

EGG HARBOR CITY

ATLANTIC COUNTY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

EGG HARBOR CITY

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EGG HARBOR CITY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2018

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Egg Harbor, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of City of Egg Harbor, as of December 31, 2018 and 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 described in Note 1 of the financial statements, the financial statements are prepared by the City of Egg Harbor on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Egg Harbor as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2018 and 2017, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2018 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Egg Harbor's basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2019 on our consideration of the City of Egg Harbor'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Egg Harbor's internal control over financial reporting and compliance.

Very truly yours,

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

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

July 23, 2019

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EXHIBIT A - CURRENT FUND

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

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 740,821.20	1,020,720.43
Change	400.00	400.00
Investment in Bond Anticipation Notes	95,000.00	15,000.00
Total Cash	<u>836,221.20</u>	<u>1,036,120.43</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	5,284.15	5,097.64
Tax Title and Other Liens	946,243.73	946,052.52
Due from Local School District	1.00	8,001.00
Property Acquired for Taxes - at Assessed Valuation	756,889.00	467,289.00
Revenue Accounts Receivable	2,624.63	4,632.74
Total Receivables and Other Assets	<u>1,711,042.51</u>	<u>1,431,072.90</u>
Deferred Charges:		
Special Emergency NJSA 40:A;4-53	120,000.00	160,000.00
Total Deferred Charges	<u>120,000.00</u>	<u>160,000.00</u>
Total Regular Fund	<u>2,667,263.71</u>	<u>2,627,193.33</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	2,304,846.79	774,178.27
Due from Current Fund	54,136.68	132,013.87
Total Federal and State Grant Fund	<u>2,358,983.47</u>	<u>906,192.14</u>
Total Current Fund	<u>\$ 5,026,247.18</u>	<u>3,533,385.47</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2018</u>	<u>2017</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 156,400.90	77,131.18
Reserve for Encumbrances	109,637.50	145,689.62
Accounts Payable	21,096.34	16,640.28
Taxes Collected in Advance	108,746.99	234,435.38
Overpaid Taxes	50,468.46	42,080.00
Payroll Taxes Payable	26,677.06	46,220.92
Special Emergency Note Payable	120,000.00	160,000.00
County Added Tax Payable	2,342.31	1,753.18
Regional High School District-Taxes	38,603.37	40,749.67
Due to State:		
Veterans and Senior Citizens	6,803.24	7,223.10
Marriage Licence Fees	50.00	150.00
Burial Permits	5.00	-
DCA Training Fees	2,620.00	510.00
Interfund Payable:		
Federal and State Grant Fund	54,136.68	132,013.87
Other Reserve for		
Reassessment	15,669.88	36,896.08
Curbs and Sidewalks	7,651.71	7,651.71
	<u>720,909.44</u>	<u>949,144.99</u>
Reserve for Receivables and Other Assets	1,711,042.51	1,431,072.90
Fund Balance	<u>235,311.76</u>	<u>246,975.44</u>
Total Regular Fund	<u>2,667,263.71</u>	<u>2,627,193.33</u>
Federal and State Grant Fund:		
Unappropriated Reserves	3,389.56	5,237.06
Appropriated Reserves	1,114,884.31	447,769.77
Encumbrances Payable	1,170,718.73	383,194.44
Due to Capital Fund	-	-
Due to Trust Fund	69,990.87	69,990.87
Total Federal and State Grant Fund	<u>2,358,983.47</u>	<u>906,192.14</u>
Total Current Fund	<u>\$ 5,026,247.18</u>	<u>3,533,385.47</u>

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

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized		
Fund Balance	\$ 235,000.00	208,500.00
Miscellaneous Revenue Anticipated	3,134,993.93	1,821,455.91
Receipts from Delinquent Taxes	59,702.07	50,958.69
Receipts from Current Taxes	10,205,428.25	10,159,392.30
Non Budget Revenue	31,719.51	45,434.09
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	66,289.24	25,436.76
Cancellation of Prior Year Liabilities	14,167.78	2,198.74
Interfunds Returned	8,000.00	-
Total Income	<u>13,755,300.78</u>	<u>12,313,376.49</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	1,973,952.00	1,955,927.00
Other Expenses	2,659,530.00	2,682,174.00
Deferred Charges & Statutory Expenditures	607,188.00	560,506.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	47,849.22	130,600.00
Capital Improvements	1,838,861.00	256,000.00
Debt Service	400,039.30	392,683.98
Deferred Charges	40,000.00	67,500.00
Transferred to Board of Education for use by		
Local and Regional High School Districts	18,933.00	19,371.00
Local District School Tax	3,242,206.00	3,205,381.00
County Tax	1,200,367.81	1,310,270.17
County Share of Added Tax	2,342.31	1,753.18
Regional High School Tax	1,495,236.00	1,497,003.00
Refund of Prior Year Revenue	750.00	2,176.02
Cancellation of Prior Year Revenue-Grants	4,709.82	4,711.32
Interfund Created	-	8,001.00
Total Expenditures	<u>13,531,964.46</u>	<u>12,094,057.67</u>
Excess in Revenue	<u>223,336.32</u>	<u>219,318.82</u>

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

	<u>2018</u>	<u>2017</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year		
None	-	-
Total Adjustments	<u>-</u>	<u>-</u>
Statutory Excess to Fund Balance	223,336.32	219,318.82
Fund Balance January 1	<u>246,975.44</u>	<u>236,156.62</u>
	470,311.76	455,475.44
Decreased by:		
Utilization as Anticipated Revenue	<u>235,000.00</u>	<u>208,500.00</u>
Fund Balance December 31	<u>\$ 235,311.76</u>	<u>246,975.44</u>

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Anticipated			Excess or
	Budget	N.J.S. 40A:4-87	Realized	(Deficit)
Fund Balance Anticipated	\$ 235,000.00		235,000.00	
Surplus Anticipated with Prior Written Consent of Local Government Services	-		-	
Total Fund Balance Anticipated	235,000.00	-	235,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	30,000.00		33,591.47	3,591.47
Other	55,000.00		54,618.00	(382.00)
Fines and Costs:				
Municipal Court	74,500.00		64,184.71	(10,315.29)
Interest and Costs on Taxes	60,000.00		68,545.98	8,545.98
Interest Earned on Investments	2,000.00		3,502.58	1,502.58
Rental of Municipal Property	35,000.00		34,557.00	(443.00)
Lake Parking Fees	68,000.00		64,724.00	(3,276.00)
Campground Royalty	3,000.00		4,558.60	1,558.60
Total Section A: Local Revenues	327,500.00	-	328,282.34	782.34
Section B: State Aid Without Offsetting Appropriations				
Consolidated Municipal Property Tax Relief Act	41,226.00		41,226.00	-
Energy Receipts Tax	432,235.00		432,235.00	-
Total Section B: State Aid Without Offsetting Appropriations	473,461.00	-	473,461.00	-
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	44,000.00		88,533.60	44,533.60
Total Section C: Uniform Construction Code Fees	44,000.00	-	88,533.60	44,533.60

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
N.J. Transportation Trust Fund Authority Act - FY 2017				
Reconstruction of Chicago Avenue	272,000.00		272,000.00	-
Recycling Tonnage Grant	3,773.00		3,773.00	-
Clean Communities Program		13,464.52	13,464.52	-
NJDOT FY18 Safe Streets to Transit Program		250,000.00	250,000.00	-
Municipal Alliance on Alcoholism and Drug Abuse	12,963.00		12,963.00	-
Statewide Joint Insurance Fund Safety Grant		3,945.70	3,945.70	-
Bulletproof Vest	1,462.00		1,462.00	-
Small Cities - 100 Block London Avenue Reconstruction	342,000.00		342,000.00	-
Green Communities	3,000.00		3,000.00	-
Transportation Alternatives - Bikeway	723,000.00		723,000.00	-
Transportation Alternatives - Atlantic Avenue Additional Funding	62,041.00	144,820.00	206,861.00	-
			-	-
Total Section F: Special Items - Public and Private Programs	1,420,239.00	412,230.22	1,832,469.22	-
Off-Set with Appropriations				

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government Services - Other Special Items				
Uniform Fire Safety Act	17,000.00		20,635.59	3,635.59
Rental Registrations	55,000.00		56,500.00	1,500.00
Payment in Lieu of Taxes	100,000.00		137,935.70	37,935.70
Vacant Property Registration	110,000.00		83,900.00	(26,100.00)
Cemetery Contribution	15,000.00		15,000.00	-
Conifer PILOT	66,564.00		63,078.48	(3,485.52)
JIF Dividend	35,198.00		35,198.00	-
Total Section G: Other Special Items	398,762.00	-	412,247.77	13,485.77
Total Miscellaneous Revenues:	2,663,962.00	412,230.22	3,134,993.93	58,801.71
Receipts from Delinquent Taxes	4,500.00		59,702.07	55,202.07
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	4,477,369.00		4,471,755.13	(5,613.87)
Total Amount to be Raised by Taxes for Support of Municipal Budget	4,477,369.00	-	4,471,755.13	(5,613.87)
Budget Totals	7,380,831.00	412,230.22	7,901,451.13	108,389.91
Non- Budget Revenues:				
Other Non- Budget Revenues:			31,719.51	31,719.51
\$	7,380,831.00	412,230.22	7,933,170.64	140,109.42

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	10,205,428.25
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Allocated to:

School, County and Other Taxes		<u>5,940,152.12</u>
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Balance for Support of Municipal Budget Appropriations		4,265,276.13
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Increased by:

Appropriation "Reserved for Uncollected Taxes"		<u>206,479.00</u>
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Amount for Support of Municipal Budget Appropriations		<u><u>4,471,755.13</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	(9,099.46)	
Tax Title Lien Collections	<u>68,801.53</u>	

Total Receipts from Delinquent Taxes		<u><u>59,702.07</u></u>
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Tax Collector:

Code Enforcement Fee	10,030.36	
Tax Searches	<u>80.00</u>	
Subtotal - Tax Collector		10,110.36

Treasurer:

Cable Franchise Fee	15,597.40	
Sale of Property	350.00	
Police Department	3,164.00	
Veteran's and Senior Citizen 2%		
Administrative Fee	678.14	
Other Miscellaneous	<u>1,819.61</u>	
Subtotal - Treasurer		<u>21,609.15</u>

Total Miscellaneous Revenue Not Anticipated	\$	<u><u>31,719.51</u></u>
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**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Administrative and Executive						
Salaries and Wages	\$ 27,500.00	27,500.00	27,500.00			-
Governing Body	100,500.00	99,500.00	98,201.16		1,298.84	
Municipal Clerk (Other)						
Other Expenses	18,000.00	17,000.00	14,052.60	1,303.09	1,644.31	
City Clerk	9,500.00	9,500.00	3,842.61	4,741.98	915.41	
Governing Body						
Financial Administrator	75,500.00	70,000.00	69,398.23		601.77	
Salaries and Wages	37,500.00	37,000.00	34,901.57	2,035.82	62.61	
Other Expenses	26,500.00	26,500.00	26,500.00		-	
Audit Services						
Assessment of Taxes						
Salaries and Wages	19,477.00	19,477.00	19,476.96		0.04	
Other Expenses	9,500.00	10,500.00	8,661.36	494.81	1,343.83	
Tax Collector						
Salaries and Wages	36,000.00	36,500.00	36,022.54		477.46	
Other Expenses:						
Tax Sale Costs	600.00	600.00	213.90	172.20	213.90	
Miscellaneous Other Expenses	5,500.00	5,500.00	5,101.92	118.84	279.24	
Liquidation of Tax Title Liens and						
Foreclosed Property						
Other Expenses	100.00	100.00	-		100.00	
Legal Services and Costs						
Other Expenses	100,000.00	100,000.00	80,751.60	19,120.92	127.48	
Municipal Prosecutor						
Salaries and Wages	11,500.00	11,500.00	11,499.96		0.04	
Engineering Services and Costs						
Other Expenses	20,000.00	25,000.00	22,124.17	1,857.50	1,018.33	
Public Buildings and Grounds						
Other Expenses	25,000.00	41,500.00	28,080.26	12,957.67	462.07	
Municipal Land Use Law (NJSA 40:55D-1)						
Combined Planning & Zoning/Code Board						
Salaries and Wages	76,500.00	67,000.00	66,746.22		253.78	
Other Expenses	15,000.00	15,000.00	13,222.14	644.54	1,133.32	
Economic Development						
Other Expenses	100.00	100.00	-		100.00	

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
PUBLIC SAFETY						
Fire						
Salaries and Wages	2,700.00	2,700.00	2,700.00	-	-	-
Other Expenses:						
Aid to Volunteer Companies	30,000.00	30,000.00	30,000.00	-	-	-
Fire Prevention						
Salaries and Wages	13,500.00	13,500.00	13,500.00	-	-	-
Other Expenses	1,500.00	1,500.00	174.58	886.00	439.42	439.42
Right to Know Act/Safety Coordinator						
Salaries and Wages	1,500.00	1,500.00	1,500.00	-	-	-
Other Expenses	250.00	250.00	-	-	250.00	250.00
Police						
Salaries and Wages	1,305,000.00	1,272,000.00	1,220,925.46		51,074.54	
Other Expenses:						
Purchase of Police Car	5,100.00	5,100.00	5,090.84		9.16	
Miscellaneous Other Expenses	85,850.00	95,850.00	79,858.16	15,905.26	86.58	
Police Radio and Communications						
Salaries and Wages	1,200.00	1,200.00	1,200.00	-	-	-
Other Expenses	184,000.00	180,500.00	179,635.20		864.80	
Municipal Cour						
Salaries and Wages	76,500.00	66,500.00	64,776.71		1,723.29	
Other Expenses	10,500.00	12,000.00	10,664.15	292.90	1,042.95	
Public Defender						
Salaries and Wages	4,500.00	4,500.00	4,500.00	-	-	-
First Aid Organization- Contribution	30,000.00	30,000.00	30,000.00	-	-	-
Emergency Management Services						
Salaries and Wages	1,050.00	1,050.00	1,050.00	-	-	-
Other Expenses	900.00	900.00	-	900.00	-	-
PUBLIC WORKS						
Solid Waste Collection (Public Works)						
Salaries and Wages	252,450.00	247,950.00	242,276.45		5,673.55	
Other Expenses:						
Hauling Fee (Tipping and Hauling Fee	316,000.00	291,000.00	282,005.24		8,994.76	
Miscellaneous Other Expenses	25,000.00	32,500.00	22,700.58	9,799.33	0.09	
Vehicle Maintenance	80,000.00	120,000.00	101,045.68	3,199.45	15,754.87	
Solid Waste Disposal Cost	147,900.00	147,900.00	142,276.55	1,294.00	4,329.45	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
City Garage						
Salaries and Wages	100.00	100.00	-		100.00	
Other Expenses	90.00	90.00	-		90.00	
HEALTH AND WELFARE						
Animal Control (Dog Regulation)						
Other Expenses	10,200.00	10,200.00	8,360.00	760.00	1,080.00	
RECREATION AND EDUCATION						
Parks and Playgrounds						
Salaries and Wages	35,400.00	34,725.00	34,721.55		3.45	
Other Expenses:						
Lining of Kern Field	25.00	25.00	-		25.00	
Miscellaneous Other Expenses	10,400.00	11,075.00	6,007.95	3,750.00	1,317.05	
Anniversary or Holiday						
Other Expenses	4,500.00	4,500.00	3,196.72	350.85	952.43	
Youth Program						
Other Expenses:						
Key Rec Youth Group	5,000.00	5,000.00	5,000.00		-	
Crusaders Youth Program	14,000.00	14,000.00	14,000.00		-	
INSURANCE						
Group Insurance Plans for Employees	562,000.00	562,000.00	545,869.58	306.00	15,824.42	
Firemen's Group Insurance Premiums	17,500.00	17,500.00	15,591.10		1,908.90	
Surety Bond Premiums	1,000.00	500.00	-		500.00	
Other Insurance Premiums:						
Liability Insurance (JIF)	196,769.00	196,769.00	196,769.00		-	
Workers Compensation (JIF)	114,621.00	114,621.00	114,301.00		320.00	
Health Benefits Waiver	2,500.00	2,500.00	2,500.00		-	
UNIFORM CONSTRUCTION CODE						
Construction Office						
Salaries and Wages	63,750.00	63,750.00	62,820.48		929.52	
Other Expenses	1,350.00	3,350.00	638.67	2,510.00	201.33	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
UNCLASSIFIED					
Street Lighting	125,000.00	127,000.00	113,338.71	11,174.82	2,486.47
Gasoline	55,000.00	55,000.00	43,419.98	1,598.12	9,981.90
Electric	100,000.00	110,000.00	95,285.76	7,928.98	6,785.26
Natural Gas	40,000.00	39,000.00	27,540.69	4,714.48	6,744.83
Telephone	35,000.00	38,500.00	37,036.17	819.94	643.89
Fire Hydrant Service	30,000.00	30,000.00	30,000.00	-	-
Accumulated Absences	15,000.00	15,000.00	15,000.00	-	-
TOTAL OPERATIONS WITHIN "CAPS"	4,628,882.00	4,633,382.00	4,373,574.16	109,637.50	150,170.34
Contingent	100.00	100.00	-	-	100.00
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	4,628,982.00	4,633,482.00	4,373,574.16	109,637.50	150,270.34
Detail:					
Salaries and Wages	2,104,627.00	2,040,952.00	1,912,069.50	-	61,882.50
Other Expenses	2,524,355.00	2,592,530.00	2,461,504.66	109,637.50	88,387.84
DEFERRED CHARGES AND STATUTORY EXPENDITURES:					
Deferred Charges:					
None					
Statutory Expenditures					
Contributions to:					
Public Employees' Retirement System	111,313.00	111,313.00	111,312.82		0.18
Social Security System (O.A.S.I.)	165,000.00	160,500.00	155,341.74		5,158.26
Police and Fireman's Retirement System of NJ	327,875.00	327,875.00	327,875.00		-
Unemployment Compensation Insurance	7,500.00	7,500.00	7,500.00		-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES	611,688.00	607,188.00	602,029.56	-	5,158.44
					-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	5,240,670.00	5,240,670.00	4,975,603.72	109,637.50	-
OPERATIONS - EXCLUDED FROM "CAPS"					
(A) Operations - Excluded from "CAPS"	6,000.00	6,000.00	5,267.88	732.12	
Recycling Tax Appropriator	6,000.00	6,000.00	5,267.88	732.12	-
(A) Public and Private Programs Off-Set by Revenues					
Clean Communities Act (NJSA 13:13-99.1 et. seq.)		13,464.52	13,464.52	-	
Recycling Tonnage Grant	3,773.00	3,773.00	3,773.00	-	
Bulleproof Vest Partnership Grant	1,462.00	1,462.00	1,462.00	-	
Green Communities	3,000.00	3,000.00	3,000.00	-	
Sustainable Jersey Capacity Grant		-	-	-	
Drug Abuse Resistance Education (July-June	12,963.00	12,963.00	12,963.00	-	
Drug Abuse Resistance Education - Local Match	3,241.00	3,241.00	3,241.00	-	
Drunk Driving Enforcement Fund		-	-	-	
2017 Statewide Joint Insurance Fund Safety Grant		3,945.70	3,945.70	-	
Total Public and Private Programs Off-Set by Revenues	24,439.00	41,849.22	41,849.22	-	-
Total Operations - Excluded from "CAPS"	30,439.00	47,849.22	47,117.10	-	732.12
Detail:					
Salaries and Wages	-	-	-	-	732.12
Other Expenses	30,439.00	47,849.22	47,117.10	-	
(C) Capital Improvements					
Capital Improvement Fund	8,000.00	8,000.00	8,000.00	-	
Purchase of Dump Truck	17,000.00	17,000.00	16,760.00	240.00	
NJ DOT Trust Fund Authority Ac					
FY17-Reconstruction of Chicago Avenue	272,000.00	272,000.00	272,000.00	-	
Transportation Alternatives-Atlantic Avenue Additional Fund	62,041.00	206,861.00	206,861.00	-	
Transportation Alternatives-Bikeway	723,000.00	723,000.00	723,000.00	-	
Small Cities-100 Block London Avenue Reconstruction	342,000.00	342,000.00	342,000.00	-	

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Small Cities-100 Block London Avenue Reconstruction-Local NJDOT FY18 Safe Streets to Transit Program	20,000.00	20,000.00 250,000.00	20,000.00 250,000.00	- -	- -
Total Capital Improvements	1,444,041.00	1,838,861.00	1,838,621.00	-	-
(D) Debt Service					
Payment of Bond Principa	310,000.00	310,000.00	310,000.00		-
Payment of Bond Anticipation Notes and Capital Notes	28,750.00	28,750.00	28,750.00		-
Interest on Bonds	40,519.00	40,519.00	40,519.00		-
Interest on Notes	21,000.00	21,000.00	20,770.30		229.70
Total Debt Service	400,269.00	400,269.00	400,039.30	-	229.70
(E) Deferred Charges					
Emergency Authorizations		-			-
Special Emergency Authorizations - 5 years	40,000.00	40,000.00	40,000.00	-	-
Total Deferred Charges	40,000.00	40,000.00	40,000.00	-	-
(N) Transferred to Board of Education for Use of Local Schools (NJSA 40:48-17.1 & 17.3)	18,933.00	18,933.00	18,933.00	-	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	1,933,682.00	2,345,912.22	2,344,710.40	-	229.70

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
SUBTOTAL GENERAL APPROPRIATIONS	7,174,352.00	7,586,582.22	7,320,314.12	109,637.50	156,400.90
(M) Reserve for Uncollected Taxes	206,479.00	206,479.00	206,479.00		
TOTAL GENERAL APPROPRIATIONS	<u>\$ 7,380,831.00</u>	<u>7,793,061.22</u>	<u>7,526,793.12</u>	<u>109,637.50</u>	<u>156,400.90</u>
Budget		7,380,831.00			229.70
Appropriations by 40A-4-87		<u>412,230.22</u>			<u>-</u>
		<u>7,793,061.22</u>			<u>229.70</u>
Reserve for Uncollected Taxes			206,479.00		
Due to Unemployment Trust			7,500.00		
Due to General Capital-Capital Improvement Fund			8,000.00		
Due to Utility Operating - Fire Hydrant Service			30,000.00		
Federal and State Grants			1,855,710.22		
Deferred Charges			40,000.00		
Disbursements			<u>5,538,346.78</u>		
			7,686,036.00		
Less Appropriation Refunds			<u>(159,242.88)</u>		
			<u>7,526,793.12</u>		
				Cancelled	229.70
				Overexpended	<u>-</u>
					<u>229.70</u>

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EXHIBIT B - TRUST FUND

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Animal Control Fund:		
Cash	\$ 383.00	-
	<u>383.00</u>	<u>-</u>
Other Funds:		
Cash - Treasurer	212,734.31	201,011.53
Cash - Collector	182,761.36	178,566.88
Due from Federal and State Grant Fund	69,990.87	69,990.87
	<u>465,486.54</u>	<u>449,569.28</u>
	<u><u>465,869.54</u></u>	<u><u>449,569.28</u></u>
LIABILITIES, RESERVES AND FUND BALANCE		
Animal Control Fund:		
Reserve for Expenditures	383.00	-
	<u>383.00</u>	<u>-</u>
Other Funds:		
Reserve for Program Loan Repayment	119,721.83	108,694.83
Reserves - Miscellaneous	345,764.71	340,874.45
	<u>465,486.54</u>	<u>449,569.28</u>
	\$ <u><u>465,869.54</u></u>	<u><u>449,569.28</u></u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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EXHIBIT C - CAPITAL FUND

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

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash	\$ 21,509.25	10,377.55
Deferred Charges to Future Taxation -		
Funded	1,740,000.00	2,050,000.00
Unfunded	792,500.00	821,250.00
	<u>2,554,009.25</u>	<u>2,881,627.55</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	8,850.50	10,282.56
Bond Anticipation Notes Payable	792,500.00	801,000.00
Serial Bonds Payable	1,740,000.00	2,050,000.00
Improvement Authorizations:		
Funded	10,685.19	11,841.69
Unfunded	1,970.43	7,770.42
Reserves for:		
Preliminary Expenses -		
Reconstruction of Atlantic Avenue	-	450.00
Capital Improvement Fund	1.60	7.60
Fund Balance	1.53	275.28
	<u>\$ 2,554,009.25</u>	<u>2,881,627.55</u>

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

2017	20,250.00
2018	-

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

	<u>2018</u>	<u>2017</u>
Beginning Balance January 1	\$ 275.97	12,040.05
Increased by:		
Premium on Sale of Bonds & Notes	7,790.25	2,709.00
Funded Improvement Authorizations Canceled	-	4,076.92
Decreased by:		
Adjustment for Rounding	0.69	0.69
Appropriated to Finance Improvement Authorizations	<u>8,064.00</u>	<u>18,550.00</u>
Ending Balance December 31	<u>\$ 1.53</u>	<u>275.97</u>

EXHIBIT D - WATER AND SEWER UTILITY FUND

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

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Operating Fund:		
Cash - Treasurer	\$ 377,405.25	241,463.89
Change Fund	200.00	200.00
Due from State-NJDOT Reimbursement	-	20,298.00
	<u>377,605.25</u>	<u>261,961.89</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	5,415.90	7,040.42
Water and Sewer Utility Liens	8,597.60	13,942.67
	<u>14,013.50</u>	<u>20,983.09</u>
Deferred Charges		
Deficit in Operations	(0.00)	51,916.49
Emergency Appropriations	30,000.00	-
	<u>30,000.00</u>	<u>51,916.49</u>
Total of Operating Fund	\$ <u>421,618.75</u>	<u>334,861.47</u>

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

	<u>2018</u>	<u>2017</u>
Capital Fund:		
Cash	\$ 14,992.10	1,009.53
Deferred Charge to Future Rates	7,113.00	7,113.00
Fixed Capital - Sewer	12,907,365.44	12,907,365.44
Fixed Capital - Water	16,298,791.36	16,298,791.36
Fixed Capital - Authorized & Uncomp.	100,000.00	-
	<u>29,328,261.90</u>	<u>29,214,279.33</u>
	<u><u>29,749,880.65</u></u>	<u><u>29,549,140.80</u></u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	38,949.64	8,343.33
Reserve for Encumbrances	30,488.75	7,458.31
Accrued Interest on Bonds	113,585.93	112,365.78
Utility Rent Overpayments	2,291.35	1,913.19
Utility Rents & Fire Receipts Paid in Advance	182,943.85	183,212.21
	<u>368,259.52</u>	<u>313,292.82</u>
Reserve for Receivables	14,013.50	20,983.09
Fund Balance	39,345.73	585.56
	<u>421,618.75</u>	<u>334,861.47</u>
Total of Operating Fund	\$ <u>421,618.75</u>	<u>334,861.47</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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

	<u>2018</u>	<u>2017</u>
Capital Fund:		
Bond Anticipation Notes	\$ 567,000.00	472,000.00
Serial Bonds-Water and Sewer	16,154,046.63	16,693,834.63
Improvement Authorizations		
Funded	-	-
Unfunded	19,442.82	-
Reserves for:		
Amortization - Water	8,271,060.94	7,919,013.44
Amortization - Sewer	4,309,049.65	4,121,309.15
Amortization - Deferred	5,000.00	-
Fund Balance	2,661.86	8,122.11
Total of Capital Fund	<u>29,328,261.90</u>	<u>29,214,279.33</u>
Total Liabilities, Reserves and Fund Balance	\$ <u>29,749,880.65</u>	<u>29,549,140.80</u>

There were Bonds and Notes authorized but not issued at December 31

2017	-
2018	-

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

	2018	2017
<u>Revenue and Other Income Realized</u>		
Fund Balance Anticipated	\$ -	15,000.00
Rents	1,845,000.00	1,386,000.00
Miscellaneous Revenue Anticipated	54,547.28	47,882.34
Fire Hydrant Service	30,000.00	30,000.00
Increase in Rental Fees	106,103.49	368,022.15
Reserve to Pay Debt	-	-
JIF Dividend	11,733.00	10,702.00
Capital Fund Balance	10,100.00	26,000.00
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	2,417.72	11,201.42
Total Income	<u>2,059,901.49</u>	<u>1,894,807.91</u>
<u>Expenditures</u>		
Operating	960,174.00	968,251.00
Capital Improvements	5,000.00	-
Debt Service	1,013,050.83	958,473.40
Deferred Charges and Statutory Expenditures	72,916.00	20,000.00
Cancellation of Prior Year Revenue	0.49	-
Total Expenditures	<u>2,051,141.32</u>	<u>1,946,724.40</u>
Excess in Revenue	8,760.17	
Deficit in Revenue		<u>(51,916.49)</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute deferred charges to budget of succeeding year	<u>30,000.00</u>	<u>-</u>
Statutory Excess to Fund Balance	38,760.17	
Operating Deficit to be Raised in Budget of Succeeding Year		<u>(51,916.49)</u>
Fund Balance January 1	585.56	15,585.56
Decreased by:		
Utilization as Anticipated Revenue	-	15,000.00
Fund Balance December 31	<u>\$ 39,345.73</u>	<u>585.56</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

**WATER AND SEWER CAPITAL FUND
STATEMENT OF CAPITAL FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	<u>2018</u>	<u>2017</u>
Balance Beginning of Year	\$ 8,122.11	298.03
Increased by:		
Premium on Sale of Bonds & Notes	4,639.75	903.00
Close water plant ordinance	-	32,921.08
Decreased by:		
Appropriated as Revenue in the Utility Operating Fund	10,100.00	26,000.00
Balance End of Year	\$ <u>2,661.86</u>	<u>8,122.11</u>

**WATER AND SEWER OPERATING FUND
STATEMENT OF REVENUES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ -	-	
Water and Sewer Rents	1,845,000.00	1,845,000.00	-
Miscellaneous	47,500.00	54,547.28	7,047.28
Fire Hydrant Services	30,000.00	30,000.00	-
Increase in Rental Fees	77,746.00	106,103.49	28,357.49
JIF Dividend	11,733.00	11,733.00	-
Capital Fund Balance	10,100.00	10,100.00	-
	\$ <u>2,022,079.00</u>	<u>2,057,483.77</u>	<u>35,404.77</u>

Analysis of Realized Revenue**Rents**

Consumer Accounts Receivable	1,947,149.81
Tax Title Liens	<u>3,953.68</u>
Total Collections	<u>1,951,103.49</u>

Miscellaneous

Interest and Penalties	8,784.12
Water Tap Fee	9,800.00
Sewer Tap Fee	4,200.00
Fire	27,949.69
Miscellaneous Other	<u>713.47</u>
Revenue Realized	51,447.28
Apply Prepaid Fire Receipts	<u>3,100.00</u>
Total Miscellaneous Revenue Realized	\$ <u>54,547.28</u>

The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

WATER AND SEWER OPERATING FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
OPERATING						
Salaries and Wages	\$ 255,783.00	256,783.00	253,358.35		3,424.65	
Other Expenses	325,620.00	353,620.00	290,694.26	30,468.75	32,456.99	
Engineering Fees	25,600.00	25,100.00	24,199.00	20.00	881.00	
Legal Fees	7,500.00	5,000.00	3,668.04		1,331.96	
Atlantic County Sewerage Authority - Contractual	320,671.00	319,671.00	319,275.00		396.00	
	<u>935,174.00</u>	<u>960,174.00</u>	<u>891,194.65</u>	<u>30,488.75</u>	<u>38,490.60</u>	<u>-</u>
CAPITAL IMPROVEMENTS						
Down Payments on Improvements	-	5,000.00	5,000.00		-	
	<u>-</u>	<u>5,000.00</u>	<u>5,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEBT SERVICE						
Payment of Bond Principal	539,789.00	539,789.00	539,788.00			1.00
Interest on Bonds	463,000.00	463,000.00	462,119.21			880.79
Interest on Notes	11,200.00	11,200.00	11,143.62			56.38
	<u>1,013,989.00</u>	<u>1,013,989.00</u>	<u>1,013,050.83</u>	<u>-</u>	<u>-</u>	<u>938.17</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES						
Statutory Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)	20,000.00	20,000.00	19,540.96		459.04	
Unemployment Compensation Insurance	1,000.00	1,000.00	1,000.00		-	
Deferred Charges:						
Deficit in Operations in Prior Years	51,916.00	51,916.00	51,916.00		-	
	<u>72,916.00</u>	<u>72,916.00</u>	<u>72,456.96</u>	<u>-</u>	<u>459.04</u>	<u>-</u>
	<u>\$ 2,022,079.00</u>	<u>2,052,079.00</u>	<u>1,981,702.44</u>	<u>30,488.75</u>	<u>38,949.64</u>	<u>938.17</u>
Adopted Budget		2,022,079.00				
Emergency Appropriation		<u>30,000.00</u>				
		<u>2,052,079.00</u>				
			Interest on Bonds and Notes	473,262.83		
			Downpayments on Improvements	5,000.00		
			Group and Liability Insurance	165,000.00		
			Deferred Charges	51,916.00		
			Disbursed	<u>1,286,523.61</u>		
				<u>1,981,702.44</u>		

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EXHIBIT G - GENERAL FIXED ASSET GROUP OF ACCOUNTS

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

	<u>2018</u>	<u>2017</u>
General Fixed Assets:		
Buildings	\$ 1,208,321.11	1,548,321.11
Improvements Other than Buildings	561,682.50	561,682.50
Equipment	755,616.32	755,616.32
Vehicles	1,730,631.29	1,645,881.29
Furniture	<u>12,332.00</u>	<u>12,332.00</u>
Total General Fixed Assets	<u><u>4,268,583.22</u></u>	<u><u>4,523,833.22</u></u>
Investment in General Fixed Assets	<u><u>\$ 4,268,583.22</u></u>	<u><u>4,523,833.22</u></u>

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NOTES TO FINANCIAL STATEMENTS

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Egg Harbor City was incorporated in 1858 and is located in the northern section of Atlantic County. The population estimate by the US Department of Census as of July 2017 is 4,174. The City provides to its citizens the following services: public safety, recreation, public improvements, planning and zoning, garbage and trash collection, water and sewer services, and general administrative services.

Egg Harbor City is governed by a Mayor and a nine-member City Council. The Mayor is the chief executive officer and Council is the legislative body of the City. The Mayor is elected to a four-year term and the nine City Council members are elected to three-year terms. The Council monitors the daily administrative functions.

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Egg Harbor City operates a Cemetery which is managed by a seven member board. Although the Cemetery is a component unit of the City, under State of New Jersey reporting requirements it is not included in these financial statements. Complete financial statements of the Egg Harbor City Cemetery may be obtained from the City Clerk, Egg Harbor City, 500 London Avenue, Egg Harbor City, NJ 08215.

B. Description of Funds

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

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

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

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

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

As permitted by Generally Accepted Accounting Principles (GAAP), the City has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued before November 30, 1989 in its accounting and reporting practices for its water and sewer utility fund.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

C. Basis of Accounting

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

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

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

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

Foreclosed Property -- Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. Ordinarily, it is the intention of the City to resell foreclosed property in order to recover all or a portion of the delinquent taxes or assessments and to return the property to a taxpaying basis. For this reason the value of the foreclosed property has not been included in the General Fixed Assets Account Group. If such property is converted to a municipal use, it will be recorded in the General Fixed Assets Account Group.

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

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

General Fixed Assets -- Egg Harbor City has developed a fixed assets accounting and reporting system in accordance with the requirements of the State of New Jersey, Division of Local Government Services. This reporting system differs in certain respects from Generally Accepted Accounting Principles.

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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. The City's fixed asset capitalization threshold is \$5,000 for both general and utility capital assets.

No depreciation has been provided for in the financial statements.

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

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

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

The following schedule is a summarization of the changes in general fixed assets for the calendar years ended December 31, 2018 and 2017.

	Balance 12/31/2017	Additions/ Transfers	Disposals/ Transfers	Balance 12/31/2018
Land	\$ -			\$ -
Buildings	1,548,321.11		340,000.00	1,208,321.11
Improvements	561,682.50			561,682.50
Equipment	755,616.32			755,616.32
Furniture	12,332.00			12,332.00
Vehicles	1,645,881.29	84,750.00		1,730,631.29
	<u>\$ 4,523,833.22</u>	<u>\$ 84,750.00</u>	<u>\$ 340,000.00</u>	<u>\$ 4,268,583.22</u>

	Balance 12/31/2016	Additions/ Transfers	Disposals/ Transfers	Balance 12/31/2017
Land	\$ -			\$ -
Buildings	1,548,321.11			1,548,321.11
Improvements	561,682.50			561,682.50
Equipment	754,944.32	48,422.00	47,750.00	755,616.32
Furniture	12,332.00			12,332.00
Vehicles	1,664,759.48	7,191.00	26,069.19	1,645,881.29
	<u>\$ 4,542,039.41</u>	<u>\$ 55,613.00</u>	<u>\$ 73,819.19</u>	<u>\$ 4,523,833.22</u>

The following schedule is a summarization of the changes in utility capital fixed assets for the calendar years ended December 31, 2018 and 2017. Under the New Jersey Regulatory Basis of Accounting no depreciation is taken on these assets.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Balance 12/31/2017	Additions	Adjustments/ Disposals	Balance 12/31/2018
Sewer Assets	\$ 12,907,365.44			12,907,365.44
Water Assets	16,298,791.36			16,298,791.36
Authorized Assets				
Sewer	-	100,000.00		100,000.00
	\$ 29,206,156.80	100,000.00	-	29,306,156.80

	Balance 12/31/2016	Additions	Adjustments/ Disposals	Balance 12/31/2017
Sewer Assets	\$ 12,907,365.44			12,907,365.44
Water Assets	10,776,712.44	5,522,078.92		16,298,791.36
Authorized Assets				
Water	6,938,100.00		6,938,100.00	-
	\$ 30,622,177.88	5,522,078.92	6,938,100.00	29,206,156.80

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

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

Utility Levy -- The City operates both a sewer and water utility. Rates are determined by ordinance and changed when needed. Sewer charges are based on flat fees based on the type of entity. Water charges are based on a flat "meter" charge, based on the size of the meter, plus a usage charge as determined by meter readings. The water and sewer charges are billed on January 1, April 1, July 1, and October 1. The City establishes a 100% reserve for all outstanding water and sewer receivables. Revenue is recognized when the payment is made.

Interest on Delinquencies -- On an annual basis, City Council determines the rate of interest to charge for delinquent tax and utility charges. For the years 2018 and 2017 the City charged 8% of the first \$1,500.00 of delinquency and 18% for any cumulative amount in excess of \$1,500.00. In addition, there is an annual charge of 6% for any delinquencies in excess of \$10,000.00 on December 31. The City allows a ten (10) day grace period from the quarterly due date; but, the interest is calculated from the due date for any payments beyond the grace period.

Capitalization of Interest -- It is the policy of Egg Harbor City to treat interest on general capital projects as a current expense and the interest is included in the current operating budget. Total interest charged to the operating budget was \$61,289.30 in 2018 and \$59,683.98 in 2017. For utility capital projects, the City elects on a project by project basis the decision to capitalize interest. Total interest charged to the utility operating budget was \$473,262.83 in 2018 and \$482,110.40 in 2017. During the years ended December 31, 2018 and 2017, no interest, was charged to utility capital projects.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

D. Required Financial Statements

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

E. Comparative Data

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

F. Recent Accounting Pronouncements Not Yet Effective

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83 "Certain Asset Retirement Obligations" This statement, which is effective for fiscal periods beginning after June 15, 2018, will not have any effect on the City's financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84 "Fiduciary Activities" This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, may have an effect on the City's financial reporting.

In April 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements". This statement, which is effective for fiscal periods beginning after June 15, 2019, will not have any effect on the City's financial reporting.

In June 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period". This statement, which is effective for fiscal periods beginning after December 15, 2019, will not have any effect on the City's financial reporting.

In August 2018, the Governmental Accounting Standards Board (GASB) issued Statement No. 90, "Majority Equity Interest – an amendment of GASB Statement No. 14 and No. 61". This statement, which is effective for fiscal periods beginning after December 15, 2018, will not have any effect on the City's financial reporting.

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$206,479.00 and \$168,110.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$235,000.00 and \$208,500.00.

The Chief Financial Officer has the discretion of approving intra department budgetary transfers throughout the year. Inter department transfers are not permitted prior to November 1. After November 1 these transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2018 and 2017 calendar years:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Legal Services		
Other Expenses	\$ -	26,000.00
Land Use Board		
Salaries & Wages	-	(12,000.00)
Police		
Salaries & Wages	(33,000.00)	(76,500.00)
Other Expenses	-	64,000.00
Public Works		
Vehicle Maintenance	40,000.00	20,000.00
Buildings & Grounds		
Other Expenses	16,500.00	-
Hauling Fee	(25,000.00)	-
Electric	12,000.00	7,500.00
Gasoline	--	(10,500.00)
Social Security	-	(10,000.00)

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2018 and 2017 calendar years, City Council approved the following significant budget insertions:

	<u>2018</u>	<u>2017</u>
New Jersey Department of Transportation		
Chicago Avenue - 600 Block	\$ -	231,000.00
Safe Streets to Transit Program	250,000.00	
Clean Communities	13,464.52	13,444.47
Drunk Driving Enforcement Fund	-	2,000.00
Body Armour Fund	-	1,624.83
NJ Transportation Alternatives-Atlantic Ave.	144,820.00	-
JIF Safety Grant	3,945.70	3,945.70
	<u>\$ 412,230.22</u>	<u>252,015.00</u>

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. No special emergencies were adopted by City Council during 2018 or 2017. During the 2016 calendar year, City Council adopted a special emergency in the amount of \$200,000 for the City-wide Reassessment Program. During the 2018 and 2017 calendar years, the following emergency appropriations were approved by the Common Council:

	<u>2018</u>	<u>2017</u>
Water and Sewer Utility		
Down Payment on		
Improvement	\$ 5,000.00	0.00
Other Expenses	25,000.00	0.00
	<u>\$ 30,000.00</u>	<u>0.00</u>

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 3: INVESTMENTS

As of December 31, 2018 and 2017, the municipality has investments totaling \$95,000.00 and \$15,000.00.

During the period ended December 31, 2018 and 2017 the City held investments in Bond Anticipations Notes of the City in the amounts of \$95,000.00 and \$15,000.00. These investments represent 100% of the City's investments. Interest is charged at 0.00% per annum. The fair value measurement of these investments fall within the Level 3 hierarchy level, indicating there is a measurable input for the asset or liability. There has been no change in valuation technique or related inputs.

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

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

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

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the Act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2018 and 2017, \$0 of the municipality's bank balance of \$1,569,790.30 and \$1,671,541.90 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2018 and 2017 consisted of the following:

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018	Due in One Year
General	\$ 2,050,000.00		310,000.00	1,740,000.00	310,000.00
Water and Sewer Utility	16,693,834.63		539,788.00	16,154,046.63	539,788.00
Compensated Absences	380,252.02		4,772.43	375,479.59	30,584.18
Total	19,124,086.65	-	854,560.43	18,269,526.22	893,875.05

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017	Due in One Year
General	2,373,000.00		323,000.00	2,050,000.00	310,000.00
Water and Sewer Utility	17,170,198.45		476,363.70	16,693,834.75	539,788.54
Compensated Absences	413,705.29		33,453.27	380,252.02	-
Total	\$ 19,956,903.74	-	832,816.97	19,124,086.77	849,788.54

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

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

\$1,543,000 General Improvement Bond dated 4/13/16 payable in annual installments commencing 4/1/17 and continuing through 4/1/26. Interest is paid semiannually at 2.250% per annum. The bonds are not subject to redemption prior to their stated maturities. The balance remaining as of December 31, 2018 was \$1,350,000.00.

\$1,035,000 Refunding Bonds, Series 2016, dated 6/7/16 payable in annual installments commencing 12/1/16 and continuing through 12/1/20. Interest is paid semiannually at 1.50% per annum. These bonds were issued to advance refund the callable portion of the General Improvement Bonds, Series 2005. The bonds that were called had maturities from 12/1/17 to 12/1/20 in the total amount of \$1,012,000.00. The total savings to the City was \$38,106.50, or 3.810% as a result of refunding the 2005 bond issue. The balance remaining as of December 31, 2018 was \$390,000.00.

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

\$1,690,000 Water and Sewer Refunding Bond dated April 26, 2011 payable in annual installments commencing 8/1/11 and continuing through 8/1/25. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00%. The total savings to the City was \$58,271, or 3.695% as a result of refunding the 1990 bond issues. Refunding bonds maturing on or after 8/1/22 are subject to redemption prior to maturity at the option of the City on any date on or after 8/1/21. The balance remaining as of December 31, 2018 was \$1,055,000.00.

\$5,056,000 Water and Sewer Utility Bond dated 10/14/11 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$96,216 through 10/14/51. Interest is calculated at 2.25% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance as of December 31, 2018 was \$4,463,156.54.

\$5,295,000 Water and Sewer Refunding Bonds dated 10/8/14 payable in annual installments commencing 10/15/17 and continuing through 10/15/43. Interest is paid semiannually at varying rates ranging from 2.0% to 4.0%. The total savings to the City was \$254,145, or 4.973% as a result of refunding the 2002, 2004, 2005, and 2008 USDA Loans. Refunding bonds maturing on or after 10/15/25 are subject to redemption prior to maturity at the option of the City on any date on or after 10/15/24. The remaining balance as of December 31, 2018 was \$5,136,000.00.

\$1,700,000 Water and Sewer Utility Bond dated 4/13/16 payable in annual installments commencing 4/1/17 and continuing through 4/1/31. Interest is paid semiannually at varying rates ranging from 2.25% to 2.5%. Bonds maturing on or after 4/1/27 are redeemable at the option of the City in whole or in part on any date on or after 4/1/26. The balance remaining as of December 31, 2018 was \$1,546,000.00.

\$3,974,000 Water and Sewer Utility Bond dated 4/14/16 with the United States Department of Agriculture, Rural Economic and Community Development. This bond is payable in semiannual installments of \$75,626 through 4/14/56. Interest is calculated at 2.25% and is included in the semiannual installments. The City has received approval from the Local Finance Board to use this method of interest calculation for this issue. The remaining balance as of December 31, 2018 was \$3,815,890.00.

\$345,000 Water and Sewer Refunding Bonds dated 6/7/16 payable in annual installments commencing 12/1/16 and continuing through 12/1/20. Interest is paid semiannually at 1.50% per annum. These bonds were issued to advance refund the callable portion of the Water and Sewer Utility, Series 2005. The bonds that were called had maturities from 12/1/17 to 12/1/20 in the total amount of \$335,000.00. The total savings to the City was \$13,211.74, or 3.944% as a result of refunding the 2005 bond issue. The balance remaining as of December 31, 2018 was \$140,000.00.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Year	General Capital		Utility Capital	
	Principal	Interest	Principal	Interest
2019	\$ 310,000.00	35,100.00	553,290.87	452,449.38
2020	290,000.00	29,587.50	571,872.45	438,349.05
2021	190,000.00	23,512.50	550,535.06	423,355.19
2022	190,000.00	19,237.50	569,280.55	407,628.45
2023	190,000.00	14,962.50	583,110.79	392,173.21
2024-2028	570,000.00	19,237.50	2,751,110.36	1,711,484.64
2029-2033			2,445,733.65	1,356,517.60
2034-2038			2,343,333.01	1,020,111.99
2039-2043			2,750,444.41	602,725.59
2044-2048			1,448,785.62	269,634.38
2049-2053			1,224,221.71	104,889.09
2054-2056			362,328.15	12,239.95
	<u>\$ 1,740,000.00</u>	<u>141,637.50</u>	<u>16,154,046.63</u>	<u>7,191,558.52</u>

As of December 31, 2018, the carrying value of the above bonds approximates the fair value of the bonds.

Summary of Municipal Debt

	Year 2018	Year 2017	Year 2016
Issued			
General-Bonds and Notes	\$ 2,532,500.00	2,851,000.00	3,169,000.00
Water & Sewer Utility – Bonds and Notes	16,721,046.63	17,165,834.63	17,642,198.33
Total Issued	<u>19,253,546.63</u>	<u>20,811,198.33</u>	<u>20,811,198.33</u>
Authorized But Not Issued			
General – Bonds and Notes	0.00	20,250.00	35,250.00
Water & Sewer Utility – Bonds and Notes	0.00	0.00	1,383,100.00
Total Authorized But Not Issued	<u>0.00</u>	<u>20,250.00</u>	<u>1,418,350.00</u>
Total	<u>\$ 19,253,546.63</u>	<u>20,037,084.63</u>	<u>22,229,548.33</u>

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.377%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 7,350,000.00	6,772,749.84	577,250.16
Regional High School District Debt	1,838,434.36	1,838,434.36	0.00
Water & Sewer Utility Debt	16,721,046.63	16,721,046.63	0.00
General Debt	2,532,500.00	0.00	2,532,500.00
	<u>\$ 28,441,980.99</u>	<u>25,332,230.83</u>	<u>3,109,750.16</u>

NOTES TO FINANCIAL STATEMENTS **YEARS ENDED DECEMBER 31, 2018 AND 2017**

As a Kindergarten through Grade 8 District, the allowable deduction to gross debt is limited to 3% of the average equalized valuation. As indicated above, the Local School District gross debt exceeded 3%, and therefore a portion is included as Net Debt to the City.

Net Debt \$3,109,750.16 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$225,758,328.00 =1.377%.

The above information is in agreement with the Annual Debt Statement filed by Egg Harbor City.

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$ 7,901,541.48
Net Debt	<u>3,109,750.16</u>
Remaining Borrowing Power	<u>\$ 4,791,791.32</u>

Note 6: SHORT TERM OBLIGATIONS

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018
General Capital Notes	\$ 801,000.00	20,250.00	28,750.00	792,500.00
Utility Capital Notes	472,000.00	95,000.00		567,000.00
Special Emergency Notes	160,000.00		40,000.00	120,000.00
Tax Anticipation Notes	-	1,350,000.00	1,350,000.00	-
	<u>\$ 1,433,000.00</u>	<u>1,465,250.00</u>	<u>68,750.00</u>	<u>1,479,500.00</u>

	Balance 12/31/2016	Additions	Reductions	Balance 12/31/2017
General Capital Notes	796,000.00	15,000.00	10,000.00	801,000.00
Utility Capital Notes	472,000.00			472,000.00
Special Emergency Notes	200,000.00		40,000.00	160,000.00
Tax Anticipation Notes	-	1,000,000.00	1,000,000.00	-
	<u>\$ 1,468,000.00</u>	<u>1,015,000.00</u>	<u>1,050,000.00</u>	<u>1,433,000.00</u>

The City borrowed \$1,350,000 in Tax Anticipation Notes on June 14, 2018 in anticipation of the receipt of taxes and other revenue for the calendar year. The note matured September 14, 2018 and was paid in full. Interest was paid at a rate of 2.35% per annum.

At December 31, 2018 the City had outstanding the following special emergency and bond anticipation notes:

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Amount	Issue Date	Maturity Date	Interest Rate
Current Fund:				
Ocean First Bank	\$ 120,000.00	12/12/18	12/11/19	2.70%
General Capital:				
Oppenheimer and Co.	792,500.00	4/10/18	4/9/19	2.75%
Water & Sewer Capital:				
Egg Harbor City	95,000.00	12/22/18	12/21/19	0.00%
Oppenheimer and Co.	472,000.00	4/10/18	4/9/19	2.75%
Total Special Emergency And Bond Anticipation Notes	<u>1,479,500.00</u>			

Upon maturity of the general and utility capital notes, the City borrowed \$1,299,750 in a new bond anticipation note, after a \$59,750 paydown. The note, which is held by Oppenheimer & Co., will mature on April 3, 2020 and bears interest at 2.75% per annum.

Note 7: LEASE OBLIGATIONS

During the year ended December 31, 2018, the City had lease agreements in effect for the following:

Operating Lease:

Effective 7/1/13, the City has entered into an agreement for the lease of a mail system. The term of the lease is 60 months and the City has the option to purchase the equipment at fair market value upon expiration. Payments of \$196.00 are due monthly. The City has extended the lease for an indefinite term at the same monthly rate of \$196.00 per month.

Future minimum payments under this lease are as follows:

Year		Amount
2019	\$	2,352.00
Total	\$	<u>2,352.00</u>

Capital Leases:

The City is leasing a 2017 Ford F250 pickup truck with an 8 foot plow and a 52" lawn mower totaling \$44,440.00 under a capital lease. Annual payments are made to TCF Equipment Finance and include interest at 4.37% per annum.

The following is a schedule of the future minimum lease payments under this capital lease.

Year	Amount
2019	12,349.58
2020	12,349.58
Total Minimum Lease Payments	24,699.16
Less: Amount Representing Interest	1,529.44
Present Value of Net Minimum Lease Payments	<u>\$ 23,169.72</u>

Rental expenses charged to operations in 2018 and 2017 were \$19,792.42 and \$31,390.58, respectively.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2018 and 2017 which are anticipated to be appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2019 and 2018 were as follows:

	Year	Balance December 31st	Utilized in Budget of Succeeding Year	Percent Utilized
Current Fund	2018	\$ 235,311.76	207,000.00	87.97%
	2017	246,975.44	235,000.00	95.15%
	2016	236,155.95	208,500.00	88.29%
	2015	229,291.16	229,000.00	99.87%
	2014	259,776.00	237,000.00	91.23%
Water & Sewer Utility Fund	2018	39,345.73	39,000.00	99.12%
	2017	585.56	-	0.00%
	2016	15,585.56	15,000.00	96.24%
	2015	173,692.78	173,000.00	99.60%
	2014	325,341.00	208,147.00	63.98%

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of New Jersey for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the City to appropriate in the 2019 budget is \$235,311.76 for the current fund and \$39,345.73 for the utility fund.

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, the following deferred charges are shown on the balance sheets of the various funds:

	Balance 12/31/2018	2019 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Special Emergency			
NJSA 40A:4-55	\$ 120,000.00	40,000.00	80,000.00
Total Current Fund	\$ 120,000.00	40,000.00	80,000.00
Water and Sewer Utility			
Emergency Authorization	30,000.00	30,000.00	0.00
Total Water and Sewer Utility	30,000.00	30,000.00	0.00

The appropriations in the 2019 Budget are not less than that required by statute.

Note 10: SCHOOL TAXES

Local District School Taxes in the amounts of \$3,242,206.00 and \$3,205,381.00 have been raised for the 2018 and 2017 calendar years and remitted to the local school district. Regional High School Tax in the amounts of \$1,495,236.00 and \$1,497,003.00 have been raised for the 2018 and 2017 calendar years and remitted to the regional high school district. The regional high school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service, if

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

any. New Jersey Statutes permit a deferral of up to 50% of the current tax levy for those districts that levy on fiscal year.

	Regional High School Tax	
	Balance	Balance
	12/31/2018	12/31/2017
Balance of Tax	\$ 523,711.37	525,857.67
Deferred	485,108.00	485,108.00
Tax Payable	\$ 38,603.37	40,749.67

Note 11: TAXES COLLECTED IN ADVANCE

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

	Balance	Balance
	12/31/2018	12/31/2017
Prepaid Taxes	\$ 108,746.99	234,435.38
Cash Liability for Taxes Collected in Advance	108,746.99	234,435.38

Note 12: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

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

Police and Fireman's Retirement System

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

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15C-1 et seq). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.34% through June 30, 2018 and 7.50% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 13.43% of covered payroll. The City's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$111,312.81, \$113,889.00, and \$108,536.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The current PFRS rate is 33.72% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2018, 2017, and 2016 were \$327,875.00, \$284,117.00, and \$265,417.00.

The total payroll for the year ended December 31, 2018, 2017, and 2016 was \$2,320,695.22, \$2,337,882.35, and \$2,336,261.07. Payroll covered by PERS was \$828,749, \$807,914.00, and \$771,510.00. Covered payroll by PFRS was \$972,228, \$988,488.00, and \$1,032,897.

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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

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

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

Note 13: PENSION LIABILITIES

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

The following represents the municipality's pension liabilities as June 30, 2018:

Public Employees' Retirement System

The Municipality has a liability of \$2,301,906 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.01169103230%, which would be an increase of 3.64% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$75,921. At December 31, 2018, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 43,898	\$ (11,869)
Changes of assumptions	379,316	-736,027
Changes in proportion	94,001	(181,104)
Net difference between projected and actual earnings on pension plan investments		(21,592)
Total	<u>\$ 517,215</u>	<u>\$ (950,592)</u>

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

Year ended June 30,	
2019	\$ 17,486
2020	(29,969)
2021	(192,221)
2022	(172,217)
2023	(56,456)
Total	<u>\$ (433,377)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2043 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 5.66%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.66%) or 1-percentage point higher (6.66%) than the current rate:

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Municipality's proportionate share of the net pension liability	\$ 2,767,473	\$ 2,301,906	\$ 1,911,560

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Municipality has a liability of \$4,236,782 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.03131016570%, which would be a decrease of 11.54% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$195,928. At December 31, 2018, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 43,104	\$ (17,533)
Changes of assumptions	363,671	-1085814
Changes in proportion	368,921	(735,215)
Net difference between projected and actual earnings on pension plan investments		(23,179)
Total	<u>\$ 775,696</u>	<u>\$ (1,861,741)</u>

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Year ended June 30,		
2018	\$	47,874
2019		(188,407)
2020		(509,467)
2021		(330,354)
2022		(105,691)
Total	\$	<u>(1,086,045)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
High yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
District's proportionate share of the net pension liability	5,519,007.72	4,236,782.00	3,179,391.57

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2017 State special funding situation net pension liability amount of \$1,838,050,687.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2018 State special funding situation pension expense of \$217,714,180.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2017, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.03131016570% for 2018. The net pension liability amount allocated to the Municipality was \$575,497. For the fiscal year ending June 30, 2018 State special funding situation pension expense of \$68,167.00 is allocated to the Municipality.

Pension plan fiduciary net position.

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

Note 14: OTHER POST-RETIREMENT BENEFITS

General Information about the Plan:

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

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

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

1) retired on a disability pension;

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

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

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

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

Allocation Methodology:

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the City these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Special Funding Situation:

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

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Net OPEB Liability:

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2018 is as follows:

	June 30, 2018	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 15,981,103,227	\$ 3,549,243
Plan Fiduciary Net Position	314,485,086	69,844
Net OPEB Liability	<u>\$ 15,666,618,141</u>	<u>\$ 3,479,399</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.97%

At June 30, 2018 the City's proportionate share of the Collective Net OPEB Liability was \$3,479,399. The State's proportionate share for the Special Funding Situation that is associated with the City is \$3,280,102. The City's proportion of the Collective Net OPEB Liability was 0.022209% which was an increase from the prior year of 1.31%. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.052787% which was a decrease from the prior year of 8.17%.

City's Proportionate Share of Collective Net OPEB Liability	\$ 3,479,399
State's proportionate share that is associated with the City	3,280,102
Total	<u>\$ 6,759,501</u>

For the Year ended June 30, 2018 the City's Total OPEB Expense was \$109,621 and the State of New Jersey realized Total OPEB Expense in the amount of \$99,293 for its proportionate share of Total OPEB Expense that is associated with the City.

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*:	
Through 2026	1.65% to 8.98%
Thereafter	2.65% to 9.98%

* Salary increases are based on the defined benefit plan that the member is enrolled in and his or her age.

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan – the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2010 to June 30, 2013 and July 1, 2011 to June 30, 2014, respectively.

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

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the Net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Collective			
Net OPEB Liability \$	18,381,085,096	\$ 15,666,618,141	\$ 13,498,373,388
Proportionate Share			
Net OPEB Liability \$	4,082,255	\$ 3,479,399	\$ 2,997,854

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

The following presents the net OPEB liability as of June 30, 2018, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Collective			
Net OPEB Liability \$	13,068,471,450	\$ 15,666,618,141	\$ 19,029,006,023
Proportionate Share			
Net OPEB Liability \$	2,902,377	\$ 3,479,399	\$ 4,226,152

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

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Collective Totals		Proportionate Share	
	Deferred Outflow s of Resources	Deferred Inflow s of Resources	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Differences between expected and actual experience \$		\$ (3,180,882,321)		\$ (706,442)
Changes of assumptions		(3,974,042,874)		(882,595)
Net difference between projected and actual earnings on OPEB plan investments	8,279,239		1,839	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,106,728,269	(2,106,728,269)	57,091	(204,102)
Total	\$ 2,115,007,508	\$ (9,261,653,464)	\$ 58,930	\$ (1,793,139)

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

Year ended June 30,	Collective Totals	Proportionate Share
2019 \$	(1,049,390,011)	\$ (254,646)
2020	(1,049,390,011)	(254,646)
2021	(1,049,390,011)	(254,646)
2022	(1,050,264,681)	(254,858)
2023	(1,051,678,489)	(255,201)
Thereafter	(1,896,532,753)	(460,214)
Total \$	(7,146,645,956)	\$ (1,734,209)

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

Collective OPEB Expenses reported by the State of New Jersey

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2018 are as follows:

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Service cost	\$ 896,235,148
Interest on Total OPEB Liability	764,082,232
Expected Investment Return	(9,389,460)
Administrative Expenses	8,200,113
Current Period Recognition (Amortization) of Deferred Inflow s/ Outflow s of Resources:	
Differences between Expected and Actual Experience	(445,501,726)
Changes in Assumptions	(606,176,763)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	2,288,478
Total Collective OPEB Expense	<u>\$ 609,738,022</u>

Schedule of City's Share of Net OPEB Liability

	<u>2018</u>
City's Proportionate Share of Net OPEB Liability	0.022209%
City's Share of Net OPEB Liability	\$ 3,479,399
City's Covered Payroll	828,749
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	419.84%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

Note 15: DEFERRED COMPENSATION

Employees of Egg Harbor City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

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

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

Note 16: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused sick time, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$375,479.59 in 2018 and \$380,252.02 in 2017. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. Employees covered by the PBA contract will be paid for unused vacation days and up

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

to 45 days of accumulated sick time upon retirement. Employees covered under the Teamsters, as well as non-union employees, will be paid for the number of vacation days accumulated from the current year plus any days remaining from the prior year, along with a maximum of 45 sick days. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002, the State of New Jersey is allowing municipalities to accrue a compensated absences liability. As of December 31, 2018 and 2017 the total amount accumulated was \$2,224.89 and \$4,050.93, respectively.

Note 17: ECONOMIC DEPENDENCY

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

Note 18: RISK MANAGEMENT

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

Property and Liability Insurance – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2018 and 2017 the City did not incur claims in excess of the coverage and the amount of coverage did not significantly decrease.

The City is a member of the Statewide Joint Insurance Fund which also includes other municipalities throughout the State. The City is obligated to remit insurance premiums into this fund for sufficient insurance coverage. There is an unknown contingent liability with the Statewide Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The City has a coverage limitation of \$10,000,000. There was no reduction in coverage and no claims in excess of coverage during 2018 or 2017. The Statewide Insurance Fund issues its own financial report which may be obtained from the Statewide Insurance Fund, 30A Vreeland Road, Florham Park, NJ 07932-0678.

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

Calendar Year		City Contributions	Interest	Employee Contributions	Amount Reimbursed	Ending Balance
2018	\$	8,500.00	2.96	4,303.05	12,768.07	834.70
2017		8,500.00	7.58	3,630.64	16,183.00	796.76
2016		5,500.00	8.58	3,665.03	9,338.51	4,841.54

Note 19: TAX ABATEMENT PROGRAM

The tax abatement program was established to encourage commercial and industrial development in Egg Harbor City. It is a five year program where real estate taxes on the approved buildings are abated and payments are made in lieu. The value of the building improvements must exceed \$100,000 for commercial and the properties are tax exempt until the project is complete. Once completed, the taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years.

The tax exemption program was established to encourage residential property improvements in Egg Harbor City. This exemption is permitted on properties that are more than twenty (20) years old as well as new dwellings. This is also a five year program. The Assessor's full and true value of the home improvements must not exceed \$15,000 and will not increase the value of the property for five years.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

Note 20: LITIGATION

The City is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the City, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 21: UNION CONTRACTS

City employees are organized into two collective bargaining units; the Policeman's Benevolent Association, Inc. (PBA) and Teamster's Local #331. The current five year contract for the PBA is effective for the period of January 1, 2017 through December 31, 2021. The current four year contract for the Teamsters is effective for the period of January 1, 2017 through December 31, 2020.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>
PBA Mainland Local No. 77	Police	Full time police personnel with arrest powers, with the exception of the Chief of Police and Police Clerk
Teamsters Local #331	General	All full time and regular part time blue collar employees and white collar employees; Excludes all managerial executives, confidential employees, police employees, supervisors, professional employees, craft employees and all other employees of the City

Note 22: RELATED PARTY TRANSACTIONS

The seven members of the Egg Harbor City Cemetery Board of Trustees are appointed by the Common Council of Egg Harbor City. During the 2018 and 2017 calendar years, the City paid \$37,135.80 and \$37,039.45, respectively for salaries and related benefits for Cemetery employees. In addition, the City charged the Cemetery \$15,000.00 for maintenance services performed at the Cemetery during 2018 and 2017. The Cemetery has reimbursed the City for all expenses.

Note 23: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

The City is the owner of a non-operating landfill. The State of New Jersey Department of Environmental Protection is the organization that monitors all activity related to landfills. Prior to closing the landfill certain fees were placed into an escrow which has a balance of \$8,367.40 and \$8,346.60 on December 31, 2018 and 2017. 100% of the landfill capacity has been used and, therefore the landfill has no remaining useful life. The recognition of liability for closure and post closure costs is generally based on the landfill capacity used to date. However, the cost to close the landfill and to cover future post closure costs has not been determined. The City anticipates meeting the post closure requirements on a pay as you go basis. The \$8,367.40 certificate of deposit is restricted for post closure use.

Note 24: INTERFUND BALANCE

As of December 31, 2018, the following interfunds were included on the balance sheets of the various funds of Egg Harbor City:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

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	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund		54,136.68
Grant Fund:		
Current Fund	54,136.68	
Trust Fund		69,990.87
Trust Fund:		
Grant Fund	<u>69,990.87</u>	
	<u>124,127.55</u>	<u>124,127.55</u>

The amount due to the Grant Fund from the Current Fund is the result of funds received on the various grants that have not yet been expended. The amounts due to the trust funds is the result of prior housing rehabilitation loans that were repaid and construction fees collected in the current fund that are due to the third party inspectors.

Note 25: SUBSEQUENT EVENTS

Capital Lease:

Effective March 25, 2019, the City entered into an agreement for the lease of two (2) Toshiba copy machines. The term of the lease is 48 months and the City has the option to purchase the equipment for \$1.00 upon expiration. Payments of \$240.00 are due monthly.

Future minimum payments under this lease are as follows:

<u>Year</u>		<u>Amount</u>
2019	\$	1,920
2020		2,880
2021		2,880
2022		2,880
2023		960
Total	\$	<u>11,520</u>

Other:

The City has evaluated subsequent events through July 23, 2019, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure or adjustment.

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SUPPLEMENTARY DATA

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Independent Auditor's Report

The Honorable Mayor and
Members of Common Council
City of Egg Harbor, New Jersey

We have audited, in accordance with the 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, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated July 23, 2019, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

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

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

July 23, 2019



Independent Auditor's Report

The Honorable Mayor and
Members of City Council
Egg Harbor City, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited Egg Harbor City's compliance with the types of compliance requirements described in the *Uniform Guidance Compliance Supplement* and the New Jersey OMB *State Grant Compliance Supplement* that could have a direct and material effect on each of Egg Harbor City's major federal programs for the year ended December 31, 2018. Egg Harbor City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Egg Harbor City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB 15-08. Those standards, the Uniform Guidance and NJ OMB 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Egg Harbor City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Egg Harbor City's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Egg Harbor City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Egg Harbor City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Egg Harbor City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Egg Harbor City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Leon P. Costello

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

July 23, 2019

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal or State Grantor/Pass - Through Grantor/Program Title	Grant Period	CFDA # or Pass-Through Grantor's #	Federal FAIN Number	Program or Award Amount	Balance Dec. 31, 2017	Receipts or Revenue Recognized	Disbursements/ Expenditures	Prior Year Encumbrances Reversed/ Adjustment	Balance Dec. 31, 2018
Federal:									
Department of Housing and Urban Development Passed through State of New Jersey Department of Community Affairs Division of Housing-Small Cities Community Development Reconstruction of London Avenue - 100 Block	1/1/18-12/31/19	14.228	8-18-DC-34-0001	342,000.00	-	342,000.00	322,240.00	-	19,760.00
Total Dept of Housing and Urban Development						342,000.00	322,240.00	-	19,760.00
U.S. Department of Justice Bulletproof Vest Program	1/1/16 - 12/31/16 1/1/18-12/31/18	16.607 16.607	NA NA	1,320.00 1,462.00	91.14	1,462.00	0.50 1,462.00		90.64 -
Total U.S. Department of Justice					91.14	1,462.00	1,462.50	-	90.64
US House Transportation and Infrastructure Transportation Alternatives - Atlantic Avenue Transit Path Extension Atlantic Avenue Transit Path Atlantic Avenue Transit Path, Modification #1 Cedar Creek/Egg Harbor Lake Pedestrian Connection Project	1/1/15 - 12/31/15 7/9/18-4/3/21 7/9/18-4/3/21 1/1/18-12/31/18	20.205 20.205 20.205	3402953202460	296,000.00 62,041.00 144,820.00 723,000.00	296,000.00	62,041.00 144,820.00 723,000.00	296,000.00 62,041.00 144,820.00 723,000.00		- - - 723,000.00
Total Federal Awards					296,000.00 \$ 296,091.14	929,861.00 1,273,323.00	502,861.00 826,563.50	- -	723,000.00 742,850.64

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal or State Grantor/Pass - Through Grantor/Program Title	Grant Period	Pass-Through Grantor's #	Program or Award Amount	Balance Dec. 31, 2017	Receipts or Revenue Recognized	Disbursements/ Expenditures	Adjustment	Balance Dec. 31, 2018	(Memo Only) Total Cumulative State Expenditures
State of New Jersey									
Department of Environmental Protection									
Hazardous Discharge Site Remediation	1/1/04-12/31/04	NA	280,057.00 \$	93,956.70	-	-	(49,561.43)	44,395.27	235,661.73
Community Stewardship Incentive Program - Reforestation and Tree Planting Grant	1/1/16-12/31/16	NA	30,000.00	227.00	-	227.00	-	-	30,000.00
				94,183.70	-	227.00	(49,561.43)	44,395.27	
Solid Waste Administration									
Clean Communities Program	1/1/17-12/31/17	4900-765-178910-60	13,444.47	10,995.11	-	10,133.05	-	862.06	12,582.41
Clean Communities Program	1/1/18-12/31/18	4900-765-178910-60	13,464.52	-	13,464.52	-	-	13,464.52	-
Green Communities	1/1/18-12/31/18	NA	3,000.00	-	3,000.00	-	-	-	3,000.00
Recycling Tonnage	1/1/16-12/31/16	4830-752-050580-50	7,476.24	2,632.60	2,632.60	-	-	-	7,476.24
Recycling Tonnage	1/1/17-12/31/17	4830-752-050580-50	5,140.00	5,140.00	114.61	-	-	5,025.39	114.61
Recycling Tonnage	1/1/18-12/31/18	4830-752-050580-50	3,773.00	1,494.63	3,773.00	-	-	3,773.00	-
Sustainable Jersey			2,000.00	20,262.34	20,237.52	17,374.89	-	23,124.97	2,000.00
Division of Law & Public Safety									
Body Armor Fund	1/1/17-12/31/17	NA	1,678.00	2,706.86	-	2,437.50	-	269.36	1,408.64
				2,706.86	-	2,437.50	-	269.36	
Division of Motor Vehicles									
Drunk Driving Enforcement Fund	1/1/15-12/31/15	1110-101-030000-129040	24,882.57	387.12	387.12	-	-	(0.00)	24,882.57
Drunk Driving Enforcement Fund	1/1/17-12/31/17	1110-101-030000-129040	4,568.14	4,568.14	352.78	-	-	4,215.36	352.78
Drunk Driving Enforcement Fund	1/1/17-12/31/17	1110-101-030000-129040	5,449.00	5,449.00	-	-	-	5,449.00	-
				10,404.26	-	739.90	-	9,664.36	
New Jersey Department of Transportation									
Reconstruction of Diesterweg Avenue	1/1/16-12/31/16	6320-480-078-6320	190,000.00	-	-	-	2,734.33	2,734.33	187,265.67
Reconstruction of Chicago Avenue-600 Block	1/1/17-12/31/17	6320-480-078-6320	231,000.00	13,100.00	-	-	-	13,100.00	217,900.00
Reconstruction of Chicago Avenue-500 Block	1/1/18-12/31/18	6320-480-078-6320	272,000.00	-	272,000.00	251,560.00	-	20,440.00	251,560.00
Safe Streets to Transit Program									
Atlantic Avenue Transit Path Extension	1/1/18-12/31/18	480-078-6300-20-DLM-7310	250,000.00	13,100.00	250,000.00	251,560.00	-	250,000.00	-
				13,100.00	522,000.00	251,560.00	2,734.33	286,274.33	
Total State Assistance				140,657.16	542,237.52	272,339.29	(46,827.10)	363,728.29	
			\$	436,748.30	1,815,560.52	1,098,902.79	(46,827.10)	1,106,578.93	
Total Federal Awards and State Financial Assistance									

**NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2018**

Note 1: General

The accompanying schedule of federal awards and state financial assistance includes the federal and state grant activity of Egg Harbor City, State of New Jersey and is presented on the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a comprehensive basis of accounting other than generally accepted accounting principles. Encumbrances are considered in determining single audit threshold on major programs.

Note 2: Relationship to General Purpose Financial Statements

Amounts reported in the accompanying schedule do not agree with amounts reported in the City's financial statements. Receipts from Federal and State grants are realized as revenue when anticipated in the City's budget. Expenditures are recognized when they become payable. Following is a reconciliation of expenditures:

Expenditures per Schedule of Federal and State Awards	\$ 1,098,902.79
Adjustment to NJDOT-Reconstruction of Diesterweg Avenue grant	(2,734.33)
Plus: Local Grants	42,865.79
Expenditures reported on Schedule A-12	<u>\$ 1,139,034.25</u>

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Part I -- Summary of Auditor's Results

A) Type of auditor's report issued:		Adverse - GAAP unmodified regulatory basis			
B) Internal control over financial reporting:					
1) Material weakness(es) identified?	_____	yes	<u> X </u>	no	
2) Were significant deficiencies identified that were not considered to be material weaknesses?	_____	yes	<u> X </u>	no	
C) Noncompliance material to general-purpose financial statements noted?		yes	<u> X </u>	no	

D)	Dollar threshold used to determine Type A programs:	<u>\$ 750,000.00</u>			
E)	Auditee qualified as low-risk auditee?	<u> </u>	yes	<u> X </u>	no <u> </u> n/a
F)	Type of auditor's report on compliance for major programs	<u>Unmodified</u>			
G)	Internal Control over compliance:				
	1) Material weakness(es) identified?	<u> </u>	yes	<u> X </u>	no
	2) Were significant deficiencies identified that were not considered to be material weaknesses?	<u> </u>	yes	<u> X </u>	no
H)	Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	<u> </u>	yes	<u> X </u>	no
I)	Identification of major programs:				

[illegible]

**EGG HARBOR CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**

Part I -- Summary of Auditor's Results

State Awards Section -

NOT APPLICABLE

- J) Dollar threshold used to determine Type A programs: _____
- K) Auditee qualified as low-risk auditee? _____ yes _____ no _____ n/a
- L) Type of auditor's report on compliance for major programs _____
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? _____ yes _____ no
- 2) Were reportable condition(s) identified that were not considered to be material weaknesses? _____ yes _____ no
- N) Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular 15-08? _____ yes _____ no
- O) Identification of major programs:

GMIS Number(s)

Name of State Program

Part 2 - Schedule of Financial Statement Findings

NONE

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>
Balance December 31, 2017	\$ 1,020,720.43
Increased by Receipts:	
Tax Collector	10,150,851.55
Revenue Accounts Receivable	1,169,254.73
Miscellaneous Revenue	21,609.15
Lake Security Deposits	150.00
Appropriation Refunds	159,242.88
Petty Cash	91.98
State of New Jersey	
Senior Citizens and Veterans	32,656.85
Homestead Benefit	131,939.57
Marriage License Fees	400.00
Burial Permit Fees	20.00
DCA Training Fees	4,642.00
Amounts Due From	
General Capital	811,690.91
Utility Operating	175,499.00
Utility Capital	476,639.75
Animal Control Fund	1,214.00
Unemployment Trust Fund	5,268.07
Other Trusts	144,334.74
Escrow Funds	37,992.94
Cemetery Fund	22.36
Grant Fund	
Current year Grants Receivable	242,294.45
Unappropriated Reserves	3,387.50
Local School District	7,615.40
Miscellaneous Refunds	
Tax Anticipation Notes	1,350,000.00
Special Emergency Note	120,000.00
	<u>15,046,817.83</u>
	16,067,538.26

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>
Decreased by Disbursements:	
Current Year Appropriation	5,538,346.78
Appropriations Reserves	147,223.72
Accounts Payable	
County Taxes	1,202,120.99
Local District School Tax	3,234,206.00
Regional High School Tax	1,497,382.30
Refund Overpayments	24,656.74
Special Emergency Note	160,000.00
Tax Anticipation Note	1,350,000.00
Reserve for Reassessment	21,226.20
Lake Security Deposits	150.00
Petty Cash	200.00
State of New Jersey	
Prior Year FEMA Refund	750.00
Marriage License Fees	500.00
Burial Permit Fees	15.00
DCA Training Fees	2,532.00
Amounts Due To	
Animal Control Trust	1,214.00
Grant Fund	351,509.96
Other Trust Funds	277,748.59
Unemployment Trust	12,768.07
Escrow	47,165.46
General Capital	837,723.74
Utility Operating	40,000.00
Utility Capital	571,639.75
Cemetery Fund	22.36
Local School District	7,615.40
	<u>15,326,717.06</u>
Balance December 31, 2018	\$ <u><u>740,821.20</u></u>

**CURRENT FUND
SCHEDULE OF CURRENT CASH - COLLECTOR**

Balance December 31, 2017		\$	-
Increased by Receipts:			
Prepaid Taxes	108,746.99		
Taxes Receivable	9,829,922.69		
Revenue Accounts Receivable	133,269.98		
Tax Title and Other Liens	68,801.53		
Miscellaneous Revenue Not Anticipated	<u>10,110.36</u>		
			<u>10,150,851.55</u>
			10,150,851.55
Payments to Treasurer			<u>10,150,851.55</u>
Balance December 31, 2018		\$	<u><u>-</u></u>

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF TAX TITLE AND OTHER LIENS**

Balance December 31, 2017		\$	946,052.52
Increased by:			
Transfers from Taxes Receivable	178,381.95		
Interest and Costs Accrued by Sale of December 18, 2018	7,211.99		
Added Tax Title Liens			
Recording Fees and Other Adjustments	5,224.98		
Payments in Lieu of Taxes (PILOT)	10,293.22		
Demolition & Code Enforcement	1,050.00		
			<u>202,162.14</u>
			1,148,214.66
Decreased by:			
Collections	68,801.53		
Transfer to Foreclosed Property	133,169.40		
			<u>201,970.93</u>
Balance December 31, 2018		\$	<u><u>946,243.73</u></u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2017	Accrued in 2018	Collected by		Balance Dec. 31, 2018
			Collector	Treasurer	
Tax Collector:					
Interest and Costs on Taxes	\$	68,545.98	68,545.98		
Lake Parking Fees		64,724.00	64,724.00		
Treasurer:					
Licenses:					
Alcoholic Beverage		33,591.47		33,591.47	
Other		54,618.00		54,618.00	
Construction Code Fees		88,533.60		88,533.60	
Fines and Costs:					
Municipal Court	4,632.74	62,176.60		64,184.71	2,624.63
Interest Earned on Investments		3,502.58		3,502.58	
Consolidated Municipal Property					
Tax Relief					
Energy Receipts Tax		41,226.00		41,226.00	
Rental Registration Fees		432,235.00		432,235.00	
Campground Royalty		56,500.00		56,500.00	
Rental of Municipal Property		4,558.60		4,558.60	
Payment in Lieu of Taxes		34,557.00		34,557.00	
Uniform Fire Safety Act		137,935.70		137,935.70	
Cemetery Contribution		20,635.59		20,635.59	
Jif Dividend		15,000.00		15,000.00	
Vacant Property Registrations		35,198.00		35,198.00	
Conifer Pilot		83,900.00		83,900.00	
		63,078.48		63,078.48	
	\$	1,300,516.60	133,269.98	1,169,254.73	2,624.63

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged		Balance Lapsed	Over- Expended
			Cash	Accounts Payable		
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
Administrative and Executive						
Salaries and Wages						
Municipal Clerk (Other)	668.27	668.27			668.27	
Other Expenses						
City Clerk						
Governing Body						
Financial Administration						
Salaries and Wages	1,766.78	1,766.78	988.58		778.20	
Other Expenses	469.05	469.05	92.98		376.07	
Assessment of Taxes						
Salaries and Wages	535.47	535.47			535.47	
Other Expenses	1,904.13	1,904.13	196.55		1,707.58	
Tax Collector						
Salaries and Wages	0.04	0.04			0.04	
Other Expenses	258.91	258.91			258.91	
Tax Sale Costs						
Salaries and Wages	840.65	840.65			840.65	
Other Expenses:						
Miscellaneous Other Expenses	241.95	241.95			-	
Liquidation of Tax Title Liens and	1,128.17	1,128.17	241.95		958.44	
Foreclosed Property			169.73			
Other Expenses	68.00	68.00			68.00	
Legal Services and Costs						
Other Expenses	25,130.35	25,130.35	19,484.08	3,807.84	1,838.43	
Municipal Prosecutor						
Salaries and Wages	0.04	0.04			0.04	
Engineering Services and Costs						
Other Expenses	1,851.25	1,851.25			1,851.25	
Public Buildings and Grounds						
Other Expenses	3,305.60	11,805.60	2,975.31	5,000.00	3,830.29	
Municipal Land Use Law (NJSA 40:55D-1)						
Combined Planning & Zoning/Code Board						
Salaries and Wages	1,273.26	1,273.26			1,273.26	
Other Expenses	3,270.19	3,270.19	435.46		2,834.73	
Economic Development						
Other Expenses	100.00	100.00			100.00	
PUBLIC SAFETY						
Fire Prevention						
Other Expenses	447.02	447.02			447.02	

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged		Balance Lapsed	Over- Expended
			Cash	Accounts Payable		
Right to Know Act/Safety Coordinator						
Other Expenses:		10.96			10.96	
Police						
Salaries and Wages	3,625.29	3,125.29			3,125.29	
Other Expenses:						
Purchase of Police Car	0.16	0.16			0.16	
Miscellaneous Other Expenses	83,668.74	84,168.74	84,016.11		152.63	
Police Radio and Communications						
Salaries and Wages		-			-	
Other Expenses	508.80	508.80			508.80	
Municipal Court						
Salaries and Wages	558.28	558.28			558.28	
Other Expenses	2,874.76	2,874.76	711.92		2,162.84	
Emergency Management Services						
Other Expenses	790.47	790.47		500.00	290.47	
PUBLIC WORKS						
Solid Waste Collection (Public Works)						
Salaries and Wages	1,644.53	1,644.53			1,644.53	
Other Expenses:						
Hauling Fee (Tipping and Hauling Fee)	220.34	220.34			220.34	
Miscellaneous Other Expenses	4,707.94	5,707.94	5,707.79		0.15	
Vehicle Maintenance	9,061.56	9,061.56	6,359.35		2,702.21	
Solid Waste Disposal Cost	1,162.84	2,662.84	2,548.00		114.84	
City Garage						
Salaries and Wages	100.00	100.00			100.00	
Other Expenses	90.00	90.00			90.00	
HEALTH AND WELFARE						
Animal Control (Dog Regulation)						
Other Expenses	1,840.00	1,840.00	760.00		1,080.00	
RECREATION AND EDUCATION						
Parks and Playgrounds						
Salaries and Wages	68.49	68.49			68.49	
Other Expenses:						
Lining of Kern Field	25.00	25.00			25.00	
Miscellaneous Other Expenses	3,752.19	3,752.19	1,168.38		2,583.81	
Anniversary or Holiday						
Other Expenses	40.00	40.00			40.00	

**CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX**

Balance December 31, 2017	\$	(8,001.00)
Increased by:		
Levy - Calendar Year 2018		<u>3,242,206.00</u>
		3,234,205.00
Decreased by:		
Payments		<u>3,234,206.00</u>
Balance December 31, 2018	\$	<u><u>(1.00)</u></u>

**CURRENT FUND
SCHEDULE OF REGIONAL HIGH SCHOOL TAX**

Balance December 31, 2017		
School Tax Payable	\$	40,749.67
School Tax Deferred		<u>485,108.00</u>
		525,857.67
Increased by:		
Levy - School Year July 1, 2018 to June 30, 2019		<u>1,495,236.00</u>
		2,021,093.67
Decreased by:		
Payments		<u>1,497,382.30</u>
Balance December 31, 2018		
School Tax Payable		38,603.37
School Tax Deferred		<u>485,108.00</u>
		<u>523,711.37</u>
2018 Liability for Regional High School Tax		
Tax Paid		1,497,382.30
Tax Payable @ December 31, 2018		<u>38,603.37</u>
		1,535,985.67
Less: Tax Payable @ December 31, 2017		<u>40,749.67</u>
Amount Charged to 2018 Operations	\$	<u><u>1,495,236.00</u></u>

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE**

<u>Purpose</u>	<u>Balance Dec. 31, 2017</u>	<u>Transferred From 2018 Revenues</u>	<u>Received</u>	<u>Adjustments/ (Canceled)</u>	<u>Balance Dec. 31, 2018</u>
FEDERAL GRANTS:					
Transportation Alternatives					
Atlantic Avenue	\$ 296,000.00	206,861.00	6,632.64		496,228.36
Cedar Creek/Egg Harbor Lake Pedestrian Connection Project		723,000.00			723,000.00
Small Cities - London Avenue 100 Block Reconstruction	-	342,000.00			342,000.00
Bulletproof Vest	-	1,462.00	1,462.00		-
Total Federal	296,000.00	1,273,323.00	8,094.64	-	1,561,228.36
STATE GRANTS:					
NJ Transportation Trust Fund Authority					
Reconstruction of-					
Diesterweg Street - 2015	111,943.25		109,208.92		2,734.33
Washington & Norfolk Avenues	67,750.00		67,750.00		-
Chicago Avenue-600 Block	88,950.00				88,950.00
Chicago Avenue-500 Block		272,000.00			272,000.00
Safe Streets to Transit Program FY18					
Atlantic Avenue Transit Path Extension	162,813.50	250,000.00		(54,271.25)	250,000.00
NJEDA Environmental Clean up	-	13,464.52	13,464.52		108,542.25
Clean Communities		3,000.00			-
Green Communities		3,000.00			3,000.00
Recycling Tonnage Grant	(0.00)	3,773.00	3,773.00		(0.00)
Drunk Driving Enforcement Fund	0.00				0.00
Body Armor	-				-
NJDEP Community Stewardship Incentive Program - Reforestation and Tree Planting Grant	30,000.00		27,000.00		3,000.00
Total State	461,456.75	542,237.52	221,196.44	(54,271.25)	728,226.58

See Accompanying Auditor's Report

See Accompanying Auditor's Report

**CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2017		2018 Appropriations	Disbursed	Reverse Prior Year Encumbrances	Encumbrances	Refunds/ (Canceled)	Balance Dec. 31, 2018
	Appropriated	Reserve for Encumbrances						
FEDERAL GRANTS:								
Small Cities Community Development Block Grant								
Reconstruction of London Avenue-100 Block			342,000.00	41,040.00		281,200.00		19,760.00
US Department of Justice								
Bulletproof Vest Program	91.14		1,462.00	1,462.50				90.64
Transportation Alternatives Program								
Atlantic Avenue	296,000.00		206,861.00	8,983.87		493,877.13		-
Cedar Creek/Egg Harbor Lake Pedestrian Connection Project			723,000.00					723,000.00
Total Federal	296,091.14	-	1,273,323.00	51,486.37	-	775,077.13	-	742,850.64
STATE GRANTS:								
Department of Transportation								
Reconstruction of Diesterweg Avenue 2015	-	31,389.03		28,654.70				2,734.33
Reconstruction of Washington & Norfolk Ave.		375.05		375.05				-
Reconstruction of Chicago Avenue-600 Block	13,100.00	217,900.00		201,637.43		16,262.57		13,100.00
Reconstruction of Chicago Avenue-500 Block			272,000.00			251,560.00		20,440.00
Safe Streets to Transit Program FY18								
Atlantic Avenue Transit Path Extension	93,956.70	117,616.03	250,000.00			117,616.03	(49,561.43)	250,000.00
NJ DEP-Hazardous Discharge								44,395.27
NJDEP Community Stewardship Incentive Program - Reforestation and Tree Planting Grant	227.00	11,425.58		11,652.58				-
Body Armor Fund	2,706.86			2,437.50				269.36
Drunk Driving Enforcement Fund	10,404.26			739.90				9,664.36
Clean Communities Program	10,995.11		13,464.52	10,133.05				14,326.58
Green Communities			3,000.00			3,000.00		-
Recycling Tonnage Grant	7,772.60		3,773.00	1,247.21		1,500.00		8,798.39
Sustainable Jersey- Capacity Grant	1,494.63			1,494.63				-
Total State	140,657.16	378,705.69	542,237.52	258,372.05	-	389,938.60	(49,561.43)	363,728.29

**CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS**

	Balance December 31, 2017		2018		Reverse	Encumbrances	Refunds/ (Canceled)	Balance Dec. 31, 2018
	Appropriated	Reserve for Encumbrances	Appropriations	Disbursed	Prior Year Encumbrances			
LOCAL GRANTS:								
Drug Abuse Resistance Education	10,878.27	543.05	16,204.00	17,298.35		2,149.00		8,177.97
Small Cities Community Development Block Grant	-							
Reconstruction of London Avenue-100 Block			20,000.00	16,446.00		3,554.00		-
Local Share	-	3,945.70	3,945.70	7,891.40				-
Statewide Joint Insurance Fund Safety Incentive	143.20			15.79				127.41
Atlantcare Garden Grant								
Total Local	<u>11,021.47</u>	<u>4,488.75</u>	<u>40,149.70</u>	<u>41,651.54</u>	<u>-</u>	<u>5,703.00</u>	<u>-</u>	<u>8,305.38</u>
\$	<u>447,769.77</u>	<u>383,194.44</u>	<u>1,855,710.22</u>	<u>351,509.96</u>	<u>-</u>	<u>1,170,718.73</u>	<u>(49,561.43)</u>	<u>1,114,884.31</u>
			Current Expenditures	351,509.96			(49,561.43)	
			Cancel by Resolution					
			Cash	<u>351,509.96</u>			<u>(49,561.43)</u>	

**CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES**

<u>Purpose</u>	<u>Balance Dec. 31, 2017</u>	<u>Transferred To 2018 Appropriations</u>	<u>Received</u>	<u>Adjustment</u>	<u>Balance Dec. 31, 2018</u>
STATE GRANTS:					
Body Armor	\$ 1.29				1.29
Bulletproof Vest	1,462.83	1,462.00	3,387.50		3,388.33
Drunk Driving Enforcement Fund	(0.85)				(0.85)
Recycling Tonnage Grant	3,773.79	3,773.00			0.79
Total State	<u>5,237.06</u>	<u>5,235.00</u>	<u>3,387.50</u>	<u>-</u>	<u>3,389.56</u>
	<u>\$ 5,237.06</u>	<u>5,235.00</u>	<u>3,387.50</u>	<u>-</u>	<u>3,389.56</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	Animal Control	Other
Balance December 31, 2017	\$ -	201,011.53
Increased By:		
State Dog License Fees	216.00	
Municipal License Fees	998.00	
Developers Escrow		110,403.61
Unemployment Trust		12,806.01
Construction Code Fees		6.46
Law Enforcement		838.00
Street Opening Escrow		24,100.00
Accumulated Absences		15,006.40
Community Events		3,330.00
Maintenance Bonds		1,565.86
Parking Offences Adjudication Fund		28.00
Program Loan Repayments		18,375.00
Interest Earned		20.78
	<u>1,214.00</u>	<u>186,480.12</u>
	1,214.00	387,491.65
Decreased By:		
Paid to State of NJ	216.00	
Dog Fund Expenditures	615.00	
Reserve for Program Loans		7,348.00
Unemployment Trust		12,768.07
Developers Escrow		66,032.48
Law Enforcement		-
Street Opening Escrow		23,150.00
Accumulated Absences		16,832.44
Maintenance Bonds		44,339.24
Police MDT Trust Donations		100.00
Community Events		4,187.11
	<u>831.00</u>	<u>174,757.34</u>
Balance December 31, 2018	\$ <u><u>383.00</u></u>	<u><u>212,734.31</u></u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Dog Licenses</u>	<u>Other</u>
Analysis of December 31, 2018 Balance		
Unemployment Trust Fund	\$	834.70
POAA Trust		177.29
Law Enforcement Trust Fund		11,714.49
Sanitary Landfill Escrow		8,367.40
Developer's Escrow		73,117.47
Maintenance Bonds		
Samir Ibrahim		7,828.14
SJ Hauck		1,555.85
Program Loans		49,730.96
Reserve For Police MDT Trust Donations		
Community Events		1,676.34
Recreation Trust Fund		51,290.51
Accumulated Absences		2,224.89
Snow Removal		44.63
Street Opening Escrows		1,300.00
Fire Prevention Penalty		2,871.64
	\$	<u>212,734.31</u>

**TRUST FUND
SCHEDULE OF CASH - COLLECTOR**

Balance December 31, 2017	\$	178,566.88
Increased by Receipts:		
Deposits for Redemption of Tax Sale Certificates	607,122.02	
Premiums Received at Tax Sale	<u>94,800.00</u>	
		<u>701,922.02</u>
		880,488.90
Decreased by Disbursements:		
Tax Sale Redemptions	579,327.54	
Premiums Returned	<u>118,400.00</u>	
		<u>697,727.54</u>
Balance December 31, 2018	\$	<u><u>182,761.36</u></u>

ANALYSIS OF BALANCE - DECEMBER 31, 2018

Tax Title Lien Redemption	28,961.36
Tax Sale Premium	<u>153,800.00</u>
	<u><u>182,761.36</u></u>

\$

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL
FUND EXPENDITURES

Balance December 31, 2017	\$	-
Increased by:		
Dog License Fees Collected	748.00	
Cat License Fees Collected	160.00	
Late Fees	90.00	
	<hr/>	998.00
		998.00
Decreased by:		
Expenditures under N.J.S.A. 4:19-15.11:		
Cash	615.00	
	<hr/>	615.00
Balance December 31, 2018	\$	<hr/> <hr/> 383.00

License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	945.40
2016	1,145.40
	<hr/>
	1,145.40
	<hr/> <hr/>

TRUST - OTHER FUNDS
SCHEDULE OF MISCELLANEOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Reserve</u>	<u>Increased by</u>		<u>Decreased by</u>		<u>Balance Dec. 31, 2018</u>
	<u>Balance Dec. 31, 2017</u>	<u>Receipts</u>	<u>Budget Appropriation</u>	<u>Disbursements</u>	<u>Payments made by Current Fund</u>
	\$				
Unemployment	796.76	4,306.01	8,500.00	12,768.07	834.70
Fire Prevention Penalty	2,865.18	6.46			2,871.64
Sanitary Landfill Closure	8,346.62	20.78			8,367.40
Developer's Escrow	28,746.34	110,403.61		66,032.48	73,117.47
Law Enforcement Trust	10,876.49	838.00			11,714.49
Recreation Developers	51,290.51				51,290.51
Parking Offense Adjudication Fund	149.29	28.00			177.29
Street Opening Escrows	350.00	24,100.00		23,150.00	1,300.00
Accumulated Absences	4,050.93	6.40	15,000.00	16,832.44	2,224.89
Maintenance Bonds	52,157.37	1,565.86		44,339.24	9,383.99
Community Events	2,533.45	3,330.00		4,187.11	1,676.34
Snow Removal	44.63				44.63
Reserve For Police MDT Trust Donations	100.00			100.00	-
Tax Title Lien Redemptions	1,166.88	607,122.02		579,327.54	28,961.36
Tax Sale Premiums	177,400.00	94,800.00		118,400.00	153,800.00
	<u>\$ 340,874.45</u>	<u>846,527.14</u>	<u>23,500.00</u>	<u>865,136.88</u>	<u>345,764.71</u>
					<u>-</u>

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF CASH - TREASURER**

Balance December 31, 2017		\$	10,377.55
Increased by:			
Capital Improvement Fund	8,000.00		
Premium on Issuance of Notes	7,790.25		
Bond Anticipation Notes Issued	<u>20,250.00</u>		
			<u>36,040.25</u>
			46,417.80
Decreased by:			
Improvement Authorizations	<u>24,908.55</u>		
			<u>24,908.55</u>
Balance December 31, 2018		\$	<u><u>21,509.25</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2017	Receipts		Disbursements		Transfers		Balance Dec. 31, 2018
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 275.28	7,790.25				8,064.00		1.53
Capital Improvement Fund	7.60	8,000.00				8,656.00	650.00	1.60
Encumbrances Payable	10,282.56					10,282.56	8,850.50	8,850.50
Reserves for:								
Preliminary Expenses								
Reconstruction of Atlantic Avenue	450.00					1,470.00	1,020.00	-
Improvement Authorizations:								
#14-2012 Various General Improvements	11,641.69			2,759.00		697.50	2,500.00	10,685.19
#15-2012 EHC North Pinelands Preliminary Study	-							-
#8-2013 Various General Improvements	(15,936.67)		20,250.00	8,957.89		-	4,644.56	0.00
#12-2014 Various General Improvements	3,457.09			1,486.66			-	1,970.43
#11-2015 Various Road Reconstructions	(0.00)			1,791.00		327.00	2,118.00	(0.00)
#6-2017 Saraceno Parking Lot	200.00			-		200.00		-
#7-2018 Preliminary Expenses for the Reconstruction of the 100 Block of London Avenue and the 500 Block of Chicago Avenue				9,914.00		6,806.00	16,720.00	-
	<u>\$ 10,377.55</u>	<u>15,790.25</u>	<u>20,250.00</u>	<u>24,908.55</u>	<u>-</u>	<u>36,503.06</u>	<u>36,503.06</u>	<u>21,509.25</u>

**GENERAL CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2017		\$	7.60
Increased by:			
Budget Appropriation - 2018	8,000.00		
Cancellation of Funded Improvement Authorizations	200.00		
Cancellation of Reserve Balances	<u>450.00</u>		
			<u>8,650.00</u>
			8,657.60
Decreased by:			
Appropriated to Finance Improvement Authorizations	<u>8,656.00</u>		
			<u>8,656.00</u>
Balance December 31, 2018		\$	<u><u>1.60</u></u>

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance December 31, 2017		\$	2,050,000.00
Decreased by:			
Budget Appropriation to Pay Bonds:			
Municipal Bonds	<u>310,000.00</u>		<u>310,000.00</u>
Balance December 31, 2018		\$	<u><u>1,740,000.00</u></u>

GENERAL CAPITAL FUND
SCHEDULE OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED

Ord #	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Raised in 2018 Budget	Paid through Issuance of Serial Bonds	Balance Dec. 31, 2018	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
8-2013	Various General Improvements	\$ 175,250.00		9,750.00		165,500.00	165,500.00		-
12-2014	Various General Equipment	171,000.00		19,000.00		152,000.00	152,000.00		
11-2015	Various Road Reconstruction	475,000.00				475,000.00	475,000.00		
		<u>\$ 821,250.00</u>	<u>-</u>	<u>28,750.00</u>	<u>-</u>	<u>792,500.00</u>	<u>792,500.00</u>	<u>-</u>	<u>-</u>
							Improvement Authorizations Unfunded		1,970.43
							Less:		
							Unexpended Proceeds of Bond		
							Anticipation Notes Issued:		
							<u>Ord. Number</u>		<u>1,970.43</u>
							12-2014		<u>-</u>

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF GENERAL SERIAL BONDS**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2018		Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
General Obligation Bonds of 2016	4/13/2016	1,543,000	4/1/2019	100,000.00	2.250%	1,445,000.00		95,000.00	1,350,000.00
			4/1/2020	110,000.00	2.250%				
			4/1/2021-2026	190,000.00	2.250%				
Refunding Bonds	6/7/2016	1,035,000	12/1/2019	210,000.00	1.500%	605,000.00		215,000.00	390,000.00
			12/1/2020	180,000.00	1.500%				
						\$ 2,050,000.00	-	310,000.00	1,740,000.00
						Paid through budget			
						Refunded			
						-			
						310,000.00			

**GENERAL CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2017	Increased	Decreased/ Adjustment	Balance Dec. 31, 2018
Various Capital Improvements	8-13	1/31/2014	4/10/2018	4/8/2019	2.750% \$	140,000.00			130,250.00
Various Capital Improvements	8-13	12/7/2017	4/10/2018	4/8/2019	2.750%	15,000.00		9,750.00	15,000.00
Various Capital Improvements	8-13	4/10/2018	4/10/2018	4/8/2019	2.750%		20,250.00		20,250.00
Various Capital Improvements	12-14	1/29/2015	4/10/2018	4/8/2019	2.750%	171,000.00		19,000.00	152,000.00
Various Capital Improvements	11-15	1/27/2016	4/10/2018	4/8/2019	2.750%	475,000.00			475,000.00
					\$	<u>801,000.00</u>	<u>20,250.00</u>	<u>28,750.00</u>	<u>792,500.00</u>

GENERAL CAPITAL FUND
SCHEDULE OF BOND AND NOTES AUTHORIZED BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Debt Issued	Paid Through Budget	Balance Dec. 31, 2018
8-2013	Various Capital Improvements	\$ 20,250.00		20,250.00		-
		<u>\$ 20,250.00</u>	<u>-</u>	<u>20,250.00</u>	<u>-</u>	<u>-</u>

**WATER AND SEWER FUND
SCHEDULE OF CASH - TREASURER**

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2017	\$ 241,463.89	1,009.53
Increased by Receipts:		
Collector	1,954,313.29	
Miscellaneous	51,447.28	
Petty Cash	200.00	
JIF Dividend	11,733.00	
Due from State of NJ		
Route 30 Improvements	20,298.00	
Due from Current Fund	40,000.00	
Due from Utility Capital	85,657.18	
Bond Anticipation Note		95,000.00
Premium on Sale of Notes		4,639.75
	<u>2,163,648.75</u>	<u>99,639.75</u>
	2,405,112.64	100,649.28
Decreased by Disbursements:		
Appropriations - Current	1,286,523.61	
Appropriations - Prior Year	13,383.92	
Accrued Interest on Bonds	472,042.68	
Petty Cash	200.00	
Due to Current Fund	175,000.00	
Due to Utility Capital	80,557.18	
Due to Utility Operating		85,657.18
	<u>2,027,707.39</u>	<u>85,657.18</u>
Balance December 31, 2018	\$ <u>377,405.25</u>	<u>14,992.10</u>

**WATER AND SEWER OPERATING FUND
SCHEDULE OF CASH - COLLECTOR**

Balance December 31, 2017		\$	-
Increased by Receipts:			
Consumer Accounts Receivable	1,763,309.87		
Special Charges	4,105.89		
Utility Liens	3,953.68		
Prepaid Utility Rents	179,393.85		
Prepaid Fire Receipts	<u>3,550.00</u>		
			<u>1,954,313.29</u>
			1,954,313.29
Decreased by Disbursements:			
Payment to Treasurer			<u>1,954,313.29</u>
Balance December 31, 2018		\$	<u><u>-</u></u>

**WATER AND SEWER OPERATING FUND
SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2017	\$	7,040.42
Increased by Receipts:		
Utility Rents Levied	1,953,705.86	
Overpayments Created	378.16	
Transfer from Consumer Accounts Receivable	646.15	
Collector Adjustments to Special Charges	<u>6,371.20</u>	
		<u>1,961,101.37</u>
		1,968,141.79
Decreased by Collections:		
Collections - 2018	1,762,931.71	
Collections - 2017	180,112.21	
Collections - Special Charges	4,105.89	
Overpayments Applied	378.16	
Cancellations	5,474.52	
Transfer to Special Charges	646.15	
Transfers to Lien	<u>9,077.25</u>	
		<u>1,962,725.89</u>
Balance December 31, 2018		<u><u>5,415.90</u></u>

**WATER AND SEWER OPERATING FUND
SCHEDULE OF LIENS**

Balance December 31, 2017		13,942.67
Increased by:		
Transfers from Accounts Receivable	9,077.25	
Fire Subcode Fines	800.00	
Penalties and Costs Accrued by Sale of December 18, 2018	<u>163.24</u>	
		<u>10,040.49</u>
		23,983.16
Decreased by:		
Collections	3,953.68	
Transfers to Property Acquired for Taxes	<u>11,431.88</u>	
		<u>15,385.56</u>
Balance December 31, 2018	\$	<u><u>8,597.60</u></u>

**WATER AND SEWER OPERATING FUND
SCHEDULE OF DEFERRED CHARGES**

	Balance Dec. 31, 2017	Added in 2018	2018 Budget	Cancelled	Balance Dec. 31, 2018
Deficit in Operations	\$ 51,916.49	-	51,916.00	(0.49)	(0.00)
	<u>\$ 51,916.49</u>	<u>-</u>	<u>51,916.00</u>	<u>(0.49)</u>	<u>(0.00)</u>

See Accompanying Auditor's Report

**WATER AND SEWER CAPITAL FUND
SCHEDULE OF FIXED CAPITAL - SEWER**

<u>ACCOUNT</u>	Balance Dec. 31, 2017	Additions by		Cancelled	Balance Dec. 31, 2018
		Budget Capital Outlay	By Ordinance		
\$	161,073.44				161,073.44
Sewer Mains	13,131.00				13,131.00
Engineering and Superintendents	4,726.00				4,726.00
General Equipment	73,542.00				73,542.00
Sewer Line Extension	87,500.00				87,500.00
Sewer Improvements	4,361.00				4,361.00
Erection of Fence	3,693,400.00				3,693,400.00
Various Improvements to Sewer System	65,000.00				65,000.00
8th Terrace Sewer Replacement					
Extension of Sanitary Sewers in Buerger Street, Beethoven Street, Baltimore Avenue and Claudius Street	680,000.00				680,000.00
Extension or Replacement of Sanitary Sewers and/or Water Mains on Various City Streets	100,000.00				100,000.00
Sanitary Sewer Replacement and Extension	1,002,066.00				1,002,066.00
#13-03 Sewer Extensions and Replacements	150,582.00				150,582.00
Sewer Extensions - 2004	160,800.00				160,800.00
Sewer Plant Demolition	140,000.00				140,000.00
#13-04 Hamburg Avenue Sanitary Sewer Expansion	3,100,000.00				3,100,000.00
#14-06 Various Sewer Utility Improvements	106,235.00				106,235.00
#11-07 Various Sewer Utility Improvements	250,000.00				250,000.00
#20-08 EHC North Utility Improvements	3,016,001.00				3,016,001.00
#21-08 Various Sewer Utility Improvements	38,219.00				38,219.00
#05-13 Refunding Bond Issue	60,729.00				60,729.00
\$	12,907,365.44	-	-	-	12,907,365.44

See Accompanying Auditor's Report

**WATER AND SEWER CAPITAL FUND
SCHEDULE OF FIXED CAPITAL - WATER**

<u>ACCOUNT</u>	Balance Dec. 31, 2017	Additions by		Balance Dec. 31, 2018
		Budget Capital Outlay	By Ordinance	
Reservation Land	\$ 4,416.44			4,416.44
Filters	12,281.00			12,281.00
Chemical Treatment Plant	3,308.00			3,308.00
Pumping Station Structures	50,136.00			50,136.00
Electric Power Pumping Equipment	55,975.00			55,975.00
Other Power Pumping Equipment	755.00			755.00
Storage Reservoirs, Tanks and Sandpipes	153,918.00			153,918.00
Distribution Mains and Accessories	289,769.00			289,769.00
Service Pipes and Stops	13,559.00			13,559.00
Meters, Meter Boxes and Vaults	22,846.00			22,846.00
Fire Hydrants and Fire Cisterns	9,385.00			9,385.00
General Structures	16,699.00			16,699.00
General Equipment	16,219.00			16,219.00
Chlorinator	1,575.00			1,575.00
Water Plant Improvements	51,000.00			51,000.00
Repairs to Water System	25,000.00			25,000.00
General Improvements	124,373.00			124,373.00
Refinishing Water Tower	25,000.00			25,000.00
New Wells and Filters	205,327.00			205,327.00
Various Improvements to Water System	2,356,600.00			2,356,600.00
Improvements to Monitoring Wells	10,000.00			10,000.00
Replacement of Well #3	260,000.00			260,000.00
Purchase of Automated Meter Reading System	15,000.00			15,000.00
#9-03 Water Tank Renovations	274,021.00			274,021.00
Land for Water Plant - 2008	221,487.00			221,487.00
#11-06 Improvements to Hamburg Avenue Water Service	2,950,000.00			2,950,000.00
#14-06 Various Water Utility Improvements	83,114.00			83,114.00
#11-07 Various Water Utility Improvements	250,000.00			250,000.00
#20-08 EHC North Utility Improvements	3,016,000.00			3,016,000.00
#21-08 Various Water Utility Improvements	38,219.00			38,219.00
#12-09 Acquisition of Land for Water Plant	5,682,078.92			5,682,078.92
#05-13 Refunding Bond Issue	60,730.00			60,730.00
	<u>\$ 16,298,791.36</u>	<u>-</u>	<u>-</u>	<u>16,298,791.36</u>

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF FIXED CAPITAL AUTHORIZED AND UNCOMPLETED

Improvement Description	Date	Amount	2018 Authorizations				Costs to Fixed Capital	Authorizations Canceled	Balance Dec. 31, 2018
			Balance Dec. 31, 2017	Deferred Reserve for Amortization	Deferred Charges to Future Revenue				
#11-2018 Various Sewer & Water Repairs	10/18/2018	100,000.00	\$ -	5,000.00	95,000.00				100,000.00
			\$ -	5,000.00	95,000.00		-	-	100,000.00

See Accompanying Auditor's Report

**WATER AND SEWER OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES**

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	\$ 877.36	877.36		877.36	
Other Expenses	13,126.14	13,126.14	13,016.42	109.72	
Engineering Fees	970.60	970.60	367.50	603.10	
Legal Fees	393.30	393.30		393.30	
Atlantic County Sewerage Authority - Contractual	45.00	45.00		45.00	
Deferred Charges and Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	389.24	389.24		389.24	
	<u>\$ 15,801.64</u>	<u>15,801.64</u>	<u>13,383.92</u>	<u>2,417.72</u>	<u>-</u>

See Accompanying Auditor's Report

**WATER AND SEWER OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS
AND NOTES - ANALYSIS OF BALANCE -
DECEMBER 31, 2018**

Balance December 31, 2017	\$ 112,365.78
Increased by:	
Budget Appropriation for Interest on Bonds and Notes	<u>473,262.83</u>
	585,628.61
Decreased by:	
Interest Paid - Treasurer	<u>472,042.68</u>
Balance December 31, 2018	<u>\$ 113,585.93</u>

**ANALYSIS OF ACCRUED INTEREST
DECEMBER 31, 2018**

Principal Outstanding Dec. 31, 2018	Interest Rate	From	To	Period	Amount
Serial Bonds					
1,055,000.00	3.50%	8/1/2018	12/31/2018	153	15,693.13
4,463,156.54	2.25%	10/14/2018	12/31/2018	78	21,757.88
5,135,000.00	3.50%	10/15/2018	12/31/2018	77	38,441.18
1,545,000.00	2.30%	10/1/2018	12/31/2018	92	9,081.17
3,815,890.09	2.25%	10/14/2018	12/31/2018	79	18,840.96
140,000.00	1.50%	12/1/2018	12/31/2018	31	180.83
					<u>103,995.15</u>
Bond Anticipation Notes					
472,000.00	2.75%	4/10/2018	12/31/2018	266	9,590.78
					<u>9,590.78</u>
Total Accrued Interest					<u>\$ 113,585.93</u>

**WATER AND SEWER OPERATING FUND
SCHEDULE OF RENT OVERPAYMENTS**

Balance December 31, 2017	\$	1,913.19
Increased by:		
Adjustment to Actual Balance		378.16
Overpayments Created		<hr/>
		2,291.35
Decreased by:		
Overpayments Applied		
Overpayments Refunded	<hr/>	<hr/>
		-
Balance December 31, 2018	\$	<u><u>2,291.35</u></u>

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

[illegible]

SCHEDULE OF RESERVE FOR AMORTIZATION - WATER

Balance December 31, 2017	\$	7,919,013.44
Increased by:		
Transfer from Reserve for Amortization - Sewer	75,000.00	
Serial Bonds Paid	<u>277,047.50</u>	
		<u>352,047.50</u>
Balance December 31, 2018		<u><u>8,271,060.94</u></u>

SCHEDULE OF RESERVE FOR AMORTIZATION - SEWER

Balance December 31, 2017		4,121,309.15
Increased by:		
Serial Bonds Paid	<u>262,740.50</u>	
		<u>262,740.50</u>
		4,384,049.65
Decreased by:		
Transfer to Reserve for Amortization - Water	<u>75,000.00</u>	
		<u>75,000.00</u>
Balance December 31, 2018	\$	<u><u>4,309,049.65</u></u>

**WATER AND SEWER CAPITAL FUND
SCHEDULE OF DEFERRED RESERVE FOR AMORTIZATION**

Balance December 31, 2017		\$ -
Increased by:		
Fixed Capital Authorized		
Downpayment on Improvements	<u>5,000.00</u>	<u>5,000.00</u>
		5,000.00
Decreased by:		
To Reserve for Amortization - Water		
Authorizations Cancelled:		
To Fund Balance	<u> </u>	<u>-</u>
Balance December 31, 2018		\$ <u><u>5,000.00</u></u>

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities Outstanding December 31, 2018		Int. Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
Refunding Bond Issue	4/26/11	1,690,000	8/1/19	135,000.00	4.000%				
			8/1/20	140,000.00	3.500%				
			8/1/21	145,000.00	3.750%				
			8/1/22	150,000.00	3.750%				
			8/1/23	155,000.00	4.000%				
			8/1/24	160,000.00	4.000%				
			8/1/25	170,000.00	4.000%	1,185,000.00		130,000.00	1,055,000.00
Egg Harbor City North Utility Improvements	10/14/11	5,056,000.00	4/14/19	46,005.49					
			10/14/19	46,523.05					
			4/14/2020	47,046.44					
			10/14/2020	47,575.71					
			4/14/2021	48,110.94					
			10/14/2021	48,652.19					
			4/14/22 - 10/14/51	4,179,242.45	2.250%	4,553,637.54		90,481.00	4,463,156.54

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities Outstanding		Int. Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
General Obligation Refunding Bonds, Series 2014	10/8/2014	5,295,000	10/15/2019	105,000.00	2.000%				
			10/15/2020	110,000.00	3.000%				
			10/15/2021	145,000.00	3.000%				
			10/15/2022	150,000.00	2.500%				
			10/15/2023	155,000.00	2.750%				
			10/15/2024	160,000.00	3.000%				
			10/15/2025	165,000.00 (1)	3.250%				
			10/15/2026	165,000.00 (1)	3.250%				
			10/15/2027	175,000.00 (1)	3.250%				
			10/15/2028	180,000.00 (1)	3.250%				
			10/15/2029	185,000.00 (1)	3.250%				
			10/15/2030	190,000.00 (2)	3.500%				
			10/15/2031	195,000.00 (2)	3.500%				
			10/15/2032	205,000.00 (2)	3.500%				
			10/15/2033	210,000.00 (2)	3.500%				
			10/15/2034	220,000.00 (2)	3.500%				
			10/15/2035	225,000.00 (3)	4.500%				
			10/15/2036	235,000.00 (3)	4.500%				
Water Plant Construction	4/13/2016	1,700,000.00	10/15/2037	245,000.00 (3)	4.500%				
			10/15/2038	260,000.00 (3)	4.500%				
			10/15/2039	270,000.00 (3)	4.500%				
			10/15/2040	280,000.00 (4)	4.000%				
			10/15/2041	295,000.00 (4)	4.000%				
			10/15/2042-43	305,000.00 (4)	4.000%	5,240,000.00		105,000.00	5,135,000.00
			4/1/2019	85,000.00	2.250%				
			4/1/2020	90,000.00	2.250%				
			4/1/2021	95,000.00	2.250%				
			4/1/22-4/1/25	100,000.00	2.250%				
			4/1/26-4/1/28	150,000.00	2.250%				
			4/1/2029	150,000.00	2.375%				
			4/1/2030	150,000.00	2.500%				
			4/1/2031	125,000.00	2.500%	1,625,000.00		80,000.00	1,545,000.00

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities		Int. Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
Water Plant Construction	4/14/2016	3,974,000	4/14/2019	32,697.24	2.250%				
			10/14/2019	33,065.08	2.250%				
			4/14/2020	33,437.07	2.250%				
			10/14/2020	33,813.23	2.250%				
			4/14/2021	34,193.63	2.250%				
			10/14/2021	34,578.31	2.250%				
			4/14/2022	34,967.32	2.250%				
			10/14/2022	35,360.70	2.250%				
			4/14/2023	35,758.51	2.250%				
			10/14/2023	36,160.79	2.250%				
			4/14/2024	36,567.60	2.250%				
			10/14/2024	36,978.98	2.250%				
			4/14/2025	37,395.00	2.250%				
			10/14/2025	37,815.69	2.250%				
			4/14/2026	38,241.12	2.250%				
			10/14/2026	38,671.33	2.250%				
			4/14/2027	39,106.38	2.250%				
			10/14/2027	39,546.33	2.250%				
			4/14/2028	39,991.23	2.250%				
			10/14/2028	40,441.13	2.250%				
			4/14/2029	40,896.09	2.250%				
			10/14/2029	41,356.17	2.250%				
			4/14/2030	41,821.43	2.250%				
			10/14/2030	42,291.92	2.250%				
			4/14/2031	42,767.70	2.250%				
			10/14/2031	43,248.84	2.250%				
			4/14/2032	43,735.39	2.250%				
			10/14/2032	44,227.41	2.250%				
			4/14/2033	44,724.97	2.250%				
			10/14/2033	45,228.13	2.250%				

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities		Int. Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
Water Plant Construction (continued)	4/14/2016	3,974,000	4/14/2034	45,736.94	2.250%				
			10/14/2034	46,251.48	2.250%				
			4/14/2035	46,771.81	2.250%				
			10/14/2035	47,298.00	2.250%				
			4/14/2036	47,830.10	2.250%				
			10/14/2036	48,368.19	2.250%				
			4/14/2037	48,912.33	2.250%				
			10/14/2037	49,462.59	2.250%				
			4/14/2038	50,019.05	2.250%				
			10/14/2038	50,581.76	2.250%				
			4/14/2039	51,150.81	2.250%				
			10/14/2039	51,726.25	2.250%				
			4/14/2040	52,308.17	2.250%				
			10/14/2040	52,896.64	2.250%				
			4/14/2041	53,491.73	2.250%				
			10/14/2041	54,093.51	2.250%				
			4/14/2042	54,702.06	2.250%				
			10/14/2042	55,317.46	2.250%				
			4/14/2043	55,939.78	2.250%				
			10/14/2043	56,569.10	2.250%				
			4/14/2044	57,205.50	2.250%				
			10/14/2044	57,849.07	2.250%				
			4/14/2045	58,499.87	2.250%				
			10/14/2045	59,157.99	2.250%				
			4/14/2046	59,823.52	2.250%				
			10/14/2046	60,496.53	2.250%				
			4/14/2047	61,177.12	2.250%				
			10/14/2047	61,865.36	2.250%				
			4/14/2048	62,561.35	2.250%				
			10/14/2048	63,265.16	2.250%				
			4/14/2049	63,976.90	2.250%				
			10/14/2049	64,696.64	2.250%				
			4/14/2050	65,424.47	2.250%				
			10/14/2050	66,160.50	2.250%				
			4/14/2051	66,904.80	2.250%				

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities Outstanding		Int. Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018	
			Date	Amount						
Water Plant Construction (continued)	4/14/2016	3,974,000	10/14/2051	67,657.48	2.250%					
			4/14/2052	68,418.63	2.250%					
			10/14/2052	69,188.34	2.250%					
			4/14/2053	69,966.71	2.250%					
			10/14/2053	70,753.83	2.250%					
			4/14/2054	71,549.81	2.250%					
			10/14/2054	72,354.75	2.250%					
			4/14/2055	73,168.74	2.250%					
			10/14/2055	73,991.89	2.250%					
			4/14/2056	71,262.38	2.250%	3,880,197.09		64,307.00	3,815,890.09	
Refunding Bond Issue	6/7/2016	345,000	12/1/2019	70,000.00	1.500%					
			12/1/2020	70,000.00	1.500%	210,000.00		70,000.00	140,000.00	

- (1) \$870,000 3.25% Term Bond due October 15, 2029
(2) \$1,020,000 3.50% Term Bond due October 15, 2034
(3) \$1,235,000 4.50% Term Bond due October 15, 2039
(4) \$1,185,000 4.0% Term Bond due October 15, 2043

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BOND ANTICIPATION NOTES**

Improvement Description	Date of Original Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
#6-2004 Sewer Extensions	4/13/2016	4/8/2019	2.75% \$	160,000.00			160,000.00
#20-2008 Various Water & Sewer Improvements	4/13/2016	4/8/2019	2.75%	312,000.00			312,000.00
#11-2018 Various Water & Sewer Repairs	4/9/2018	4/8/2019	0.00%		95,000.00		95,000.00
			\$	<u>472,000.00</u>	<u>95,000.00</u>	<u>-</u>	<u>567,000.00</u>

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED

Improvement Description	Date of Ordinance	Balance Dec. 31, 2017	2018 Authorizations	Transfer from BAN	Notes Issued	Authorizations Cancelled	Balance Dec. 31, 2018
#11-2018 Various Water/Sewer Repairs	10/18/2018	-	95,000.00		95,000.00		-
		\$ -	95,000.00	-	95,000.00	-	-

See Accompanying Auditor's Report

EGG HARBOR CITY

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

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GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost of the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, except by contract or agreement".

The governing body of the municipality has the responsibility of determining whether the expenditures of any category will exceed \$40,000 within the calendar year. Where question arises as to whether any contract or agreement might result in violation of the statute, the City Counsel's opinion should be sought before a commitment is made.

The minutes indicate bids were requested by public advertising for the following items:

Construction of Atlantic Avenue Transit Path Extension
Reconstruction of Chicago Avenue – 500 Block
Reconstruction of London Avenue – 100 Block

The minutes indicate resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

My examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$40,000 "for the performance of any work or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they become delinquent.

The governing body on January 6, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, NJSA 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes, assessments, and water and sewer bills subject to any abatement or discount for the late payment of taxes and water and sewer bills as provided by law; and

WHEREAS, NJSA 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500 of the delinquency and 18% per annum on any amount in excess of \$1,500 and allows an additional penalty of 6% to be collected against a delinquency in excess of \$10,000 on properties that fail to pay the delinquency prior to the end of the calendar year.

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Common Council of Egg Harbor City, County of Atlantic, State of New Jersey as follows:

1. The Tax and Utility Collector's are hereby authorized and directed to charge 8% per annum on the first \$1,500 of taxes and water and sewer bills becoming delinquent after due date and 18% per annum on any amount of taxes and water and sewer bills in excess of \$1,500 becoming delinquent after due date and if a delinquency is in excess of \$10,000 and remains in arrears beyond December 31st, an additional penalty of 6% shall be charged against the delinquency.

2. There is a ten (10) day grace period of quarterly tax and water and sewer bill payments made by cash, check or money order.

3. Any payments not made in accordance with paragraph two of this resolution shall be charged interest from the due date as set forth in paragraph one of this resolution.

4. This resolution shall be published in its entirety once in an official newspaper of Egg Harbor City.

5. A certified copy of this resolution shall be provided by the City Clerk to the Utility Collector, City Attorney, and City Auditor for Egg Harbor City.

It appears from an examination of the collector's records that interest was collected in accordance with the resolution adopted by the governing body.

Delinquent Taxes and Tax Title Liens

During the 2018 calendar year, the City held their tax sale on December 18, 2018. The sale was complete for all properties which could be included in the sale; however, there are several bankruptcies from prior years that could not be sold.

The following comparison is made of the number of the tax title liens receivable on December 31 of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2018	4,142
2017	4,116
2016	4,128

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis. Included in the balances above are inactive tax title liens. These liens have been dormant since the early 1940's and represent approximately 3,300 liens.

During the 2018 calendar year, the City received final judgment on an In Rem Foreclosure of three municipal tax title liens.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulation of the Division of Local Government Services, including the mailing of verification notices as follows:

<u>Type</u>	<u>Number Mailed</u>
Payment of 2018 & 2019 Taxes	25
Municipal Tax Title Liens	10
Payment of 2018 Water & Sewer Utility Charges	25

As of the date of this audit report, all verifications have not been returned. However, no problems were noted with those that have been returned.

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Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Currently</u>		
	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
2018	\$ 10,435,781.66	10,205,428.25	97.79%
2017	10,381,585.37	10,159,392.30	97.86%
2016	10,177,330.42	10,004,768.74	98.30%
2015	9,639,095.98	9,445,215.47	97.98%
2014	9,436,728.00	9,326,389.00	98.83%

Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	5.264	4.666	4.53	4.28	4.18
Apportionment of Tax Rate:					
Municipal	2.263	1.959	1.89	1.87	1.83
County	0.606	0.592	0.54	0.47	0.51
Local School	1.639	1.442	1.44	1.38	1.26
Regional High School	0.756	0.673	0.66	0.56	0.58
Assessed Valuation	197,867,300	222,198,200	223,833,300	225,081,400	224,833,752

A revaluation of properties was performed in 2016 and 2017 in order to bring the property values in line with their true value. The revaluation was effective for the 2018 tax year.

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last five years.

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2018	\$ 946,243.73	5,284.15	951,527.88	9.12%
2017	946,052.52	5,097.64	951,150.16	9.16%
2016	836,702.76	12,553.76	849,256.52	8.34%
2015	708,331.30	15,961.63	728,292.93	7.70%
2014	623,171.00	5,846.00	629,017.00	6.67%

Uniform Construction Code

The construction code official of Egg Harbor City is in compliance with uniform construction code rules NJAC 5:23.17(b)2 and NJAC 5:23.4.17(b)3.

STATUS OF PRIOR YEAR RECOMMENDATIONS

Finding 17-1

Condition

That all deposits received by the Municipal Court be deposited within 48 hours of receipt, as required by New Jersey Statute 40A:5-15.

Current Status

This recommendation was implemented during 2018.

RECOMMENDATIONS

None

The problems and weaknesses noted in my review were not of such magnitude that they would affect my ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

Very truly yours,

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

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

July 23, 2019