PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

February 13, 2023

Mr. Fred Henry, Mayor
City of South Amboy
140 North Broadway
South Amboy, NJ 08879

Dear Mr. Henry:

This letter sets forth our understanding of the terms and objectives of our engagement, and the nature and scope of the services we will provide to the City of South Amboy ("the City").

**Agreed-upon Procedures Objectives**

We will apply the agreed-upon procedures which the City (the "Specified Party") has specified and agreed to, as listed in the attached schedule, to the entities making payments in lieu of taxes (PILOT) to the City which began after January 1, 2010 (the "Subject Matter") of the City of South Amboy, New Jersey (the "Responsible Party").

Our procedures will be performed as of the period ended December 31, 2022, and we will issue our report thereon as soon as reasonably possible after completion of our work. This engagement is solely to assist the Specified Party in reviewing the PILOT billings and related payments to the City for entities which began making payments after January 1, 2010.

Our agreed-upon procedures engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we obtain your written agreement to the procedures to be applied and your acknowledgment that those procedures are appropriate for the intended purpose of the engagement, as described in this letter. The agreement and acknowledgment are contained within this letter. A refusal to provide such agreement and acknowledgment will result in our withdrawal from the engagement. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report or will not issue a report as a result of this engagement.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination or review, we will not express an opinion or conclusion on the review of the subject matter. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

We will issue a written report upon completion of the engagement listing the procedures performed and our findings. This report will be addressed to and is intended solely for the use of the Specified Party and should not be used by anyone else. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

There may exist circumstances that, in our professional judgment, will require we withdraw from the engagement. Such circumstances include the following:

- You refuse to provide written agreement to the procedures and acknowledge that they are appropriate for the intended purpose of the engagement.

- You fail to provide requested written representations, or we conclude that there is sufficient doubt about the PILOT's.

- Competence, integrity, ethical values, or diligence of those providing the written representations, or we conclude that the written representations provided are otherwise not reliable.

- We determine that the description of the procedures performed or the corresponding findings are misleading in the circumstances of the engagement.

- We determine that restrictions on the performance of procedures are not appropriate.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws or regulations affecting the Subject Matter that come to our attention. In addition, if, in connection with this engagement, matters come to our attention that contradict the Subject Matter, we will disclose those matters in our report.

You agree to the procedures to be performed and acknowledge that they are appropriate for the intended purpose of the engagement.

Our responsibility as accountants is limited to the period covered by our agreed-upon procedures and does not extend to any later periods for which we are not engaged as accountants.

**Your Responsibilities**

You are responsible for the presentation of the Subject Matter and for selecting the procedures and determining that such procedures are appropriate for your purposes. You are also responsible for, and agree to provide us with, a written assertion about the Subject Matter.

You are also responsible for: (1) making all financial records and related information available to us of which you are aware that is relevant to our agreed-upon procedures engagement, as well as any additional information that we may request for the purpose of our procedures; and (2) providing us with unrestricted access to persons within the ,City from whom we determine it necessary to obtain agreed-upon procedures evidence.

We understand that your finance department personnel will assist us to the extent practicable in completing the agreed-upon procedures.

At the conclusion of the engagement, we will request from management written confirmation concerning representations made to us in connection with our agreed-upon procedures engagement. The representation letter, among other things, will confirm management's responsibility for the presentation of the Subject Matter. We will place reliance on these representations in issuing our report.

In the event that we become obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, as a direct or indirect result of an intentional, knowing or reckless misrepresentation or provision to us of inaccurate or incomplete information by the City or any employee thereof in connection with this engagement, and not any failure on our part to comply with professional standards, you agree to indemnify us against such obligations.

To the best of your knowledge, you are unaware of any facts which might impair our independence with respect to this engagement.

We keep documents related to this engagement in accordance with our records retention policy and applicable regulations. However, we do not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

**Non-reliance on oral advice**

It is our policy to put all advice on which a client intends to rely in writing. We believe that is necessary to avoid confusion and to make clear the specific nature and limitations of our advice. You should not rely on any advice that has not been put in writing by our firm after a full supervisory review.

**Electronic and other communication**

During the course of the engagement, we may communicate with you or with City personnel via fax or e-mail. You should be aware that communication in those media may be unsafe to use and contains a risk of misdirection and/or interception by unintended third parties, or failed delivery or receipt. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of e-mail or other electronic transmissions, including any consequential, incidental, direct, indirect or special damages.

**Access to working papers**

During the course of this engagement, we will develop files of various documents, schedules and other related engagement information known as our working papers. As we are sure you can appreciate, these working papers may contain confidential information and our firm's proprietary data. You understand and agree that these working papers are, and will remain, our exclusive property. Except as discussed below, any requests for access to our working papers will be discussed with you before making them available to requesting parties:

(1) Our firm, as well as other accounting firms, participates in a peer review program covering our audit and accounting practices. This program requires that once every three years we subject our system of quality control to an examination by another accounting firm. As part of this process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected for review. If it is, the other firm is bound by professional standards to keep all information confidential.

(2) We may be requested to make certain working papers available to regulators pursuant to authority given to them by law, regulation or subpoena. If requested, access to such working papers will be provided under the supervision of our personnel. Furthermore, upon request, we may provide photocopies of selected working papers to them. The regulator may intend, or decide, to distribute the photocopies or information contained therein to others, including other government agencies.

**Fees and billing**

Our fees for the services relating to the entities making PILOT payments to the City which began after January 1, 2010 will be billed at our standard hourly rates. (This also includes attendance at City Council meetings, phone discussions, email correspondences and preparation of the agreed-upon procedures report).

**Liability**

Any and all claims by the City arising under this engagement must be commenced by the City within one year following the date on which our firm delivered our agreed-upon procedures report associated with this engagement, or the date the City is informed of the engagement's termination in the event our report is not delivered, for any reason.

Our firm's maximum liability to the City for any reason relating to the services under this letter shall be limited to three times the fees paid to the firm for the services or work product giving rise to liability, except to the extent it is finally determined that such liability resulted from the willful or intentional misconduct or fraudulent behavior of the firm. In no event shall the firm be liable to the City, whether a claim be in tort, contract or otherwise, for any consequential, indirect, lost profit or similar damages.

You agree to indemnify our firm, its partners, principals and employees, to the fullest extent permitted by law for any expense, including compensation for our time at our standard billing rates and reimbursement for our out-of-pocket expenses and reasonable attorneys' fees, incurred in complying with or responding to any request (by subpoena or otherwise) for testimony, documents or other information concerning the City by any governmental agency or investigative body or by a party in any litigation or dispute other than litigation or disputes involving claims by the City against the firm. This indemnification will survive termination of this engagement.

**Dispute resolution**

Any claim or controversy ("dispute") arising out of or relating to this engagement, the services provided thereunder, or any other services provided by or on behalf of the firm or any of its subcontractors or agents to the Company or at its request (including any dispute involving any person or entity for whose benefit the services in question are or were provided), except any claim by our firm seeking payment of our fees and disbursements shall first be submitted in good faith for mediation administered by the American Arbitration Association ("AAA") under its Mediation Rules. Each party shall bear its own costs in the mediation. Absent an agreement to the contrary, the fees and expenses of the mediator shall be shared equally by the parties.

**Dispute resolution *(continued)***

This engagement will be governed by the laws of the State of New York, without giving effect to any provisions relating to conflict of laws that would require the laws of another jurisdiction to apply.

**Confirmation**

Gary W. Higgins is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our agreed-upon procedures engagement on approximately February 13, 2023.

Our agreed-upon procedures engagement ends on delivery of our agreed-upon procedures report. Requests for services other than those included in this engagement letter will be agreed to in a separate engagement letter.

PKF O'Connor Davies LLP ("LLP") and PKF O'Connor Davies Advisory LLC ("Advisory") practice in an alternative practice structure in accordance with applicable law, regulations and professional standards. LLP provides attest services to its clients. Advisory is not a registered CPA firm and does not provide audit or attest services. LLP has a contractual arrangement with Advisory, whereby Advisory provides LLP with professional and support personnel to perform professional services on behalf of LLP. In connection with our services, we may share information that we currently have and/or receive in the future between LLP and Advisory. Unless you indicate otherwise) your acceptance of the terms of this engagement shall be understood by us as your consent for LLP, Advisory and its employees to share confidential information between LLP and Advisory.LLP and Advisory have policies in place that require their employees to maintain as confidential all client information that is not otherwise publicly available.

All rights and obligations set forth herein shall become the rights and obligations of any successor firm to PKF O'Connor Davies, LLP by way of merger, acquisition or otherwise.

If this letter correctly expresses your understanding of the terms of our engagement, including our respective responsibilities, please sign the enclosed copy where indicated and return it to us.

We are pleased to have this opportunity to serve you.

Very truly yours,

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

The services and terms described in the foregoing letter are in accordance with our requirements and are acceptable to us.

**City of South Amboy**

**By:** Fred A. Henry

**Title:** Mayor

**Date:** 3/14/23

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**Agreed-upon Procedures – Payments in Lieu of Taxes (PILOT's)**

1. Determine and identify all entities that began making payments in lieu of taxes to the City beginning after January 1, 2010.

2. For the entities identified in Item No. 1 above, determine the annual service charge (ASC) methodology based upon supporting documents including City resolutions and/or the respective entities Financial Agreement.

3. From inception of the PILOT through December 31, 2022, compare the ASC, administrative charge, if applicable, and land credit, if applicable, per the documents identified in Item No. 2 above to actual amounts billed by the City.

4. Compare amounts billed as required by the respective documents in Item No. 2 above to actual receipts in the records maintained by the City tax collector.

5. For any entities requiring to submit an annual audit to the City determine if the City has on file a copy of each years audit.

6. Determine that the City billed and received the respective "true up" amount for entities requiring to "true up" the tentative PILOT billings based upon the respective entities annual audit.