12,632,939	13,508,847	12,716,268	12,801,310
Receipts from Delinquent Taxes	525,000	525,000	500,000	500,000	500,000
Amount to be Raised by Taxes for					
Support of Municipal Budget	8,953,889	9,767,233	10,797,861	11,857,021	11,616,835
Total Revenue:	<u>\$25,926,556</u>	<u>\$26,525,172</u>	<u>\$28,406,709</u>	<u>\$28,673,289</u>	<u>\$29,118,145</u>
<b><u>Appropriations</u></b>					
General Appropriations	\$22,077,385	\$22,233,481	\$23,613,962	\$23,870,886	\$25,177,495
Operations	867,952	709,232	810,093	711,623	759,376
Deferred Charges and Statutory Expenditures	186,000	398,250	285,080	200,000	72,000
Judgments	0	0	0	0	0
Capital Improvement Fund	30,000	40,000	90,000	90,000	90,000
Municipal Debt Service	1,499,220	1,789,658	2,229,938	2,328,368	1,919,270
Reserve for Uncollected Taxes	1,265,999	1,354,551	1,377,636	1,472,412	1,100,004
Total Appropriations:	<u>\$25,926,556</u>	<u>\$26,525,172</u>	<u>\$28,406,709</u>	<u>\$28,673,289</u>	<u>\$29,118,145</u>

Source: Annual Adopted Budgets of the Township

## **Fund Balance**

### **Current Fund**

The following table lists the Township's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past six (6) fiscal years ending December 31.

<b><u>Fund Balance - Current Fund</u></b>		
<b><u>Year</u></b>	<b><u>Balance 12/31</u></b>	<b><u>Utilized in Budget of Succeeding Year</u></b>
2014	\$4,681,753	\$4,200,000
2013	3,807,453	3,600,000
2012	3,861,274	3,600,000
2011	4,006,603	3,600,000
2010	4,008,064	3,800,000

Source: Annual Audit Reports of the Township

## **Township Indebtedness as of December 31, 2014**

### **General Purpose Debt**

Serial Bonds	\$3,510,000
Bond Anticipation Notes	7,500,000
Bonds and Notes Authorized but Not Issued	5,006,573
Other Bonds, Notes and Loans	<u>821,750</u>
Total:	\$16,838,323

### **Local School District Debt**

Serial Bonds	\$38,435,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	<u>0</u>
Total:	\$38,435,000

### **Self-Liquidating Debt**

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

### **TOTAL GROSS DEBT**

**\$55,273,323**

Less: Statutory Deductions	
General Purpose Debt	\$46,000
Local School District Debt	38,435,000
Self-Liquidating Debt	<u>0</u>
Total:	\$38,481,000

### **TOTAL NET DEBT**

**\$16,792,323**

Source: Annual Debt Statements of the Township

### **Overlapping Debt<sup>3</sup>**

<b><u>Name of Related Entity</u></b>	<b><u>Related Entity Debt Outstanding</u></b>	<b><u>Township Percentage</u></b>	<b><u>Township Share</u></b>
Local School District	\$38,435,000	100.00%	\$38,435,000
Municipal Utilities Authority	26,995,000	100.00%	26,995,000
County	462,467,711	4.12%	<u>19,056,583</u>
Net Indirect Debt			\$84,486,583
Net Direct Debt			<u>16,792,323</u>
Total Net Direct and Indirect Debt			<b><u>\$101,278,905</u></b>

### **Debt Limit**

Average Equalized Valuation Basis (2012, 2013, 2014)	\$3,898,581,502
Permitted Debt Limitation (3 1/2%)	136,450,353
Less: Net Debt	<u>16,792,323</u>
Remaining Borrowing Power	<u>\$119,658,030</u>
Percentage of Net Debt to Average Equalized Valuation	0.43%
Gross Debt Per Capita based on 2010 population of 27,644	\$1,999
Net Debt Per Capita based on 2010 population of 27,644	\$607

Source: Annual Debt Statement of the Township

---

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

**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS OF THE TOWNSHIP FOR THE YEAR ENDED**  
**DECEMBER 31, 2014**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the Township Committee  
Township of Lacey  
County of Ocean  
Lacey, New Jersey

### Report on the Financial Statements

We have audited the accompanying comparative statements of assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account groups of the Township of Lacey, County of Ocean, State of New Jersey as of December 31, 2014 and 2013, and the related comparative statements of operations and changes in fund balance--regulatory basis for the year then ended, the related statements of revenues--regulatory basis, statement of expenditures--regulatory basis, and the related notes to the financial statements for the year ended December 31, 2014.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

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

As discussed in Note 1 to the financial statements, the Township prepares its financial statements using accounting practices that demonstrate compliance with regulatory basis of accounting and budget laws of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

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

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

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township of Lacey, County of Ocean, State of New Jersey, as of December 31, 2013, or the results of its operations and changes in fund balance for the year then ended.

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

As discussed in Note 1, the financial statements of the Length of Service Award Program Fund (“LOSAP”) Trust Fund has not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Township’s financial statements as of and for the year ended December 31, 2014 and 2013. The LOSAP Trust Fund financial activities are included in the Township’s Trust Fund, and represent 47.95% and 48.82% of the assets and liabilities, respectively of the Township’s Trust Funds as of December 31, 2014 and 2013.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, reserves and fund balance--regulatory basis of the various funds and account group of the Township of Lacey, County of Ocean, State of New Jersey, as of December 31, 2014 and 2013, and the results of its operations and changes in fund balance - -regulatory basis of such funds for the year then ended, and the related statement of revenues--regulatory basis, statement of expenditures--regulatory basis of the various funds, and the related notes to financial statements, for the year ended December 31, 2014 in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

## Other Matters

### Report on Supplementary Information

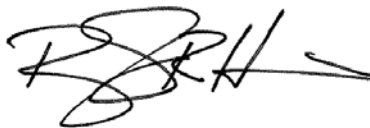
Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph as a whole. The supplemental financial statements presented for the various funds are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and is not a required part of the above financial statements. The accompanying schedules of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are also not a required part of the above 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account group taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015, on our consideration of the Township of Lacey's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Lacey's internal control over financial reporting and compliance.

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P.C.**



Rodney R. Haines  
Certified Public Accountant  
Registered Municipal Accountant  
CR #498

June 15, 2015  
Toms River, New Jersey

*This page intentionally left blank.*

**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***

Honorable Mayor and Members  
of the Township Committee  
Township of Lacey  
County of Ocean  
Lacey, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements- regulatory basis of the Township of Lacey as of and for the fiscal year December 31, 2014 and the related notes to the financial statements, and have issued our report thereon dated June 15, 2015. Our report on the financial statements-regulatory basis was modified to indicate that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. Our report on the financial statements-regulatory basis included a qualified opinion on the financial statements of the Length of Service Award Program Fund ("LOSAP") Trust Fund. The LOSAP Trust Fund financial statements were not audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Township's financials statements as of and for the year ended December 31, 2014. With the exception of the LOSAP Trust Fund our opinion on the financial statements-regulatory basis was unmodified.

**Internal Control Over Financial Reporting**

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

*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 Township'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 preceding paragraph of 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 did identify a certain deficiency in internal control, described in the accompanying Findings and Questioned Costs that we consider to be a significant deficiency as Finding No. 2014-01.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township'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* or audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### **Response to Findings**

The Township of Lacey's response to the findings identified in our audit is described in the accompanying Comments & Recommendations section. The Township of Lacey's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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 Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

**HOLMAN FRENIA ALLISON, P. C.**

Rodney R. Haines  
Certified Public Accountant  
Registered Municipal Accountant  
RMA #498

June 15, 2015  
Toms River, New Jersey

## **BASIC FINANCIAL STATEMENTS**

*This page intentionally left blank.*

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A  
Sheet 1 of 2

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES  
AND FUND BALANCE**

**REGULATORY BASIS**

**DECEMBER 31, 2014 AND 2013**

<b><u>Assets</u></b>	<b><u>Ref.</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Cash and Cash Equivalents	A-4	\$ 8,164,464.14	\$ 12,452,939.57
Cash - Change Fund		1,300.00	1,300.00
Cash - Petty Cash		500.00	500.00
		<u>8,166,264.14</u>	<u>12,454,739.57</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-6	444,310.55	622,448.13
Tax Title Liens Receivable	A-7	189,225.82	164,926.32
Property Acquired for Taxes		3,177,580.00	3,177,580.00
Revenue Accounts Receivable	A-9	23,348.03	24,402.97
Interfunds:			
Other Trust Fund	A-12	-	105,396.09
		<u>3,834,464.40</u>	<u>4,094,753.51</u>
Deferred Charges:			
Special Emergency Authorizations (40A:4-55)	A-8	-	600,000.00
Emergency Authorization	A-8	360,000.00	-
		<u>360,000.00</u>	<u>600,000.00</u>
		<u>12,360,728.54</u>	<u>17,149,493.08</u>
<b><u>Grant Fund</u></b>			
Interfund - Current Fund	A-14	127,650.95	78,478.56
Grants Receivable	A-15	64,012.22	68,524.87
		<u>191,663.17</u>	<u>147,003.43</u>
		<u>\$ 12,552,391.71</u>	<u>\$ 17,296,496.51</u>

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



**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A**

**Sheet 2 of 2**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES  
AND FUND BALANCE**

**REGULATORY BASIS**

**DECEMBER 31, 2014 AND 2013**

	<b><u>Ref.</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Appropriation Reserves	A-3,10	\$ 1,120,539.15	\$ 1,275,867.39
Accounts Payable		65,772.50	87,221.02
Reserve for Encumbrances	A, A-3	249,236.54	214,359.32
Special Emergency Note Payable	A-4	-	600,000.00
Tax Anticipation Note Payable	A-4	-	4,000,000.00
Due to State - Ch. 20, P.L. 1971	A-5	2,172.09	30,440.74
Tax Overpayments		22,749.42	6,654.14
Prepaid Taxes	A-6	490,011.88	1,195,983.09
Due County for Added and Omitted Taxes	A-11	72,281.38	44,402.06
Local School District Taxes Payable	A-12	1,576,167.00	1,627,334.00
Due to Lacey MUA		29,340.15	22,195.86
Due to State for Fees Collected		9,044.00	8,156.00
Reserve for:			
FEMA	A-4	-	27,066.88
Revaluation of Property	A-4	63,000.00	-
Interfunds:			
Assessment Trust Fund	A-13	14,851.50	14,851.50
Payroll Fund	A-13	-	14,275.77
Trust Other Fund	A-12	1,694.28	
Grant Fund	A-14	127,650.95	78,478.56
		<u>3,844,510.84</u>	<u>9,247,286.33</u>
Reserve for Receivables and Other Assets		3,834,464.40	4,094,753.51
Fund Balance	A-1	4,681,753.30	3,807,453.24
		<u>12,360,728.54</u>	<u>17,149,493.08</u>
<b><u>Grant Fund</u></b>			
Appropriated Reserves	A-16	67,411.18	43,540.15
Reserve for Encumbrances	A-16	31,718.76	33,027.51
Unappropriated Reserves	A-17	92,533.23	70,435.77
		<u>191,663.17</u>	<u>147,003.43</u>
		<u>\$ 12,552,391.71</u>	<u>\$ 17,296,496.51</u>

There were deferred school taxes on December 31, 2014 and 2013 of \$22,397,054.00 and \$21,497,054.00, respectively (Schedule A-12).

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

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-1

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE**

Sheet 1 of 2

**REGULATORY BASIS**

	<b><u>Ref.</u></b>	<b><u>Year 2014</u></b>	<b><u>Year 2013</u></b>
<b><u>Revenue and Other Income Realized</u></b>			
Fund Balance Utilized	A-2	\$ 3,600,000.00	\$ 3,600,000.00
Miscellaneous Revenue Anticipated	A-2	13,734,947.54	14,133,476.26
Receipts from Delinquent Taxes	A-2	625,300.77	667,790.17
Receipts from Current Taxes	A-2	72,418,083.28	69,407,691.44
Non-Budget Revenues	A-2	1,137,255.74	901,903.88
Other Credits to Income:			
Statutory Excess in Animal Control Trust Fund			
Accounts Payable Cancelled		-	875.54
Unexpended Balance of Appropriation Reserves	A-10	845,314.16	639,865.50
Grant Appropriated Reserves Cancelled	A-14	-	3,978.81
Grant Unappropriated Reserves Cancelled	A-14	-	3,833.35
Cancel Reserve Balances		-	57.91
Interfunds Liquidated		105,396.09	260,180.97
Total Income		<u>92,466,297.58</u>	<u>89,619,653.83</u>
<b><u>Expenditures</u></b>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		10,491,380.00	10,175,235.00
Other Expenses		11,468,980.00	10,262,850.00
Deferred Charges and Statutory Expenditures		2,270,526.00	3,175,876.73
Budget Appropriations Excluded from Caps:			
Operations:			
Salaries and Wages		232,200.00	221,900.00
Other Expenses		592,830.25	671,269.16
Capital Improvements		90,000.00	90,000.00
Municipal Debt Service		2,328,368.00	2,135,778.60
Deferred Charges		600,000.00	485,079.99
	A-3	<u>28,074,284.25</u>	<u>27,217,989.48</u>
Prior Year Senior Citizen Deduction Disallowed	A-5	25,263.02	65,125.00
County Taxes	A-11	15,941,693.95	15,441,477.13
Local District School Taxes	A-12	44,269,947.00	43,229,698.00
Adjust Payroll Reserves to Actual		-	14,275.77
Adjust Trust Reserve Balances to Actual		-	2,560.76
Grant Receivables Cancelled	A-14	7,971.50	33,096.40
Prior Year Revenue Refund		32,837.80	-
Prior Year Tax Appeals Granted		-	69,252.53
Total Expenditures		<u>88,351,997.52</u>	<u>86,073,475.07</u>

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

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-1**

**COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES  
IN FUND BALANCE**

**Sheet 2 of 2**

**REGULATORY BASIS**

	<b><u>Ref.</u></b>	<b><u>Year 2014</u></b>	<b><u>Year 2013</u></b>
Excess in Revenue		\$ 4,114,300.06	\$ 3,546,178.76
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget of			
Succeeding Year		360,000.00	
Statutory Excess to Fund Balance		4,474,300.06	3,546,178.76
Fund Balance January 1	A	3,807,453.24	3,861,274.48
		8,281,753.30	7,407,453.24
Decreased by:			
Utilization as Anticipated Revenue	A-1	3,600,000.00	3,600,000.00
Fund Balance December 31	A	\$ 4,681,753.30	\$ 3,807,453.24

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

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-2**

**STATEMENT OF REVENUES - REGULATORY BASIS**

**Sheet 1 of 3**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Ref.</b>	<b>Anticipated Budget</b>	<b>N.J.S. 40A:4-87</b>	<b>Realized</b>	<b>Excess or (Deficit)</b>
	<b>A-1</b>	<b>\$ 3,600,000.00</b>	<b>\$ -</b>	<b>\$ 3,600,000.00</b>	<b>\$ -</b>
Fund Balance Anticipated					
<b><u>Miscellaneous Revenues</u></b>					
Licenses					
Alcoholic Beverages	A-9	20,000.00	-	28,440.00	8,440.00
Fines and Costs					
Municipal Court	A-9	310,000.00	-	350,142.57	40,142.57
Interest and Costs on Taxes	A-4	150,000.00	-	201,927.08	51,927.08
Interest on Deposits and Investments	A-9	10,000.00	-	2,988.79	(7,011.21)
Beach Badges	A-9	20,000.00	-	24,975.00	4,975.00
Dock Rentals	A-9	75,000.00	-	72,325.00	(2,675.00)
County Recycling Rebate	A-9	45,000.00	-	49,087.16	4,087.16
Cable Television Franchise Fees	A-9	99,000.00	-	99,651.89	651.89
Uniform Construction Code Fees	A-9	380,000.00	-	402,890.00	22,890.00
State Aid:					
Energy Receipts Tax	A-9	11,107,558.00	-	11,107,558.00	-
Garden State Preservation Trust Fund	A-9	166,282.00	-	166,282.00	-
Shared Services Agreements:					
Township of Ocean	A-9	18,200.00	-	16,975.00	(1,225.00)
Borough of Harvey Cedars	A-9	4,000.00	-	2,100.00	(1,900.00)
Special Items of Revenue:					
Federal and State Revenues Off-Set with Appropriations:					
Alcohol Education and Rehabilitation	A-15	-	6,380.65	6,380.65	-
Body Armor Fund	A-15	5,066.60	-	5,066.60	-
Bullet Proof Vest Grant	A-15	-	10,310.23	10,310.23	-
Clean Communities Program	A-15	-	61,800.94	61,800.94	-
Drunk Driving Enforcement Fund	A-15	12,764.62	-	12,764.62	-
Emergency Management - 966 Grant	A-15	14,027.66	-	14,027.66	-
Municipal Alliance on Drug and Alcohol Abuse	A-15	15,515.00	34,915.00	50,430.00	-
Recycling Tonnage Grant	A-15	52,604.55	-	52,604.55	-
Post Sandy Planning Assistant Grant	A-15	24,500.00	-	24,500.00	-

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**CURRENT FUND**

Exhibit A-2

**STATEMENT OF REVENUES - REGULATORY BASIS**

Sheet 2 of 3

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b><u>Ref.</u></b>	<b><u>Anticipated Budget</u></b>	<b><u>N.J.S. 40A:4-87</u></b>	<b><u>Realized</u></b>	<b><u>Excess or (Deficit)</u></b>
Special Items of Revenue (Continued):					
Other Special Items:					
General Capital Fund - Fund Balance	A-9	\$ 32,380.00	\$ -	\$ 32,380.00	\$ -
Recreation Summer Program Fees	A-9	20,000.00	-	35,018.00	15,018.00
FEMA Reimbursement	A-9	50,000.00	400,000.00	819,951.80	369,951.80
Reserve to Pay Debt Service	A-9	84,370.00	-	84,370.00	-
Total Miscellaneous Revenues	A-1	12,716,268.43	513,406.82	13,734,947.54	505,272.29
Receipts from Delinquent Taxes	A-1,2	500,000.00	-	625,300.77	125,300.77
Subtotal General Revenues		16,816,268.43	513,406.82	17,960,248.31	630,573.06
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	11,857,020.92	-	12,778,854.25	921,833.33
Total General Revenues		28,673,289.35	513,406.82	30,739,102.56	1,552,406.39
Non-Budget Revenues	A-1,2	-	-	1,137,255.74	1,137,255.74
		\$ 28,673,289.35	\$ 513,406.82	\$ 31,876,358.30	\$ 2,689,662.13

**Allocation of Delinquent Tax Collections**

Receipts from Delinquent Taxes:

Delinquent Tax Collections

Tax Title Liens

**Ref.**                      A-3                      A-3

A-6                      \$                      570,700.58  
A-7                                           54,600.19

A-2                      \$                      625,300.77

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

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**CURRENT FUND**

**Exhibit A-2**

**STATEMENT OF REVENUES - REGULATORY BASIS**

**Sheet 3 of 3**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b><u>Ref.</u></b>	
<b><u>Analysis of Realized Revenues</u></b>		
<b><u>Allocation of Current Tax Collections</u></b>		
Revenue from Collections	A-1,6	\$ 72,418,083.28
Allocated to Local School and County Taxes	A-6	61,111,640.95
Balance for Support of Municipal Budget Appropriations		11,306,442.33
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	1,472,411.92
		<hr/>
Amount for Support of Municipal Budget Appropriations	A-2	\$ 12,778,854.25
		<hr/>
<b><u>Analysis of Non-Budget Revenue</u></b>		
Miscellaneous Revenue not Anticipated:		
Reimbursements		\$ 120,807.66
In Lieu of Taxes		95,850.00
Motor Vehicle Inspection Fines		1,600.00
Municipal Court		3,037.87
Other		363,962.49
LOSAP Forfeitures		73,122.33
Lacey BOE Garbage Removal		90,000.00
JIF Dividend		54,234.30
Planning and Zoning		60,245.00
Public Works		64,660.60
Recycling		10,972.95
Tax Collector		9,673.93
Township Clerk		154,258.57
Traffic Detail Admin Fee		34,830.04
		<hr/>
	A-2,4	\$ 1,137,255.74
		<hr/>

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

**TOWNSHIP OF LACEY**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid</u>	<u>Encumbered</u>	<u>Reserved</u>
<b><u>OPERATIONS WITHIN CAPS</u></b>					
<b><u>General Government</u></b>					
General Administration					
Salaries and Wages	\$ 137,400.00	\$ 137,400.00	\$ 135,044.93	\$ -	\$ 2,355.07
Other Expenses	13,475.00	13,475.00	9,198.78	1,445.96	2,830.26
Township Committee					
Salaries and Wages	30,000.00	30,000.00	27,961.44	-	2,038.56
Other Expenses	1,500.00	1,500.00	133.22	-	1,366.78
Municipal Clerk					
Salaries and Wages	189,400.00	189,400.00	189,399.36	-	0.64
Other Expenses	47,675.00	47,675.00	37,902.33	643.88	9,128.79
Financial Administration (Treasury)					
Salaries and Wages	252,650.00	252,650.00	252,557.62	-	92.38
Other Expenses	25,000.00	25,000.00	21,329.23	278.35	3,392.42
Audit Services					
Other Expenses	40,000.00	40,000.00	37,250.00	-	2,750.00
Information Technology					
Salaries and Wages	28,800.00	28,800.00	27,469.81	-	1,330.19
Other Expenses	37,100.00	37,100.00	28,352.99	-	8,747.01
Revenue Administration (Tax Collector)					
Salaries and Wages	244,000.00	244,000.00	231,760.38	-	12,239.62
Other Expenses	111,650.00	111,650.00	64,224.56	25,115.00	22,310.44
Tax Assessment Administration					
Salaries and Wages	232,000.00	226,000.00	218,326.70	-	7,673.30
Other Expenses	50,830.00	56,830.00	56,828.75	-	1.25
Emergency Authorization - Revaluation Reassessmen of Real Property	-	360,000.00	360,000.00	-	-
Tax Map Maintenance					
Other Expenses	5,000.00	5,000.00	1,184.89	-	3,815.11
Legal Services					
Other Expenses	170,000.00	170,000.00	109,979.65	864.00	59,156.35
Engineering Services					
Other Expenses	90,000.00	90,000.00	72,516.25	2,844.50	14,639.25
<b><u>Land Use Administration</u></b>					
Planning Board					
Salaries and Wages	4,000.00	4,000.00	3,000.00	-	1,000.00
Other Expenses	20,070.00	20,070.00	6,021.05	-	14,048.95
Zoning Board of Adjustment					
Salaries and Wages	4,000.00	4,000.00	3,000.00	-	1,000.00
Other Expenses	21,400.00	21,400.00	4,074.58	110.00	17,215.42

**TOWNSHIP OF LACEY**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Appropriated</u>		<u>Expended</u>			<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid</u>	<u>Encumbered</u>	<u>Reserved</u>	
Land Use						
Salaries and Wages	\$ 260,550.00	\$ 260,550.00	\$ 260,415.28	\$ -	\$ 134.72	-
Other Expenses	9,550.00	9,550.00	2,737.42	375.00	6,437.58	-
Code Enforcement and Zoning						
Salaries and Wages	62,600.00	62,600.00	61,819.05	-	780.95	-
Other Expenses	4,950.00	4,950.00	4,053.12	-	896.88	-
<b><u>Insurance</u></b>						
General Liability	460,000.00	460,000.00	416,935.10	-	43,064.90	-
Workers Compensation	560,000.00	560,000.00	557,123.68	-	2,876.32	-
Employee Group Health	3,576,690.00	3,576,690.00	3,576,683.30	-	6.70	-
<b><u>Public Safety</u></b>						
Police						
Salaries and Wages	5,533,630.00	5,533,630.00	5,457,087.45	2,461.00	74,081.55	-
Other Expenses	409,285.00	409,285.00	340,554.92	65,331.79	3,398.29	-
Crossing Guards						
Salaries and Wages	53,400.00	53,400.00	39,901.95	-	13,498.05	-
Other Expenses	3,050.00	3,050.00	1,160.00	245.00	1,645.00	-
Office of Emergency Management						
Salaries and Wages	5,000.00	5,000.00	4,851.60	-	148.40	-
Other Expenses	1,075.00	1,075.00	817.50	-	257.50	-
Search and Recovery Team						
Other Expenses	12,000.00	12,000.00	11,791.50	-	208.50	-
Aid to Volunteer Fire Companies						
Other Expenses	46,250.00	46,250.00	36,896.00	-	9,354.00	-
Aid to Volunteer Ambulance Companies						
Forked River Fire Company	80,000.00	80,000.00	73,250.00	-	6,750.00	-
Maintenance and Repair of Emergency Equipment						
Other Expenses	3,000.00	3,000.00	-	-	3,000.00	-
Fire						
Forked River Fire Company						
Other Expenses	39,800.00	39,800.00	32,054.50	7,745.50	-	-
Lanoka Harbor Fire Company						
Other Expenses	32,980.00	32,980.00	27,214.79	4,181.76	1,583.45	-
Bamber Lake Fire Company						
Other Expenses	23,300.00	23,300.00	12,826.74	5,770.00	4,703.26	-
Municipal Prosecutor						
Other Expenses	40,000.00	40,000.00	40,000.00	-	-	-
Municipal Court						
Salaries and Wages	272,000.00	272,000.00	259,791.81	-	12,208.19	-
Other Expenses	22,000.00	22,000.00	20,945.66	-	1,054.34	-
Public Defender						
Other Expenses	27,000.00	27,000.00	27,000.00	-	-	-



**TOWNSHIP OF LACEY**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b><u>Appropriated</u></b>		<b><u>Expended</u></b>		<b><u>Unexpended Balance Cancelled</u></b>
	<b><u>Budget</u></b>	<b><u>Budget After Modification</u></b>	<b><u>Paid</u></b>	<b><u>Encumbered</u></b>	<b><u>Reserved</u></b>
<b><u>Public Works</u></b>					
Streets and Road Maintenance					
Salaries and Wages	\$ 1,612,700.00	\$ 1,612,700.00	\$ 1,598,935.90	\$ -	\$ 13,764.10
Other Expenses	289,250.00	285,250.00	243,295.10	37,060.50	4,894.40
Solid Waste Collection					
Salaries and Wages	199,950.00	199,950.00	177,358.06	-	22,591.94
Other Expenses	1,828,000.00	1,813,000.00	1,580,501.01	9,589.74	222,909.25
Buildings and Grounds					
Salaries and Wages	478,600.00	478,600.00	477,170.39	-	1,429.61
Other Expenses	100,650.00	100,650.00	93,631.83	6,314.36	703.81
Maintenance and Upgrade of Facilities					
Other Expenses	45,000.00	45,000.00	35,913.39	5,011.96	4,074.65
Sanitary Landfill Testing					
Other Expenses	900.00	900.00	500.00	-	400.00
Vehicle Maintenance (Including Police)					
Other Expenses	271,500.00	291,500.00	249,130.93	29,595.59	12,773.48
<b><u>Health and Welfare</u></b>					
Public Health Services (Board of Health)					
Salaries and Wages	900.00	900.00	900.00	-	-
Other Expenses	14,350.00	14,350.00	1,236.91	9,650.00	3,463.09
Animal Control Services					
Other Expenses	80,900.00	80,900.00	77,330.42	-	3,569.58
Welfare/Administration of Public Assistance					
Other Expenses	2,500.00	2,500.00	500.00	-	2,000.00
Senior Outreach					
Other Expenses	5,000.00	5,000.00	-	-	5,000.00
<b><u>Parks and Recreation</u></b>					
Recreation Services and Programs					
Salaries and Wages	221,500.00	228,500.00	228,347.68	-	152.32
Other Expenses	55,200.00	48,200.00	47,995.92	174.60	29.48
Maintenance of Parks					
Other Expenses	99,500.00	99,500.00	91,394.06	5,547.26	2,558.68
Maintenance of Docks					
Other Expenses	3,000.00	2,000.00	1,646.25	-	353.75
<b><u>Unclassified</u></b>					
Accumulated Leave Compensator					
Salaries and Wages	350,000.00	350,000.00	348,622.37	-	1,377.63
Juvenile Committee					
Other Expenses	200.00	200.00	200.00	-	-
WLTS Channel 21					
Other Expenses	15,000.00	15,000.00	-	-	15,000.00

**TOWNSHIP OF LACEY**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b><u>Appropriated</u></b>		<b><u>Expended</u></b>			<b><u>Unexpended Balance Cancelled</u></b>
	<b><u>Budget</u></b>	<b><u>Budget After Modification</u></b>	<b><u>Paid</u></b>	<b><u>Encumbered</u></b>	<b><u>Reserved</u></b>	
<b><u>Utility Expenses and Bulk Purchases</u></b>						
Electricity	\$ 249,000.00	\$ 249,000.00	\$ 174,036.41	\$ -	\$ 74,963.59	\$ -
Street Lighting	400,000.00	400,000.00	325,837.33	-	74,162.67	-
Telephone	77,500.00	77,500.00	62,887.58	1,949.73	12,662.69	-
Gas (Natural or Propane)	70,000.00	70,000.00	58,813.53	-	11,186.47	-
Fuel Oil	3,000.00	3,000.00	3,000.00	-	-	-
Telecommunications Costs	1,000.00	1,000.00	-	-	1,000.00	-
Gasoline	354,750.00	354,750.00	285,163.42	23,139.73	46,446.85	-
Landfill/Solid Waste Disposal Costs	1,135,000.00	1,135,000.00	1,048,386.48	-	86,613.52	-
<b><u>State Uniform Construction Code</u></b>						
Construction Official						
Salaries and Wages	317,300.00	317,300.00	266,292.06	-	51,007.94	-
Other Expenses	24,150.00	24,150.00	11,547.98	688.98	11,913.04	-
Total Operations within Caps	21,600,360.00	21,960,360.00	20,654,002.90	246,134.19	1,060,222.91	-
Contingent						
Total Operations Including Contingent within Caps	21,600,360.00	21,960,360.00	20,654,002.90	246,134.19	1,060,222.91	-
Detail:						
Salaries and Wages	10,490,380.00	10,491,380.00	10,270,013.84	2,461.00	218,905.16	-
Other Expenses	11,109,980.00	11,468,980.00	10,383,989.06	243,673.19	841,317.75	-
<b><u>DEFERRED CHARGES AND STATUTORY EXPENDITURES WITHIN CAPS</u></b>						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System	456,685.00	456,685.00	452,920.00	-	3,765.00	-
Social Security System (O.A.S.I.)	780,000.00	780,000.00	777,094.16	-	2,905.84	-
Police and Firemen's Retirement System of N.J.	1,018,841.00	1,018,841.00	1,018,841.00	-	-	-
Unemployment Insurance	15,000.00	15,000.00	429.84	-	14,570.16	-
Total Statutory Expenditures within Caps	2,270,526.00	2,270,526.00	2,249,285.00	-	21,241.00	-
Total Appropriations within Caps	23,870,886.00	24,230,886.00	22,903,287.90	246,134.19	1,081,463.91	-
<b><u>OPERATIONS EXCLUDED FROM CAPS</u></b>						
<b><u>All Functions</u></b>						
Employee Group Health						
Other Expenses	89,310.00	89,310.00	89,310.00	-	-	-
Length of Service Awards Program						
Other Expenses	170,000.00	170,000.00	163,300.00	-	6,700.00	-
NJ DEP Stormwater Permit						
Streets and Roads Maintenance						
Salaries and Wages	210,000.00	210,000.00	210,000.00	-	-	-
Other Expenses	30,000.00	30,000.00	20,855.66	3,102.35	6,041.99	-

**TOWNSHIP OF LACEY**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid	Encumbered Reserved	
NJ Recycling Enhancement Act					
Landfill/Solid Waste Disposal Costs					
Other Expenses	\$ 46,150.00	\$ 46,150.00	\$ 26,088.00	\$ -	\$ -
<b>Shared Service Agreements</b>					
Information Technology					
Township of Ocean					
Salaries and Wages	18,200.00	18,200.00	18,200.00	-	-
Borough of Harvey Cedars					
Salaries and Wages	4,000.00	4,000.00	4,000.00	-	-
<b>Public and Private Programs Offset by Revenues</b>					
Alcohol Education and Rehabilitation Fund					
Body Armor Fund	-	6,380.65	6,380.65	-	-
Bullet Proof Vest Partnership Grant	5,066.60	5,066.60	5,066.60	-	-
Clean Communities Program	-	10,310.23	10,310.23	-	-
Drunk Driving Enforcement Fund	-	61,800.94	61,800.94	-	-
Emergency Management - 966 Grant	12,764.62	12,764.62	12,764.62	-	-
Municipal Alliance on Drug and Alcohol Abuse	14,027.66	14,027.66	14,027.66	-	-
Municipal Alliance on Drug and Alcohol Abuse - Local Match	20,000.00	54,915.00	54,915.00	-	-
Recycling Tonnage Grant	-	8,728.75	8,728.75	-	-
Post Sandy Planning Assistane Grant	52,604.55	52,604.55	52,604.55	-	-
Matching Fund for Grants	24,500.00	24,500.00	24,500.00	-	-
Total Operations excluded from Caps	15,000.00	6,271.25	-	6,271.25	-
Detail:	711,623.43	825,030.25	782,852.66	3,102.35	-
Salaries and Wages	232,200.00	232,200.00	232,200.00	-	-
Other Expenses	479,423.43	592,830.25	550,652.66	3,102.35	-
<b>CAPITAL IMPROVEMENTS EXCLUDED FROM CAPS</b>					
Capital Improvement Fund					
Total Capital Improvements excluded from Caps	90,000.00	90,000.00	90,000.00	-	-
<b>MUNICIPAL DEBT SERVICE EXCLUDED FROM CAPS</b>					
Payment of Bond Principal	790,000.00	790,000.00	790,000.00	-	-
Payment of Bond Anticipation Notes	1,175,000.00	1,175,000.00	1,175,000.00	-	-
Interest on Bonds	174,685.00	174,685.00	174,685.00	-	-
Interest on Notes	125,000.00	125,000.00	125,000.00	-	-
Green Trust Loan Program:					
Principal	46,548.00	46,548.00	46,548.00	-	-
Interest	17,135.00	17,135.00	17,135.00	-	-
Total Municipal Debt Service excluded from Caps	2,328,368.00	2,328,368.00	2,328,368.00	-	-

**TOWNSHIP OF LACEY**

**CURRENT FUND**

**STATEMENT OF EXPENDITURES - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b><u>Appropriated</u></b>		<b><u>Expended</u></b>		<b><u>Unexpended</u></b>
	<b><u>Budget</u></b>	<b><u>Budget After Modification</u></b>	<b><u>Paid</u></b>	<b><u>Encumbered</u></b>	<b><u>Balance Cancelled</u></b>
<b><u>DEFERRED CHARGES EXCLUDED FROM CAPS</u></b>					
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	\$ 200,000.00	\$ 600,000.00	\$ 600,000.00	\$ -	\$ -
Total Deferred Charges excluded from Caps	<u>200,000.00</u>	<u>600,000.00</u>	<u>600,000.00</u>	<u>-</u>	<u>-</u>
Total General Appropriations excluded from Caps	<u>3,329,991.43</u>	<u>3,843,398.25</u>	<u>3,801,220.66</u>	<u>3,102.35</u>	<u>-</u>
Subtotal General Appropriations	27,200,877.43	28,074,284.25	26,704,508.56	249,236.54	1,120,539.15
Reserve for Uncollected Taxes	<u>1,472,411.92</u>	<u>1,472,411.92</u>	<u>1,472,411.92</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 28,673,289.35</u>	<u>\$ 29,546,696.17</u>	<u>\$ 28,176,920.48</u>	<u>\$ 249,236.54</u>	<u>\$ -</u>
<b><u>Ref.</u></b>		<b><u>A-1,3</u></b>	<b><u>A-3</u></b>	<b><u>A</u></b>	<b><u>A-1</u></b>
Budget		\$ 28,673,289.35			
Added by N.J.S. 40A:4-87	A-2	513,406.82			
Emergency Authorization	A-8	<u>360,000.00</u>			
	A-3	<u>\$ 29,546,696.17</u>			
Disbursements	A-4		\$ 25,493,409.56		
Reserve for:					
Uncollected Taxes	A-2		1,472,411.92		
Reserve for Revaluation of Property			<u>360,000.00</u>		
Deferred Charges:					
Special Emergency Authorizations	A-8		600,000.00		
Interfunds:					
Grant Fund	A-14		<u>251,099.00</u>		
	A-3		<u>\$ 28,176,920.48</u>		

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

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**  
**TRUST FUND**  
**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES**  
**AND FUND BALANCE**

**Exhibit B**  
**Sheet 1 of 2**

**REGULATORY BASIS**

**DECEMBER 31, 2014 AND 2013**

	<b><u>Ref.</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>Assets</u></b>			
Assessment Fund:			
Interfunds:			
Current Fund	B-3	\$ 14,851.50	\$ 14,851.50
		<u>14,851.50</u>	<u>14,851.50</u>
Animal Control Trust Fund:			
Cash	B-2	<u>31,735.04</u>	<u>14,504.41</u>
Other Trust Fund:			
Cash	B-2	1,646,413.55	1,494,022.66
Interfunds:			
Current Fund	B-8	1,694.28	-
Payroll Fund	B-8	-	6,576.95
		<u>1,648,107.83</u>	<u>1,500,599.61</u>
Length of Service Awards Program Fund			
(LOSAP) - Unaudited:			
Funds Held by Trustee	B-7	<u>1,561,061.79</u>	<u>1,459,602.71</u>
		<u>\$ 3,255,756.16</u>	<u>\$ 2,989,558.23</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Assessment Fund:			
Fund Balance	B-1	\$ 14,851.50	\$ 14,851.50
		<u>14,851.50</u>	<u>14,851.50</u>
Animal Control Fund:			
Reserve for Animal Control Fund Expenditures	B-4	31,590.44	14,456.41
Fees Due to State of New Jersey	B-5	144.60	48.00
		<u>31,735.04</u>	<u>14,504.41</u>

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

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**  
**TRUST FUND**  
**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES**  
**AND FUND BALANCE**

Exhibit B  
Sheet 2 of 2

**REGULATORY BASIS**

**DECEMBER 31, 2014 AND 2013**

<b><u>Liabilities, Reserves and Fund Balance (Continued)</u></b>	<b><u>Ref.</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Other Trust Fund:			
Miscellaneous Reserves:			
Developers' Escrows	B-6	779,904.90	763,643.79
Various Reserves	B-6	849,672.73	596,667.65
Unemployment	B-6	18,530.20	34,892.08
Interfunds:			
Current Fund		-	105,396.09
		<u>1,648,107.83</u>	<u>1,500,599.61</u>
Length of Service Awards Program Fund			
(LOSAP) - Unaudited:			
Reserve for Length of Service Awards			
Program (LOSAP)	B-7	<u>1,561,061.79</u>	<u>1,459,602.71</u>
		<u>\$ 3,255,756.16</u>	<u>\$ 2,989,558.23</u>

**ASSESSMENT TRUST FUND**  
**STATEMENT OF FUND BALANCE - ASSESSMENT FUND - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Exhibit B-1

Balance December 31, 2014 and 2013	B	<u>\$ 14,851.50</u>
------------------------------------	---	---------------------

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

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES  
AND FUND BALANCE**

**REGULATORY BASIS**

**DECEMBER 31, 2014 AND 2013**

	<b><u>Ref.</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>Assets</u></b>			
Cash and Cash Equivalents	C-2	\$ 408,101.85	\$ 571,062.65
Deferred Charges to Future Taxation:			
Funded	C-4	4,331,749.54	5,168,297.66
Unfunded	C-5	12,506,573.00	10,600,073.00
Grants Receivable	C-6	1,152,500.00	467,500.00
		<u>\$ 18,398,924.39</u>	<u>\$ 16,806,933.31</u>
<b><u>Liabilities, Reserves and Fund Balance</u></b>			
Capital Improvement Fund	C-7	\$ 56,384.25	\$ 35,884.25
Improvement Authorizations:			
Funded	C-9	867,525.30	27,476.98
Unfunded	C-9	4,963,019.16	3,812,163.63
Reserve for Encumbrances	C-9	605,294.14	646,360.79
Serial Bonds	C-10	3,510,000.00	4,300,000.00
DEP Loan Payable	C-11	821,749.54	868,297.66
Bond Anticipation Notes	C-12	7,500,000.00	7,000,000.00
Reserve to Pay Debt Service	C-13	46,000.00	84,370.00
Fund Balance	C-1	28,952.00	32,380.00
		<u>\$ 18,398,924.39</u>	<u>\$ 16,806,933.31</u>

There were bonds and notes authorized but not issued on December 31, 2014 and 2013 of \$5,006,753.00 and \$3,600,073.00, respectively (Schedule C-14).

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

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**GENERAL CAPITAL FUND**

**Exhibit C-1**

**STATEMENT OF FUND BALANCE - REGULATORY BASIS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b><u>Ref.</u></b>	
Balance December 31, 2013	C	\$ 32,380.00
Increased by:		
Receipts:		
Premium on Sale of Notes	C-2	<u>28,952.00</u>
		61,332.00
Decreased by:		
Payment to Current Fund as Anticipated Revenue	C-2	<u>32,380.00</u>
Balance December 31, 2014	C	<u><u>\$ 28,952.00</u></u>

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



**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**PAYROLL FUND**

**Exhibit D**

**COMPARATIVE STATEMENT OF ASSETS, LIABILITIES, RESERVES  
AND FUND BALANCE**

**REGULATORY BASIS**

**DECEMBER 31, 2014 AND 2013**

	<b><u>2014</u></b>	<b><u>2013</u></b>
<b><u>Assets</u></b>		
Cash	\$ 115,805.96	\$ 109,902.67
Interfund - Current Fund	<u>-</u>	<u>14,275.77</u>
	<b><u>\$ 115,805.96</u></b>	<b><u>\$ 124,178.44</u></b>
<b><u>Liabilities</u></b>		
Due to Various Agencies	\$ 115,805.96	\$ 117,601.49
Interfunds:		
Other Trust Fund	<u>-</u>	<u>6,576.95</u>
	<b><u>\$ 115,805.96</u></b>	<b><u>\$ 124,178.44</u></b>

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

**TOWNSHIP OF LACEY - COUNTY OF OCEAN**

**GENERAL FIXED ASSET ACCOUNT GROUP**

**Exhibit E**

**COMPARATIVE STATEMENT OF FIXED ASSETS AND FUND BALANCE**  
**REGULATORY BASIS**

**STATEMENT OF GENERAL FIXED ASSETS**

**DECEMBER 31, 2014 AND 2013**

	<b><u>2014</u></b>	<b><u>2013</u></b>
General Fixed Assets:		
Land	\$ 12,237,800.00	\$ 12,237,800.00
Buildings	3,011,800.00	3,011,800.00
Machinery and Equipment	<u>9,805,459.08</u>	<u>9,243,535.25</u>
	<u>\$ 25,055,059.08</u>	<u>\$ 24,493,135.25</u>
Investment in General Fixed Assets	<u>\$ 25,055,059.08</u>	<u>\$ 24,493,135.25</u>

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

*This page intentionally left blank.*

**TOWNSHIP OF LACEY  
COUNTY OF OCEAN**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

\*\*\*\*\*

*This page intentionally left blank.*

## TOWNSHIP OF LACEY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

#### Note 1. Summary of Significant Accounting Policies

##### A. Reporting Entity

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

The Governmental Accounting Standards Board ("GASB") Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Township, by statute or other directive, report separately on their financial statements. The financial statements of the Lacey Township Municipal Utilities Authority are reported separately.

##### B. Descriptions of Funds

The GASB is the recognized standard-setting body for establishing governmental generally accepted accounting and financial reporting principles.

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

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

**Assessment Trust Fund** - used to account for the financing of local improvements deemed to benefit the properties against which assessments are levied.

**Animal Control Trust Fund** - animal license revenues and expenditures.

**Other Trust Fund** - sundry deposits held for satisfactory completion of specific work; receipts and disbursements for dedicated purposes.

**General Capital Fund** - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

**Payroll Fund** - receipt and disbursement for payroll costs and payroll taxes.

**General Fixed Assets Account Group** - used to account for fixed assets used in general government operations.

## TOWNSHIP OF LACEY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

#### Note 1. Summary of Significant Accounting Policies (continued)

##### C. Basis of Accounting, Measurement Focus and Basis of Presentation

The accounting principles and practices prescribed for municipalities by the Division of Local Government Services differ in certain respects from GAAP applicable to local government units. A modified accrual basis of accounting is followed by the Township. Modifications from the accrual basis follow:

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

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

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

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

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

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

**Compensated Absences** - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The compensated absence liability at December 31, 2014 is set forth in Note 4.

## TOWNSHIP OF LACEY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

#### Note 1. Summary of Significant Accounting Policies (continued)

##### C. Basis of Accounting, Measurement Focus and Basis of Presentation (continued)

**Property Acquired for Taxes** - is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded at its market value.

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

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

**Inventories of Supplies** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires that the cost of inventories be reflected on the balance sheet until utilized and expended.

**General Fixed Assets** - In accordance with the New Jersey Administrative Code, which differs in certain respects from GAAP, the Township has developed a fixed assets accounting and reporting system. Fixed assets acquired prior to January 1, 1987 are based on an inspection and appraisal prepared by an independent firm. All general fixed assets acquired after January 1, 1987 are recorded at cost.

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

GAAP does not require utilization of a general fixed asset account group.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Depreciation is not recorded in the General Fixed Assets Account Group.

Expenditures for construction in progress are required to be 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.



**TOWNSHIP OF LACEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Basis of Accounting, Measurement Focus and Basis of Presentation (continued)**

**General Fixed Assets - (continued)**

During 2014 the following changes occurred in the fixed assets of the Township:

	Balance December 31, <u>2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2014</u>
General Fixed Asset Group:				
Land	\$ 12,237,800.00	\$ -	\$ -	\$ 12,237,800.00
Buildings	3,011,800.00	-	-	3,011,800.00
Machinery and Equipment	<u>9,243,535.25</u>	<u>561,923.83</u>	<u>-</u>	<u>9,805,459.08</u>
	<u>\$ 24,493,135.25</u>	<u>\$ 561,923.83</u>	<u>\$ -</u>	<u>\$ 25,055,059.08</u>

**D. Financial Statements**

The GASB Codification requires the financial statements of a governmental unit to be presented in accordance with GAAP. The Township presents its financial statements in accordance with another comprehensive basis of accounting as promulgated by the Division which differs from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

**E. Budgets and Budgetary Accounting**

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

**F. Reporting Entity**

GASB Statement 14 establishes criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The Division requires the financial statements of the Township to be reported separately. The financial statements of the Township of Lacey Municipal Utilities Authority are reported separately.

**G. Subsequent Events**

The Township has evaluated subsequent events through June 15, 2015, the date the financial statements were available to be issued.

## **TOWNSHIP OF LACEY**

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014**

#### **Note 2. Cash and Cash Equivalents**

##### **A. Deposits**

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

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At year-end the carrying amount of the Township's deposits was \$10,444,119.60 and the bank balance amount was \$10,670,760.59. Of this amount \$250,000.00 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$10,030,360.38. An amount of \$390,400.21 was on deposit in the name of various developers for escrow and is either insured by federal depository insurance or uninsured depending on the deposits of the individual developer in the escrow depository.

##### **B. Investments**

- a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Township may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Township:
  - (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
  - (2) Government money market mutual funds.
  - (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
  - (4) Bonds or other obligations of the Township, or bonds or other obligations of school districts of which the Township is a part or within which the school district is located.

## **TOWNSHIP OF LACEY**

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014**

#### **Note 2. Cash and Cash Equivalents (continued)**

##### **B. Investments (continued)**

- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Municipal investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.
- b. Any investment instruments in which the security is not physically held by the Township shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Township and prevent unauthorized use of such investments.
- c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute up to one twentieth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

At year-end the Township had no investments.

##### **C. Cash Management Plan**

In accordance with N.J.S. 40A:5-14, every municipality shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the governing body and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

**TOWNSHIP OF LACEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**Note 2. Cash and Cash Equivalents (continued)**

**C. Cash Management Plan (continued)**

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the governing body summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

**D. Credit Risk Categories**

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

<u>Depository Account</u>	<u>2014</u>	<u>2013</u>
Insured:		
FDIC	\$ 250,000.00	\$ 250,000.00
GUDPA	9,803,169.11	17,939,323.00
Uninsured	<u>390,950.49</u>	<u>389,228.00</u>
	<u>\$ 10,444,119.60</u>	<u>\$ 18,578,551.00</u>

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Township does not have a formal policy for custodial credit risk.

State law limits investments as noted above.

During the year, the Township had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the Township

**TOWNSHIP OF LACEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**Note 3. Taxes Receivable**

The following is a three-year comparison of certain statistical information relative to property taxes and property tax collections for the current and previous two years.

**Comparative Schedule of Tax Rate Information**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Tax Rate	\$ <u>1.440</u>	\$ <u>1.647</u>	\$ <u>1.526</u>
Apportionment of Tax Rate			
Net County Levy	0.315	0.303	0.286
County Library Tax	0.035	0.035	0.033
County Health Tax	0.013	0.013	0.012
County Open Space Tax	0.011	0.011	0.011
District School Tax	1.066	1.033	0.957
Local Municipal Purpose Tax	0.280	0.252	0.227

**Net Valuation Taxable**

2014	<u>\$ 4,238,500,299.00</u>	
2013	<u>\$ 4,271,828,151.00</u>	
2012		<u>\$ 4,300,994,167.00</u>

**Comparison of Tax Levies and Collection Currently**

Year	Tax Levy	Cash Collections	Percentage Of Collection
2014	\$ 73,218,938.65	\$ 72,418,083.28	98.91%
2013	70,552,994.00	69,407,691.00	98.38%
2012	65,809,474.00	64,685,243.00	98.29%

**Property Acquired by  
Tax Title Lien Liquidation**

Year	Amount
2014	\$ 3,177,580.00
2013	3,177,580.00
2012	3,177,580.00

# TOWNSHIP OF LACEY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

### Note 3. Taxes Receivable (continued)

Year Ended December 31	<u>Delinquent Taxes and Tax Title Liens</u>			
	Amount of Tax Title Liens	Amount of Delinquent Taxes	Total Delinquent	Percentage Of Tax Levy
2014	\$ 189,225.82	\$ 444,310.55	\$ 633,536.37	0.87%
2013	164,926.32	622,448.13	787,374.45	1.12%
2012	136,495.90	605,877.88	742,373.78	1.13%

### Note 4. Debt

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Township are general obligation bonds, backed by the full faith and credit of the Township. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

#### A. Long-Term Debt

The Township's long-term debt is summarized as follows:

##### **General Capital Fund - General Improvements**

4.00% General Improvement Serial Bonds issued

August 1, 2006, installment maturities to

August 1, 2018 \$ 3,510,000.00

The General Capital Fund - General Improvement Bonds mature serially in installments to the year 2018. Aggregate debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 825,000	\$ 366,535
2016	855,000	110,085
2017	895,000	75,030
2018	<u>935,000</u>	<u>38,335</u>
Total	\$ <u>3,510,000</u>	\$ <u>366,535</u>

**TOWNSHIP OF LACEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**Note 4. Debt (continued)**

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

**DEP Loan**

The Township has a low interest loan (2%) from the New Jersey Department of Environmental Protection. \$1,024,111 for dam restoration was finalized in 2003. The Township must repay the loans in semi-annual installments over twenty years. The balance December 31, 2014 was \$821,750. Loan payments are due through 2029.

Debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 47,484	\$ 16,199
2016	48,438	15,244
2017	49,412	14,271
2018	50,405	13,278
2019	51,418	12,264
2020	52,452	11,231
2021	53,506	10,177
2022	54,581	9,101
2023	55,678	8,004
2024	56,798	6,885
2025	57,939	5,743
2026	59,104	4,579
2027	60,292	3,391
2028	61,503	2,178
2029	<u>62,740</u>	<u>942</u>
Total	\$ <u>821,750</u>	\$ <u>133,487</u>

**B. Short-Term Debt**

On December 31, 2014, the Township's outstanding bond anticipation notes were as follows:

**TOWNSHIP OF LACEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**Note 4. Debt (continued)**

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

**General Capital Fund**

<b><u>Ordinance Number</u></b>	<b><u>Improvement Description</u></b>		<b><u>Amount</u></b>	<b><u>Interest Rate</u></b>
2006-55	Design and Construction of Connector Road	\$	560,000.00	1.00%
2007-15	EMS Equipment and Court Security Upgrades		10,000.00	1.00%
2007-20	Telephone System Upgrade		5,000.00	1.00%
2007-28	Road and Drainage Improvements and Dredging		490,000.00	1.00%
2008-10	Bayside Beach Dredging		220,000.00	1.00%
2008-17	Various Improvements		240,000.00	1.00%
2008-21	Deerhead Lake Dam Improvements		410,000.00	1.00%
2008-23	Acquisition of Real Property		1,100,000.00	1.00%
2008-24	Conifer Drive Improvements		215,000.00	1.00%
2008-26	Various Improvements		110,000.00	1.00%
2008-27	Purchase Fire Truck and Ambulance		685,000.00	1.00%
2009-16	Wordens Oyster Pond		100,000.00	1.00%
2009-28	Conifer Drive Phase III		205,000.00	1.00%
2011-16	Lake Barnegat Drive North Road Improvements		98,000.00	1.00%
2011-20	Lake Barnegat Drive North Road Improvements, Alternate 2		84,000.00	1.00%
2011-21	Purchase of an Ambulance		75,000.00	1.00%
2012-20	Various Improvements		1,218,000.00	1.00%
2013-16, 29	Various Improvements		1,675,000.00	1.00%
		\$	<u><u>7,500,000.00</u></u>	

**C. Bonds and Notes Authorized but not Issued**

At December 31 the Township had authorized but not issued bonds and notes as follows:

	<b>2014</b>	<b>2013</b>
General Capital Fund - General Improvements	\$ 4,911,573.00	\$ 3,505,073.00
General Capital Fund - Local Improvements	<u>95,000.00</u>	<u>95,000.00</u>
	<u><u>\$ 5,006,573.00</u></u>	<u><u>\$ 3,600,073.00</u></u>



**TOWNSHIP OF LACEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**Note 4. Debt (continued)**

**D. Summary of Debt Activity**

During 2014 and 2013 the following changes occurred in the debt service of the Township:

	Balance December 31, <u>2013</u>	<u>Issued</u>	<u>Retirements</u>	Balance December 31, <u>2014</u>
General Capital Fund:				
Serial Bonds	\$ 4,300,000.00	\$ -	\$ 790,000.00	\$ 3,510,000.00
Bond Anticipation Notes	7,000,000.00	1,675,000.00	1,175,000.00	7,500,000.00
DEP Loan	<u>868,297.66</u>	<u>-</u>	<u>46,548.12</u>	<u>821,749.54</u>
	<u>\$ 12,168,297.66</u>	<u>\$ 1,675,000.00</u>	<u>\$ 2,011,548.12</u>	<u>\$ 11,831,749.54</u>
	Balance December 31, <u>2012</u>	<u>Issued</u>	<u>Retirements</u>	Balance December 31, <u>2013</u>
General Capital Fund:				
Serial Bonds	\$ 5,055,000.00	\$ -	\$ 755,000.00	\$ 4,300,000.00
Bond Anticipation Notes	6,800,000.00	1,218,000.00	1,018,000.00	7,000,000.00
DEP Loan	<u>913,928.60</u>	<u>-</u>	<u>45,630.94</u>	<u>868,297.66</u>
	<u>\$ 12,768,928.60</u>	<u>\$ 1,218,000.00</u>	<u>\$ 1,818,630.94</u>	<u>\$ 12,168,297.66</u>

**E. Summary of Municipal Debt**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Issued</u>			
General			
Bonds, Notes and Loans	\$ <u>11,831,749.54</u>	\$ <u>12,168,297.66</u>	\$ <u>12,768,928.60</u>
Less:			
Funds Temporarily Held to Pay Bonds:			
General Capital Fund	<u>46,000.00</u>	<u>84,370.00</u>	<u>926,870.00</u>
Net Debt Issued	<u>11,785,749.54</u>	<u>12,083,927.66</u>	<u>11,842,058.60</u>
<u>Authorized but not Issued</u>			
General			
Bonds, Notes and Loans	<u>5,006,753.00</u>	<u>3,600,073.00</u>	<u>2,964,073.00</u>
Net Bonds and Notes Issued and Authorized but not Issued	<u>\$ 16,792,502.54</u>	<u>\$ 15,684,000.66</u>	<u>\$ 14,806,131.60</u>

**TOWNSHIP OF LACEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**Note 4. Debt (continued)**

**F. Summary of Statutory Debt Condition- Annual Debt Statement**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a Statutory Net Debt of .431%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 38,435,000.00	\$ 38,435,000.00	\$ -
General Debt	<u>16,838,322.54</u>	<u>46,000.00</u>	<u>16,792,322.54</u>
	<u>\$ 55,273,322.54</u>	<u>\$ 38,481,000.00</u>	<u>\$ 16,792,322.54</u>

Net Debt \$16,792,322.54 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$3,898,581,502 = .431%.

**G. Borrowing Power Under N.J.S.A. 40A:2-6**

3.5% of Equalized Valuation Basis (Municipal)	\$ 136,450,352.57
Net Debt	<u>16,792,322.54</u>
Remaining Borrowing Power	<u>\$ 119,658,030.03</u>

**Note 5. Accrued Sick and Vacation Benefits**

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Township's liability related to unused vacation and sick pay. The Township permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated maximum current cost of such unpaid compensation approximates \$1,053,676.66 and \$1,064,501.00 at December 31, 2014 and 2013, respectively, assuming that all personnel retire from the Township. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

## TOWNSHIP OF LACEY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

#### Note 6. Fund Balance Appropriated

The fund balances at December 31 which have been appropriated and included as anticipated revenue in the municipal budget for the year ending December 31 of the succeeding years are as follows:

<u>Year</u> <u>Current Fund</u>	<u>Balance</u> <u>December 31</u>	<u>Utilized in</u> <u>Budget of</u> <u>Succeeding Year</u>
2014	\$ 4,681,753.30	\$ 4,200,000.00
2013	3,807,453.40	3,600,000.00
2012	3,861,274.00	3,600,000.00
2011	4,006,603.00	3,600,000.00
2010	4,008,064.00	3,800,000.00

#### Note 7. Assessment and Collection of Property Taxes

New Jersey statutes require that taxable valuation of real property be prepared by the Township Tax Assessor as of October 1 in each year and filed with the County Board of Taxation (the "Board") by January 10 of the following year. Upon the filing of certified adopted budgets by the Township, Regional School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Township Tax Collector (the "Collector") on or before May 13th.

Tax bills are prepared then mailed by the Collector of the Township annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Township granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

#### Note 8. Deferred Charges to Future Taxation Funded and Unfunded

Upon the authorization of capital projects, the Township establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the Township may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Township raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

## TOWNSHIP OF LACEY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

#### Note 9. Deferred Charges to Future Taxation Funded and Unfunded

As noted in Note 1, certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2014 and 2013, the following deferred charges are shown on the balance sheet of the Current Fund:

	Balance December 31, 2013	Increases	Balance to Succeeding Budgets
Current Fund:			
Emergency	\$ -	\$ 360,000.00	\$ 360,000.00
Current Fund:			
Special Emergency	\$ 600,000.00	600,000.00	-

The appropriation in the 2015 and 2014 budgets were not less than that required by statute.

#### Note 10. Pension Plans

Substantially all of the Township's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits ("the Division"): the Police and Firemen's Retirement System ("the PFRS"), the Public Employees' Retirement System ("the PERS") or the Defined Contribution Retirement Program ("the DCRP"). Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

##### A. Public Employees' Retirement System (PERS)

The PERS was established in 1955. The PERS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5% plus an additional 1.0% phased-in over seven years beginning in the first year. The phase-in of the additional incremental member contribution amount will take place in July of each subsequent year. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Township is billed annually for its normal contribution plus any accrued liability. These contributions, equal to the required contributions are detailed on the following page.

## **TOWNSHIP OF LACEY**

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014**

#### **Note 10. Pension Plans (continued)**

##### **B. Police and Firemen's Retirement System (PFRS)**

The PFRS was established in 1944. The PFRS provides retirement, death, and disability, and medical benefits to qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:16A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 204, P.L. 1989, plan members enrolled in the PFRS are required to contribute 8.5% of their annual covered salary. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 10% in October 2011. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however the statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Township is billed annually for its normal contributions plus any accrued liability. These contributions, equal to the required contributions are detailed below.

##### **C. Defined Contribution Retirement Program (DCRP)**

The DCRP was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.), and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. The DCRP Board oversees the DCRP, which is administered by Prudential Financial on behalf of the Division. The DCRP provides eligible members, and their beneficiaries, with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et seq.

The contribution requirements of plan members are determined by State statute. Plan members are required to contribute 5.5% of their annual covered salary and the Township is required to contribute 3% of the annual salary. The employee contributions along with the Township's contribution for each pay period are transmitted to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

There were no Township employees enrolled in the DCRP for the years ended December 31, 2014, 2013 and 2012.

# TOWNSHIP OF LACEY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

### Note 10. Pension Plans (continued)

#### Other Information

The Township's contributions, equal to the required contribution for each fiscal year, were as follows:

	2014		2013		2012	
	PERS	PFRS	PERS	PFRS	PERS	PFRS
Normal Contribution	\$ 82,523.00	\$ 370,872.00	\$ 126,038.00	\$ 467,006.00	\$ 154,754.00	\$ 504,386.00
Accrued Liability	362,823.00	610,515.00	301,359.00	618,019.00	309,508.00	567,647.00
Total Regular Pension Contribution	445,346.00	981,387.00	427,397.00	1,085,025.00	464,262.00	1,072,033.00
Non-Contributory Group Life Insurance	7,574.00	37,454.00	25,437.00	44,810.00	29,579.00	39,267.00
Other						
Chapter 19, P.L. 2009 Deferred Contribution	-	-	25,593.00	63,741.00	25,265.00	63,280.00
Total Due	<u>\$ 452,920.00</u>	<u>\$ 1,018,841.00</u>	<u>\$ 478,427.00</u>	<u>\$ 1,193,576.00</u>	<u>\$ 519,106.00</u>	<u>\$ 1,174,580.00</u>

The Division does not invest in securities issued by the Township.

### Note 11. School Taxes

Local District School taxes have been raised and liabilities deferred. Section 13 of P.L. 1991, C. 63 required that any municipality that levied school taxes on a school year basis shall defer from the 1991 municipal purposes tax levy at least 25% of the amount allowable to be deferred (which is 50% (fifty percent) of the levy). The remainder of the allowable amount shall be deferred from the levy in each of the next three years (1992-1994). The amounts so deferred shall be regarded as fund balance and shall be used to offset the local property tax levy for local purposes. In 1992 at least 50% of the amount allowable to be deferred from the 1992 tax levy was required to offset the 1993 local property tax levy and the total amount of deferral at December 31, 1993 was 75% of the amount allowable to be deferred based on the 1993 tax levy.

In 1994 Section 13, P.L. 1991, C. 63 was amended to provide municipalities with the option to determine the percentage if any of the amount allowable to be deferred to offset the local property tax levy for local purposes.

The Township, by resolution of the governing body in 2015, deferred \$900,000.00 of school taxes for the year ending December 31, 2014.

	Local District School Tax Balance December 31	
	2014	2013
Balance of Tax	\$ 23,973,221.00	\$ 23,124,388.00
Deferred	<u>22,397,054.00</u>	<u>21,497,054.00</u>
Tax Payable	<u>\$ 1,576,167.00</u>	<u>\$ 1,627,334.00</u>

## TOWNSHIP OF LACEY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

#### Note 12. Unemployment Compensation Insurance

Effective January 1, 1978, most municipal employees were eligible for unemployment compensation insurance (N.J.S.A. 43:21-3 et seq.) The Township has elected to provide a self-insured plan whereby the municipal cost and employee contributions are deposited in a trust fund from which claims, if any, will be paid. A portion of funds collected from employees are transmitted to the State. The Reserve for Unemployment Trust at December 31, 2014 and 2013 is \$34,892.08 and \$18,530.20, respectively.

#### Note 13. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township 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 programs for municipalities within the state. The Township pays an actuarially determined annual assessment to Ocean County Municipal Joint Insurance Fund for its insurance coverage and that of the Municipal Excess Liability Fund. Supplemental assessments may be levied to supplement the funds. The Township has not been notified on any supplemental assessments.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

The Township has established a self-insurance program in accordance with New Jersey Statute Chapter 40:10. The Statute enables the governing body of any local unit to provide insurance coverage for its exposure to a wide variety of property and liability casualty risks. The Township self insures for dental coverage. At December 31, 2014 and 2013 the Township's exposure for claims incurred under the above self-insurance program is not presently determinable. There is a balance in the self-insurance trust fund of \$10,722.54 and \$14,063.69 at December 31, 2014 and 2013, respectively.

#### Note 14. Contingent Liabilities

##### State and Federal Financial Assistance

The Township receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2014, the Township estimates that no material liabilities will result from such audits.

##### Major Tax Assessments

Taxpayers in 2014 with assessments in excess of 1% of the total assessed valuation were as follows:

<u>Owner</u>	<u>Assessed Value</u>	<u>% of Value</u>
Exelon Generation Co.	\$ 145,292,200	3.43%
JCP&L	49,433,800	1.17%

**TOWNSHIP OF LACEY**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**Note 14. Contingent Liabilities (continued)**

**Pending Litigation**

There are actions which have been instituted against the Township which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Township.

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

The Township officials believe that negligence and other types of liability suits, of which the Township is aware, appear to be within the stated policy limits and would be deferred by the respective carriers

**Note 15. Interfund Receivables and Payables**

The following interfund balances remained on the balance sheets at December 31, 2014:

<b>Fund</b>	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
Current Fund	-	144,196.73
Grant Fund	127,650.95	-
Assessment Trust Fund	14,851.50	-
Other Trust Fund	1,694.28	-
	<hr/>	<hr/>
Total	144,196.73	144,196.73

The purpose of interfunds is for short-term borrowing.

**Note 16. Service Contract – Municipal Utilities Authority**

The Township executed a contract dated July 2, 1971 providing for a service contract between the Township and the Lacey Township Municipal Utilities Authority (the "Authority") which, among other things, obligates the Township to pay to the Authority such sums of money as may be necessary to provide for deficits which result from failure of the Authority to provide adequate revenues from the operations of the Authority.



## **TOWNSHIP OF LACEY**

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014**

#### **Note 17. Deferred Compensation**

The Township has instituted a Deferred Compensation Plan ("Plan") pursuant to Section 457 of the Internal Revenue Code and P.L. 1977, C. 381; P.L. 1978, C. 39; P.L. 1980, C. 78; and P.L. 1997, C. 116 of the Statutes of New Jersey.

The Plan is an arrangement whereby a public employer may establish a Plan and permit its employees to voluntarily authorize a portion of their current salary to be withheld and invested in one or more of the types of investments permitted under the governing regulations.

The Township has engaged a private contractor to administer the Plan.

#### **Note 18. Length of Service Award Program ("LOSAP") - Unaudited**

The Township has established a Volunteer Length of Service Award Plan ("LOSAP") ("Plan") to ensure retention of the Township's volunteer first Aid and Fire Department squads. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a length of service award plan under Section 457(e)(11) of the Internal Revenue Code".

**Annual Contributions** - The annual contribution to be made by the Township for each active volunteer member shall be \$1,150 per year of active emergency service, commencing with the year 2005.

**Appropriations** - Appropriations for the purpose of funding the Township's LOSAP shall be included as a separate line item in the Township's budget, commencing with the year 2005.

**Periodic Increases** - Notwithstanding the provisions above, the annual contribution to be made by the Township for each active volunteer member shall be subject to periodic increases based upon the "consumer price index factor" pursuant to subsection f. of section 3 of P.L. 1997, c. 388 (N.J.S.A. 40A:14-185).

**Criteria for Eligibility; Contributions; Points** - Any active volunteer member shall be eligible to participate in the LOSAP Plan immediately upon commencement of the member's performance of active voluntary services in the emergency service organization. Annual contributions shall only be made by the Township, however, for those active volunteer members who have earned the minimum number of points for performing certain volunteer services on a yearly basis.

**Determination as to Eligibility** - Each emergency service organization shall provide to the Township Administrator, acting as the Plan Administrator of LOSAP Plan, a certified list as to the active volunteer members who are initially eligible to participate in the Plan and those who are eligible to participate as each January 1 thereafter. The Plan Administrator shall forward said certified list to the Township Committee for approval, in accordance with the provision of N.J.A.C. 5:30-14.10. The decision of the Township Committee as to such active member's eligibility shall be binding upon the Plan Administrator, participants, beneficiaries and any and all other persons having an interest hereunder, subject to appropriate judicial review.

**Terms of Participation** - The Plan Administrator shall have the right to require any active volunteer member at the time of his or her becoming a participant to agree, in writing, to be bound by the terms, covenants and conditions of the LOSAP and accompanying trust. Each participant shall furnish to the Plan Administrator all pertinent information required for the administration of the LOSAP. The Plan Administrator shall rely upon all such information furnished.

## TOWNSHIP OF LACEY

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

#### **Note 18. Length of Service Award Program (“LOSAP”) – Unaudited (continued)**

**Vesting** - The active volunteer member shall not be permitted to receive a distribution of the fund in his or her LOSAP account until the completion of a five-year vesting period.

**Termination of Service** - Any participant who terminates service as an active volunteer member shall cease to participate hereunder. A former participant may resume participation immediately upon returning to the service of the emergency service organization as an active volunteer member. Any active volunteer member who terminates service with the emergency service organization, subsequently returns to service and again becomes a participant shall be treated as a new participant for purposes of eligibility unless said participant was fully vested prior to his or her termination from service.

**Reporting Requirements** - N.J.A.C. 5:30-14.49 requires that the Township perform a separate review report of the Plan in accordance with the American Institute of Certified Public Accountants Statements for Accounting and Auditing Review Services.

#### **Note 19. Other Post-Retirement Benefits**

The Township provides a single-employee defined benefits healthcare plan administered by Horizon Blue Cross Blue Shield. The Township provides, pursuant to Committee action and as provided by resolution, certain group healthcare and dental benefits for active and certain retired employees and their covered dependents, as well as Medicare Part B reimbursement (for those retirees that receive fully-subsidized benefits). Active employees who retire from the Township and meet the eligibility criteria are eligible to receive these benefits from the Township at no cost.

The Township has not implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, that was required for governmental agencies starting in 2013.

**APPENDIX C**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Township of Lacey, in the County of Ocean, New Jersey (the "Issuer") in connection with the issuance by the Issuer of \$\_\_\_\_\_ General Obligation Bonds (the "Bonds"). The Bonds are being issued pursuant to various Bond Ordinances (collectively, the "Ordinances") duly adopted by the Committee of the Issuer (the "Committee"), as set forth in a Resolution duly adopted by the Committee on January 14, 2016 (the "Resolution"). The Bonds are dated their date of delivery and shall mature on December 1<sup>st</sup> in the years \_\_\_\_ through \_\_\_\_, inclusive. The Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

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

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

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

“State” shall mean the State of New Jersey.

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

SECTION 3. Provision of Annual Reports. (a) The Issuer shall, or cause the Dissemination Agent to, not later than September 30th of each year, commencing with September 30, 2016 for the Annual Report for the fiscal year ending December 31, 2015, provide to the MSRB via the EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

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

(c) The Dissemination Agent shall:

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

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

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

2. Certain financial and operating data of the Issuer, consisting of: (i) Issuer indebtedness; (ii) the Issuer's most current adopted budget; (iii) property valuation information; and (iv) tax rate, levy and collection data.

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

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

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of a proposed or final determination of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of holders of the Bonds, if material;
8. bond calls, if material;
9. defeasances;
10. release, substitution, or sale of property securing payment of the Bonds, if material;
11. rating changes;
12. tender offers for the Bonds;
13. bankruptcy, insolvency, receivership or similar events of the Issuer;
14. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all 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; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

**TOWNSHIP OF LACEY, IN THE  
COUNTY OF OCEAN, NEW JERSEY**

By \_\_\_\_\_  
**LINDA PICARO-COVELLO,**  
**Chief Financial Officer**

**Dated: February \_\_\_\_\_, 2016**

**EXHIBIT A**

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

Name of Issuer: Township of Lacey, County of Ocean, New Jersey  
Name of Bond Issue: \$\_\_\_\_\_ General Obligation Bonds, Series 2016  
Dated Date: February \_\_, 2016  
(CUSIP Number:\_\_\_\_\_)

NOTICE IS HEREBY GIVEN that the above designated Township has not provided an Annual Report with respect to the above-named Bonds as required by the Bond Resolution and a Continuing Disclosure Agreement for the General Obligation Bonds dated \_\_\_\_\_, 2016 executed by the Township. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

**TOWNSHIP OF LACEY, IN THE COUNTY  
OF OCEAN, NEW JERSEY**

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

**APPENDIX D**  
**FORM OF BOND COUNSEL'S OPINION**



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

Meghan Bennett Clark  
New Jersey Resident Partner

February \_\_, 2016

Mayor and Township Committee  
Township of Lacey  
Ocean County, New Jersey

**RE: Township of Lacey, County of Ocean, New Jersey  
\$ \_\_\_\_\_ General Obligation Bonds, Series 2016**

Dear Mayor and Committee:

We have examined the record of proceedings relating to the issuance of \$ \_\_\_\_\_ General Obligation Bonds, Series 2016 (the "Bonds"), of the Township of Lacey, in the County of Ocean, New Jersey, a municipal corporation of the State of New Jersey (the "Township"). The Bonds are dated February \_\_, 2016 and mature on December 1<sup>st</sup> in each year in the principal amounts set forth in the tables below. Interest on the Bonds, at the respective rates of interest set forth below, is payable semiannually on December 1<sup>st</sup> and June 1<sup>st</sup> of each year, commencing on December 1, 2016, until maturity or prior redemption.

<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>
2016	\$	%	2023	\$	%
2017			2024		
2018			2025		
2019			2026		
2020			2027		
2021			2028		
2022			2029		

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

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

A Limited Liability Partnership Formed in Pennsylvania

One River Centre • 331 Newman Springs Road • Building 1 • Suite 136 • Red Bank, NJ 07701-5688 • 732-383-5659 • fax: 732-383-7412  
www.dilworthlaw.com • Philadelphia, PA • Cherry Hill, NJ • Harrisburg, PA • New York, NY • Washington, DC • Wilmington, DE

The Bonds are authorized pursuant to the Local Bond Law of the State of New Jersey (*N.J.S.A. 40A:2-1 et seq.*) and are issued pursuant to a bond resolution adopted by the Township on January 14, 2016 (the "Bond Resolution"), and by virtue of the bond ordinances finally adopted by the Township as identified in said Bond Resolution (the "Bond Ordinances"). The Bonds, along with other available funds of the Township, are being issued to: (i) permanently finance bond anticipation notes previously issued in the total aggregate principal amount of \$8,000,000 and maturing on February 16, 2016; (ii) finance the cost of various capital improvements to be undertaken by the Township in the amount of \$1,975,000; and (iii) pay costs of issuance and delivery of the Bonds.

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

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

We are of the opinion that:

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

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

3. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes under existing law, as currently enacted and construed. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations by the Internal Revenue Code of 1986, as amended (the "Code"). Interest on a Bond held by a corporation (other than an S corporation, regulated investment company, real estate investment trust or real estate mortgage investment conduit) may be indirectly subject to alternative minimum tax because of its inclusion in the adjusted current earnings of the corporate holder. Interest on a Bond held by a foreign corporation may be subject to the branch profits tax imposed by the Code.

4. The Township has taken the actions necessary for the Bonds to be designated and/or deemed designated as "qualified tax-exempt obligations," as defined in and for purposes of Section 265(b)(3) of the Code. Assuming the accuracy of the representations of the Issuer relating to such designation/deemed designation, we are of the opinion that such designation/deemed designation is valid with respect to the Bonds for the purposes of such Section.

The opinions set forth herein are given solely for the benefit of the original purchasers of the Bonds 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 Township furnished in connection with the sale of the Bonds 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.

Very truly yours,