

**EGG HARBOR CITY**

**ATLANTIC COUNTY**

**NEW JERSEY**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2019**



## 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, 2019**

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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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 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 including 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 is 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 June 30, 2020 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**

June 30, 2020

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**EXHIBIT A - CURRENT FUND**

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

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 923,784.41	740,821.20
Change	400.00	400.00
Investment in Bond Anticipation Notes	-	95,000.00
Total Cash	<u>924,184.41</u>	<u>836,221.20</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	14,844.64	5,284.15
Tax Title and Other Liens	739,369.77	946,243.73
Code Enforcement Special Charges	430.00	-
Due from Local School District	1.00	1.00
Tax Abatement Receivables	890.98	-
Property Acquired for Taxes - at Assessed Valuation	1,302,889.00	756,889.00
Revenue Accounts Receivable	3,053.56	2,624.63
Total Receivables and Other Assets	<u>2,061,478.95</u>	<u>1,711,042.51</u>
Deferred Charges:		
Emergency Authorization	15,000.00	-
Special Emergency NJSA 40:A;4-53	80,000.00	120,000.00
Total Deferred Charges	<u>95,000.00</u>	<u>120,000.00</u>
Total Regular Fund	<u>3,080,663.36</u>	<u>2,667,263.71</u>
Federal and State Grant Fund:		
Federal and State Grants Receivable	1,434,019.17	2,304,846.79
Due from Current Fund	136,740.39	54,136.68
Total Federal and State Grant Fund	<u>1,570,759.56</u>	<u>2,358,983.47</u>
Total Current Fund	<u>\$ 4,651,422.92</u>	<u>5,026,247.18</u>

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2019</u>	<u>2018</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 159,648.29	156,400.90
Reserve for Encumbrances	129,728.97	109,637.50
Accounts Payable	15,738.50	21,096.34
Taxes Collected in Advance	116,351.96	108,746.99
Overpaid Taxes	52,444.77	50,468.46
Payroll Taxes Payable	25,562.15	26,677.06
Special Emergency Note Payable	80,000.00	120,000.00
County Added Tax Payable	1,619.49	2,342.31
Regional High School District-Taxes	14,834.37	38,603.37
Due to State:		
Veterans and Senior Citizens	7,188.85	6,803.24
Marriage Licence Fees	25.00	50.00
Burial Permits	-	5.00
DCA Training Fees	1,939.00	2,620.00
Interfund Payable:		
Federal and State Grant Fund	136,740.39	54,136.68
Other Reserve for		
Land Sales	18,000.00	-
Reassessment	12,010.08	15,669.88
Curbs and Sidewalks	7,651.71	7,651.71
	<u>779,483.53</u>	<u>720,909.44</u>
Reserve for Receivables and Other Assets	2,061,478.95	1,711,042.51
Fund Balance	<u>239,700.88</u>	<u>235,311.76</u>
Total Regular Fund	<u>3,080,663.36</u>	<u>2,667,263.71</u>
Federal and State Grant Fund:		
Unappropriated Reserves	5,445.39	3,389.56
Appropriated Reserves	999,660.37	1,114,884.31
Encumbrances Payable	495,662.93	1,170,718.73
Due to Trust Fund	69,990.87	69,990.87
Total Federal and State Grant Fund	<u>1,570,759.56</u>	<u>2,358,983.47</u>
Total Current Fund	<u>\$ 4,651,422.92</u>	<u>5,026,247.18</u>



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

	<u>2019</u>	<u>2018</u>
Revenue and Other Income Realized		
Fund Balance	\$ 207,000.00	235,000.00
Miscellaneous Revenue Anticipated	1,995,505.44	3,134,993.93
Receipts from Delinquent Taxes	87,400.16	59,702.07
Receipts from Current Taxes	10,180,306.52	10,205,428.25
Non Budget Revenue	46,515.34	31,719.51
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	108,664.96	66,289.24
Cancellation of Prior Year Liabilities	53,451.56	14,167.78
Interfunds Returned	-	8,000.00
Total Income	<u>12,678,843.98</u>	<u>13,755,300.78</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	1,962,477.00	1,973,952.00
Other Expenses	2,666,834.00	2,659,530.00
Deferred Charges & Statutory Expenditures	615,741.00	607,188.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	60,583.02	47,849.22
Capital Improvements	753,540.23	1,838,861.00
Debt Service	433,382.46	400,039.30
Deferred Charges	40,000.00	40,000.00
Transferred to Board of Education for use by		
Local and Regional High School Districts	18,986.00	18,933.00
Local District School Tax	3,255,429.00	3,242,206.00
County Tax	1,180,004.04	1,200,367.81
County Share of Added Tax	1,619.49	2,342.31
Regional High School Tax	1,436,699.00	1,495,236.00
Refund of Prior Year Revenue	-	750.00
Cancellation of Prior Year Revenue-Grants	57,159.62	4,709.82
Total Expenditures	<u>12,482,454.86</u>	<u>13,531,964.46</u>
Excess in Revenue	<u>196,389.12</u>	<u>223,336.32</u>

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

	<u>2019</u>	<u>2018</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year		
None	15,000.00	-
Total Adjustments	<u>15,000.00</u>	<u>-</u>
Statutory Excess to Fund Balance	211,389.12	223,336.32
Fund Balance January 1	<u>235,311.76</u>	<u>246,975.44</u>
	446,700.88	470,311.76
Decreased by:		
Utilization as Anticipated Revenue	<u>207,000.00</u>	<u>235,000.00</u>
Fund Balance December 31	<u>\$ 239,700.88</u>	<u>235,311.76</u>

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Fund Balance Anticipated				
Surplus Anticipated with Prior Written Consent of Local Government Services	207,000.00		207,000.00	-
Total Fund Balance Anticipated	207,000.00	-	207,000.00	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	33,500.00		37,033.18	3,533.18
Other	54,500.00		49,795.00	(4,705.00)
Fines and Costs:				
Municipal Court	60,500.00		58,305.43	(2,194.57)
Interest and Costs on Taxes	65,000.00		65,537.99	537.99
Interest Earned on Investments	2,000.00		4,627.10	2,627.10
Rental of Municipal Property	34,500.00		35,478.00	978.00
Lake Parking Fees	79,600.00		90,094.00	10,494.00
Campground Royalty	3,000.00		4,048.80	1,048.80
Total Section A: Local Revenues	332,600.00	-	344,919.50	12,319.50
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	50,000.00		89,122.00	39,122.00
Total Section C: Uniform Construction Code Fees	50,000.00	-	89,122.00	39,122.00

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	6,203.00		6,203.00	-
Clean Communities Program		15,058.02	15,058.02	-
NJDOT FY19 Chicago Ave 200/300 Blocks		290,000.00	290,000.00	-
Municipal Alliance on Alcoholism and Drug Abuse	12,963.00		12,963.00	-
Body Armor Grant	1,865.00		1,865.00	-
Bulletproof Vest	5,253.00		5,253.00	-
DCA Neighborhood Preservation Program		125,000.00	125,000.00	-
Sustainable Jersey Solar Study Grant	10,000.00		10,000.00	-
Transportation Alternatives - Design Assistance - Bikeway		306,540.23	306,540.23	-
			-	-
<b>Total Section F: Special Items - Public and Private Programs</b>	<b>36,284.00</b>	<b>736,598.25</b>	<b>772,882.25</b>	<b>-</b>
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	19,000.00		22,201.64	3,201.64
Rental Registrations	56,500.00		55,945.00	(555.00)
Payment in Lieu of Taxes	85,000.00		77,621.89	(7,378.11)
Vacant Property Registration	80,000.00		44,100.00	(35,900.00)
Cemetery Contribution	15,000.00		15,000.00	-
Conifer PILOT	67,943.00		66,800.16	(1,142.84)
JIF Dividend	33,452.00		33,452.00	-
<b>Total Section G: Other Special Items</b>	<b>356,895.00</b>	<b>-</b>	<b>315,120.69</b>	<b>(41,774.31)</b>

**CURRENT FUND**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated			Excess or
	Budget	N.J.S. 40A:4-87	Realized	(Deficit)
Total Miscellaneous Revenues:	1,249,240.00	736,598.25	1,995,505.44	9,667.19
Receipts from Delinquent Taxes	4,500.00		87,400.16	82,900.16
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	4,568,901.00		4,520,482.99	(48,418.01)
Total Amount to be Raised by Taxes for Support of Municipal Budget	4,568,901.00	-	4,520,482.99	(48,418.01)
Budget Totals	6,029,641.00	736,598.25	6,810,388.59	44,149.34
Non- Budget Revenues:				
Other Non- Budget Revenues:			46,515.34	46,515.34
	\$ 6,029,641.00	736,598.25	6,856,903.93	90,664.68

**CURRENT FUND  
STATEMENT OF REVENUES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	10,180,306.52
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Allocated to:

School, County and Other Taxes	<u>5,873,751.53</u>
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Balance for Support of Municipal Budget Appropriations	4,306,554.99
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	<u>213,928.00</u>
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Amount for Support of Municipal Budget Appropriations	<u><u>4,520,482.99</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	2,600.57
Tax Title Lien Collections	<u>84,799.59</u>

Total Receipts from Delinquent Taxes	<u><u>87,400.16</u></u>
--------------------------------------	-------------------------

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Tax Collector:

Code Enforcement Fee	2,740.00
Tax Search Fees	130.00
Certificate of Redemption	<u>5,600.00</u>
Subtotal - Tax Collector	8,470.00

Treasurer:

Cable Franchise Fee	12,948.65
Sale of Property	1,237.50
Police Department	2,713.00
Division of Motor Vehicles Fines	725.00
Lake Pavillon Security Deposits	1,281.67
Building Department	993.00
Miscellaneous Refunds	9,726.24
Veteran's and Senior Citizen 2%	
Administrative Fee	670.47
Other Miscellaneous	<u>7,749.81</u>
Subtotal - Treasurer	<u>38,045.34</u>

Total Miscellaneous Revenue Not Anticipated	\$	<u><u>46,515.34</u></u>
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**CURRENT FUND**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<b>OPERATIONS WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
Administrative and Executive					
Salaries and Wages					
Governing Body					
Municipal Clerk (Other)					
Other Expenses					
City Clerk					
Governing Body					
Financial Administration					
Salaries and Wages					
Other Expenses					
Audit Services					
Assessment of Taxes					
Salaries and Wages					
Other Expenses					
Tax Collector					
Salaries and Wages					
Other Expenses:					
Tax Sale Costs					
Miscellaneous Other Expenses					
Liquidation of Tax Title Liens and					
Foreclosed Property					
Other Expenses					
Legal Services and Costs					
Other Expenses					
Municipal Prosecutor					
Salaries and Wages					
Engineering Services and Costs					
Other Expenses					
Public Buildings and Grounds					
Other Expenses					
Municipal Land Use Law (NJSA 40:55D-1)					
Combined Planning & Zoning/Code Board					
Salaries and Wages					
Other Expenses					
Economic Development					
Other Expenses					

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
<b>PUBLIC SAFETY</b>						
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	61.84	250.00	1,188.16	1,188.16
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	1,290,000.00	1,257,000.00	1,212,278.57	29,721.43	20,979.36	15,000.00
Other Expenses:						
Miscellaneous Other Expenses	81,100.00	101,100.00	53,042.84	27,077.80	-	-
Police Radio and Communications						
Salaries and Wages	1,200.00	1,200.00	1,200.00	-	-	-
Other Expenses	184,000.00	180,000.00	179,635.20	364.80	-	-
Municipal Court						
Salaries and Wages	76,500.00	60,500.00	60,033.51	466.49	-	-
Other Expenses	10,500.00	13,500.00	12,050.85	547.98	901.17	901.17
Public Defender						
Salaries and Wages	5,500.00	5,500.00	5,500.00	-	-	-
First Aid Organization- Contribution	30,000.00	30,000.00	30,000.00	-	-	-
Emergency Management Services						
Salaries and Wages	2,100.00	2,100.00	1,050.00	1,050.00	-	-
Other Expenses	900.00	900.00	61.99	838.00	0.01	0.01
<b>PUBLIC WORKS</b>						
Solid Waste Collection (Public Works)						
Salaries and Wages	253,000.00	258,000.00	255,262.04	2,737.96	-	-
Other Expenses:						
Hauling Fee (Tipping and Hauling Fee	300,000.00	300,000.00	281,754.29	18,245.71	-	-
Miscellaneous Other Expenses	25,000.00	25,000.00	18,852.34	3,459.38	2,688.28	2,688.28
Vehicle Maintenance	90,000.00	105,000.00	94,073.68	9,119.93	1,806.39	1,806.39
Solid Waste Disposal Cost	148,000.00	148,000.00	147,116.96	883.04	-	-



**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	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	
<b>HEALTH AND WELFARE</b>						
Animal Control (Dog Regulation)						
Other Expenses	10,200.00	10,200.00	7,600.00	1,520.00	1,080.00	
<b>RECREATION AND EDUCATION</b>						
Parks and Playgrounds						
Salaries and Wages	38,400.00	43,400.00	43,290.75		109.25	
Other Expenses:						
Lining of Kern Field	25.00	25.00	-		25.00	
Miscellaneous Other Expenses	9,400.00	9,400.00	8,264.03		1,135.97	
Anniversary or Holiday						
Other Expenses	4,500.00	4,500.00	3,900.00	211.00	389.00	
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		-	
<b>INSURANCE</b>						
Group Insurance Plans for Employees	572,000.00	555,500.00	526,523.21	272.00	28,704.79	
Firemen's Group Insurance Premiums	17,000.00	16,500.00	15,102.44	297.02	1,100.54	
Surety Bond Premiums	1,000.00	150.00	-		150.00	
Other Insurance Premiums:						
Liability Insurance (JIF)	200,705.00	200,705.00	200,705.00		-	
Workers Compensation (JIF)	116,914.00	116,914.00	116,914.00		-	
Health Benefits Waiver	2,500.00	2,500.00	2,500.00		-	
<b>UNIFORM CONSTRUCTION CODE</b>						
Construction Office						
Salaries and Wages	65,500.00	65,500.00	65,214.52		285.48	
Other Expenses	1,350.00	3,100.00	1,650.69	13.56	1,435.75	

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
<b>UNCLASSIFIED</b>					
Street Lighting	125,000.00	130,000.00	116,434.94	12,566.94	998.12
Gasoline	52,500.00	47,500.00	37,128.12	3,370.89	7,000.99
Electric	105,000.00	106,000.00	95,115.02	10,199.28	685.70
Natural Gas	40,000.00	34,000.00	20,666.49	2,920.75	10,412.76
Telephone	37,500.00	37,500.00	33,861.25	1,525.23	2,113.52
Fire Hydrant Service	30,000.00	30,000.00	30,000.00	-	-
Accumulated Absences	15,000.00	30,000.00	30,000.00	-	-
<b>TOTAL OPERATIONS WITHIN "CAPS"</b>	<b>4,627,211.00</b>	<b>4,644,211.00</b>	<b>4,368,553.93</b>	<b>104,728.97</b>	<b>155,928.10</b>
Contingent	100.00	100.00	-	-	100.00
<b>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</b>	<b>4,627,311.00</b>	<b>4,644,311.00</b>	<b>4,368,553.93</b>	<b>104,728.97</b>	<b>156,028.10</b>
Detail:					
Salaries and Wages	2,098,977.00	2,052,477.00	1,926,508.67	-	35,968.33
Other Expenses	2,528,334.00	2,591,834.00	2,442,045.26	104,728.97	120,059.77
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES:</b>					
Deferred Charges:					
None					
Statutory Expenditures					
Contributions to:					
Public Employees' Retirement System	122,992.00	122,992.00	122,992.00	-	-
Social Security System (O.A.S.I.)	165,000.00	163,000.00	159,745.15	-	3,254.85
Police and Fireman's Retirement System of NJ	322,249.00	322,249.00	322,249.00	-	-
Unemployment Compensation Insurance	7,500.00	7,500.00	7,500.00	-	-
<b>TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>	<b>617,741.00</b>	<b>615,741.00</b>	<b>612,486.15</b>	<b>-</b>	<b>3,254.85</b>
					<b>-</b>

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
<b>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"</b>	5,245,052.00	5,260,052.00	4,981,040.08	104,728.97	15,000.00
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
(A) Operations - Excluded from "CAPS" Recycling Tax Appropriator	6,000.00	6,000.00	5,634.66		365.34
	6,000.00	6,000.00	5,634.66	-	365.34
					-
<b>(A) Public and Private Programs Off-Set by Revenues</b>					
Clean Communities Act (NJSA 13:13-99.1 et. seq.)		15,058.02	15,058.02		-
Recycling Tonnage Grant	6,203.00	6,203.00	6,203.00		-
Bulletproof Vest Partnership Grant	5,253.00	5,253.00	5,253.00		-
Body Armor	1,865.00	1,865.00	1,865.00		-
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		-
Sustainable Jersey Solar Grant	10,000.00	10,000.00	10,000.00		-
Total Public and Private Programs Off-Set by Revenues	39,525.00	54,583.02	54,583.02	-	-
<b>Total Operations - Excluded from "CAPS"</b>	45,525.00	60,583.02	60,217.68	-	365.34
Detail:					
Salaries and Wages	-	-	-		
Other Expenses	45,525.00	60,583.02	60,217.68	-	365.34
<b>(C) Capital Improvements</b>					
Capital Improvement Fund		7,000.00	7,000.00		-
Purchase of Bucket Truck	7,000.00	-			-
Atlantic Avenue Transit Path Extension	17,780.00	17,780.00		17,780.00	-
Parking Lot Repairs	7,220.00	7,220.00		7,220.00	-
Transportation Alternatives-Design Assistance - Bikeway		306,540.23	306,540.23		-
NJDOT FY19 Chicago Avenue 200/300 Blocks		290,000.00	290,000.00		-
DCA Neighborhood Preservation Program		125,000.00	125,000.00		-
Total Capital Improvements	32,000.00	753,540.23	728,540.23	25,000.00	-

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
(D) Debt Service					
Payment of Bond Principa	310,000.00	310,000.00	310,000.00		-
Payment of Bond Anticipation Notes and Capital Notes	53,750.00	53,750.00	53,750.00		-
Interest on Bonds	35,100.00	35,100.00	35,100.00		-
Interest on Notes	35,300.00	35,300.00	34,532.46		767.54
Total Debt Service	434,150.00	434,150.00	433,382.46	-	767.54
(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)	18,986.00	18,986.00	18,986.00		-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	570,661.00	1,307,259.25	1,281,126.37	25,000.00	767.54

**CURRENT FUND  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
SUBTOTAL GENERAL APPROPRIATIONS	5,815,713.00	6,567,311.25	6,262,166.45	129,728.97	159,648.29
(M) Reserve for Uncollected Taxes	213,928.00	213,928.00	213,928.00		
TOTAL GENERAL APPROPRIATIONS	\$ 6,029,641.00	6,781,239.25	6,476,094.45	129,728.97	159,648.29
Budget		6,029,641.00			Cancelled
Appropriations by 40A:4-87		736,598.25			Overexpended
Emergency Appropriations		15,000.00			
		<u>6,781,239.25</u>			<u>15,767.54</u>
					<u>15,767.54</u>
Reserve for Uncollected Taxes		213,928.00			
Federal and State Grants		776,123.25			
Deferred Charges		40,000.00			
Disbursements		<u>5,660,723.04</u>			
		6,690,774.29			
		(214,679.84)			
Less Appropriation Refunds		<u>6,476,094.45</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>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Animal Control Fund:		
Cash	\$ 99.60	383.00
	<u>99.60</u>	<u>383.00</u>
Other Funds:		
Cash - Treasurer	205,328.31	212,734.31
Cash - Collector	146,400.54	182,761.36
Due from Federal and State Grant Fund	69,990.87	69,990.87
	<u>421,719.72</u>	<u>465,486.54</u>
	<u><u>421,819.32</u></u>	<u><u>465,869.54</u></u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>		
Animal Control Fund:		
Reserve for Expenditures	99.60	383.00
	<u>99.60</u>	<u>383.00</u>
Other Funds:		
Reserve for Program Loan Repayment	142,778.10	119,721.83
Reserves - Miscellaneous	278,941.62	345,764.71
	<u>421,719.72</u>	<u>465,486.54</u>
	\$ <u><u>421,819.32</u></u>	<u><u>465,869.54</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>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ 23,135.96	21,509.25
Due from State of New Jersey - Federal and State Grants	540,000.00	-
Deferred Charges to Future Taxation -		
Funded	1,430,000.00	1,740,000.00
Unfunded	831,750.00	792,500.00
	<u>2,824,885.96</u>	<u>2,554,009.25</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	30,706.98	8,850.50
Bond Anticipation Notes Payable	738,750.00	792,500.00
Serial Bonds Payable	1,430,000.00	1,740,000.00
Improvement Authorizations:		
Funded	547,445.16	10,685.19
Unfunded	72,970.43	1,970.43
Capital Improvement Fund	1.60	1.60
Fund Balance	5,011.79	1.53
	<u>\$ 2,824,885.96</u>	<u>2,554,009.25</u>

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

2018	-
2019	93,000.00

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

	<u>2019</u>	<u>2018</u>
Beginning Balance January 1	\$ 1.53	275.97
Increased by:		
Premium on Sale of Bonds & Notes	5,010.26	7,790.25
Decreased by:		
Adjustment for Rounding	-	0.69
Appropriated to Finance Improvement Authorizations	<u>-</u>	<u>8,064.00</u>
Ending Balance December 31	<u>\$ 5,011.79</u>	<u>1.53</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>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Operating Fund:		
Cash - Treasurer	\$ 453,391.90	377,405.25
Change Fund	200.00	200.00
Due from State-NJDOT Reimbursement	972.50	-
	<u>454,564.40</u>	<u>377,605.25</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	11,478.07	5,415.90
Water and Sewer Utility Liens	23,604.29	8,597.60
	<u>35,082.36</u>	<u>14,013.50</u>
Deferred Charges		
Emergency Appropriations	-	30,000.00
	<u>-</u>	<u>30,000.00</u>
Total of Operating Fund	\$ <u>489,646.76</u>	<u>421,618.75</u>

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

	<u>2019</u>	<u>2018</u>
Capital Fund:		
Cash	\$ 141,122.52	14,992.10
Deferred Charge to Future Rates	-	7,113.00
Fixed Capital - Sewer	12,992,115.44	12,907,365.44
Fixed Capital - Water	16,383,541.36	16,298,791.36
Fixed Capital - Authorized & Uncomp.	55,500.00	100,000.00
	<u>29,572,279.32</u>	<u>29,328,261.90</u>
	<u>30,061,926.08</u>	<u>29,749,880.65</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Liabilities:		
Appropriation Reserves	11,396.83	38,949.64
Reserve for Encumbrances	70,568.25	30,488.75
Accounts Payable	7,220.00	-
Accrued Interest on Bonds	111,405.81	113,585.93
Utility Rent Overpayments	3,717.99	2,291.35
Payments Received in Advance		
Utility Rents	114,175.61	179,393.85
Fire Receipts	2,300.00	3,550.00
Reserve to Pay Debt	29,470.96	-
	<u>350,255.45</u>	<u>368,259.52</u>
Reserve for Receivables	35,082.36	14,013.50
Fund Balance	104,308.95	39,345.73
Total of Operating Fund	\$ <u>489,646.76</u>	<u>421,618.75</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>2019</u>	<u>2018</u>
Capital Fund:		
Bond Anticipation Notes	\$ 561,000.00	567,000.00
Serial Bonds-Water and Sewer Improvement Authorizations	15,600,755.77	16,154,046.63
Unfunded	55,500.00	19,442.82
Reserves for:		
Amortization - Water	8,555,587.53	8,271,060.94
Amortization - Sewer	4,577,813.92	4,309,049.65
Amortization - Deferred	11,000.00	5,000.00
Water Quality Act Improvements	204,155.50	-
Fund Balance	6,466.60	2,661.86
Total of Capital Fund	<u>29,572,279.32</u>	<u>29,328,261.90</u>
Total Liabilities, Reserves and Fund Balance	\$ <u>30,061,926.08</u>	<u>29,749,880.65</u>

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

2018	-
2019	125,000.00

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

	<u>2019</u>	<u>2018</u>
<u>Revenue and Other Income Realized</u>		
Fund Balance Anticipated	\$ 39,000.00	-
Rents	2,019,735.89	1,845,000.00
Miscellaneous Revenue Anticipated	45,770.27	54,547.28
Fire Hydrant Service	30,000.00	30,000.00
Increase in Rental Fees	-	106,103.49
JIF Dividend	7,500.00	11,733.00
Capital Fund Balance	-	10,100.00
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	39,346.85	2,417.72
Total Income	<u>2,181,353.01</u>	<u>2,059,901.49</u>
<u>Expenditures</u>		
Operating	995,596.00	960,174.00
Capital Improvements	-	5,000.00
Debt Service	1,023,680.79	1,013,050.83
Deferred Charges and Statutory Expenditures	58,113.00	72,916.00
Cancellation of Prior Year Revenue	-	0.49
Total Expenditures	<u>2,077,389.79</u>	<u>2,051,141.32</u>
Excess in Revenue	103,963.22	8,760.17
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute deferred charges to budget of succeeding year	<u>-</u>	<u>30,000.00</u>
Statutory Excess to Fund Balance	103,963.22	38,760.17
Fund Balance January 1	39,345.73	585.56
Decreased by:		
Utilization as Anticipated Revenue	<u>39,000.00</u>	<u>-</u>
Fund Balance December 31	<u>\$ 104,308.95</u>	<u>39,345.73</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>2019</u>	<u>2018</u>
Balance Beginning of Year	\$ 2,661.86	8,122.11
Increased by:		
Premium on Sale of Bonds & Notes	3,804.74	4,639.75
Decreased by:		
Appropriated as Revenue in the Utility Operating Fund	-	10,100.00
Balance End of Year	\$ <u>6,466.60</u>	<u>2,661.86</u>

**WATER AND SEWER OPERATING FUND  
STATEMENT OF REVENUES  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 39,000.00	39,000.00	
Water and Sewer Rents	1,950,000.00	2,019,735.89	69,735.89
Miscellaneous	54,000.00	45,770.27	(8,229.73)
Fire Hydrant Services	30,000.00	30,000.00	-
JIF Dividend	7,500.00	7,500.00	-
	<u>\$ 2,080,500.00</u>	<u>2,142,006.16</u>	<u>61,506.16</u>

**Analysis of Realized Revenue**

Rents

Consumer Accounts Receivable	2,014,307.52
Tax Title Liens	4,747.94
Overpayments Created	<u>680.43</u>
Total Collections	<u>2,019,735.89</u>

Miscellaneous

Interest and Penalties	9,319.77
Water Tap Fee	2,200.00
Sewer Tap Fee	3,200.00
Fire	26,295.46
Miscellaneous Other	<u>1,205.04</u>
Revenue Realized	42,220.27
Apply Prepaid Fire Receipts	<u>3,550.00</u>
Total Miscellaneous Revenue Realized	<u>\$ 45,770.27</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, 2019**

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
<b>OPERATING</b>						
Salaries and Wages	\$ 258,000.00	225,500.00	218,967.06		6,532.94	
Other Expenses	386,519.00	383,519.00	316,627.56	66,568.25	323.19	
Engineering Fees	5,000.00	5,000.00	960.00	4,000.00	40.00	
Legal Fees	5,100.00	5,100.00	3,875.04		1,224.96	
Atlantic County Sewerage Authority - Contractual	340,977.00	376,477.00	376,007.00		470.00	
	<u>995,596.00</u>	<u>995,596.00</u>	<u>916,436.66</u>	<u>70,568.25</u>	<u>8,591.09</u>	<u>-</u>
<b>CAPITAL IMPROVEMENTS</b>						
Down Payments on Improvements	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEBT SERVICE</b>						
Payment of Bond Principal	553,291.00	553,291.00	553,290.86			0.14
Payment of Bond Anticipation Notes and Capital Notes	6,000.00	6,000.00	6,000.00			-
Interest on Bonds	450,000.00	450,000.00	448,289.42			1,710.58
Interest on Notes	17,500.00	17,500.00	16,100.51			1,399.49
	<u>1,026,791.00</u>	<u>1,026,791.00</u>	<u>1,023,680.79</u>	<u>-</u>	<u>-</u>	<u>3,110.21</u>
<b>DEFERRED CHARGES AND STATUTORY EXPENDITURES</b>						
Statutory Expenditures:						
Contribution to:						
Social Security System (O.A.S.I.)	20,000.00	20,000.00	17,194.26		2,805.74	
Unemployment Compensation Insurance	1,000.00	1,000.00	1,000.00		-	
Deferred Charges:						
Emergency Authorizations	30,000.00	30,000.00	30,000.00		-	
Deferred Charge - Utility Capital	7,113.00	7,113.00	7,113.00		-	
	<u>58,113.00</u>	<u>58,113.00</u>	<u>55,307.26</u>	<u>-</u>	<u>2,805.74</u>	<u>-</u>
	<u>\$ 2,080,500.00</u>	<u>2,080,500.00</u>	<u>1,995,424.71</u>	<u>70,568.25</u>	<u>11,396.83</u>	<u>3,110.21</u>
Adopted Budget		2,080,500.00				
Emergency Appropriation						
		<u>2,080,500.00</u>				
			Interest on Bonds and Notes	464,389.93		
			Downpayments on Improvements	-		
			Group and Liability Insurance			
			Deferred Charges	30,000.00		
			Disbursed	1,501,034.78		
				<u>1,995,424.71</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>2019</u>	<u>2018</u>
General Fixed Assets:		
Buildings	\$ 1,208,321.11	1,208,321.11
Improvements Other than Buildings	561,682.50	561,682.50
Equipment	755,616.32	755,616.32
Vehicles	1,737,236.78	1,730,631.29
Furniture	<u>12,332.00</u>	<u>12,332.00</u>
Total General Fixed Assets	<u><u>4,275,188.71</u></u>	<u><u>4,268,583.22</u></u>
Investment in General Fixed Assets	\$ <u><u>4,275,188.71</u></u>	<u><u>4,268,583.22</u></u>

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## **NOTES TO FINANCIAL STATEMENTS**

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## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018**

### **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 2018 is 4,104. The City provides the following services to its citizens: 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, 2019 AND 2018**

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, 2019 AND 2018

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, 2019 and 2018.

	Balance 12/31/2018	Additions/ Transfers	Disposals/ Transfers	Balance 12/31/2019
Buildings	\$ 1,208,321.11			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	1,730,631.29	32,674.68	26,069.19	1,737,236.78
	<u>\$ 4,268,583.22</u>	<u>32,674.68</u>	<u>26,069.19</u>	<u>4,275,188.71</u>

	Balance 12/31/2017	Additions/ Transfers	Disposals/ Transfers	Balance 12/31/2018
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>

The following schedule is a summarization of the changes in utility capital fixed assets for the calendar years ended December 31, 2019 and 2018. Under the New Jersey Regulatory Basis of Accounting no depreciation is taken on these assets.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Balance 12/31/2018	Additions	Adjustments/ Disposals	Balance 12/31/2019
Sewer Assets	\$ 12,907,365.44	84,750.00		12,992,115.44
Water Assets	16,298,791.36	84,750.00		16,383,541.36
Authorized Assets				
Sewer	100,000.00	125,000.00	169,500.00	55,500.00
	\$ 29,306,156.80	294,500.00	169,500.00	29,431,156.80

  

	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				
Water	-	100,000.00		100,000.00
	\$ 29,206,156.80	100,000.00	-	29,306,156.80

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 2019 and 2018 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 \$69,632.46 in 2019 and \$61,289.30 in 2018. 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 \$464,389.93 in 2019 and \$473,262.83 in 2018. During the years ended December 31, 2019 and 2018, 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, 2019 AND 2018**

#### **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 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.

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, "Conduit Debt Obligations". This statement, which is effective for periods beginning after December 15, 2020, will not have any effect on the City's financial reporting.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2019 AND 2018

#### **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 2019 and 2018 statutory budgets included a reserve for uncollected taxes in the amount of \$213,928.00 and \$206,479.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2019 and 2018 statutory budgets was \$207,000.00 and \$235,000.00.

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 2019 and 2018 calendar years:

	2019	2018
Police		
Salaries & Wages	\$ (33,000.00)	(33,000.00)
Other Expenses	20,000.00	
Engineering		
Other Expenses	18,100.00	-
Public Works		
Vehicle Maintenance	15,000.00	40,000.00
Buildings & Grounds		
Other Expenses	10,000.00	16,500.00
Hauling Fee	-	(25,000.00)
Municipal Court		
Salaries & Wages	(16,000.00)	-
Group Insurance	(16,500.00)	-
Accumulated Absences	15,000.00	-
Electric	-	12,000.00

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 2019 and 2018 calendar years, City Council approved the following budget insertions:

	2019	2018
New Jersey Department of Transportation		
Chicago Avenue - 200/300 Blocks	\$ 290,000.00	-
Safe Streets to Transit Program	-	250,000.00
Clean Communities	15,058.02	13,464.52
DCA Neighborhood Preservation Program	125,000.00	-
NJ Trans Alternatives - Bikeway Design	306,540.23	-
NJ Transportation Alternatives-Atlantic Ave.	-	144,820.00
JIF Safety Grant	-	3,945.70
	<u>\$ 736,598.25</u>	<u>412,230.22</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 2019 or 2018. During the 2016 calendar year, City Council adopted a special emergency in the

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2019 AND 2018

amount of \$200,000 for the City-wide Reassessment Program. During the 2019 and 2018 calendar years, the following emergency appropriations were approved by the Common Council:

	2019	2018
Current Fund		
Buildings & Grounds OE	\$ 10,000.00	-
Parks & Playgrounds SW	5,000.00	-
Water and Sewer Utility		
Down Payment on		
Improvement	-	5,000.00
Other Expenses	-	25,000.00
	\$ <u>15,000.00</u>	<u>30,000.00</u>

#### Note 3: INVESTMENTS

As of December 31, 2019 and 2018, the municipality has investments totaling \$0.00 and \$95,000.00.

During the period ended December 31, 2019 and 2018 the City held investments in Bond Anticipations Notes of the City in the amounts of \$0.00 and \$95,000.00. These investments represent 100% of the City's investments. Interest was 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, 2019 and 2018, \$0 of the municipality's bank balance of \$2,057,499.45 and \$1,569,790.30 was exposed to custodial credit risk.

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# NOTES TO FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2019 AND 2018

### Note 5: LONG TERM DEBT

Long-term debt as of December 31, 2019 and 2018 consisted of the following:

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Due in One Year
General	\$ 1,740,000.00		310,000.00	1,430,000.00	290,000.00
Water and Sewer Utility	16,154,046.63		553,290.86	15,600,755.77	571,872.45
Compensated Absences	375,479.59		15,405.31	360,074.28	23,610.00
Total	18,269,526.22	-	878,696.17	17,390,830.05	885,482.45

  

	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	553,290.87
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

### 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, 2019 was \$1,250,000.00.

\$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, 2019 was \$180,000.00.

### 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, 2019 was \$920,000.00.

\$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, 2019 was \$4,370,628.00.

\$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

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2019 AND 2018

maturity at the option of the City on any date on or after 10/15/24. The remaining balance as of December 31, 2019 was \$5,030,000.00.

\$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, 2019 was \$1,460,000.00.

\$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, 2019 was \$3,750,127.77.

\$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, 2019 was \$70,000.00.

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

Year	General Capital		Utility Capital	
	Principal	Interest	Principal	Interest
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	190,000.00	10,687.50	597,027.69	375,543.81
2025-2029	380,000.00	8,550.00	2,687,065.05	1,634,986.20
2030-2034			2,354,168.75	1,290,413.75
2035-2039			2,419,542.11	942,777.89
2040-2044			2,509,755.86	513,864.14
2045-2049			1,481,566.66	236,853.34
2050-2054			1,058,407.21	78,271.59
2055-2056			218,423.59	4,893.07
	<u>\$ 1,430,000.00</u>	<u>106,537.50</u>	<u>15,600,755.77</u>	<u>6,739,109.69</u>

As of December 31, 2019, the carrying value of the above bonds approximates the fair value of the bonds.

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# NOTES TO FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2019 AND 2018

### Summary of Municipal Debt

	Year 2019	Year 2018	Year 2017
Issued			
General-Bonds and Notes	\$ 2,168,750.00	2,532,500.00	2,851,000.00
Water & Sewer Utility – Bonds and Notes	16,161,755.77	16,721,046.63	17,165,834.63
Total Issued	<u>18,330,505.77</u>	<u>19,253,546.63</u>	<u>20,016,834.63</u>
Authorized But Not Issued			
General – Bonds and Notes	93,000.00	0.00	20,250.00
Water & Sewer Utility – Bonds and Notes	125,000.00	0.00	0.00
Total Authorized But Not Issued	<u>218,000.00</u>	<u>0.00</u>	<u>20,250.00</u>
Total	<u>\$ 18,548,505.77</u>	<u>19,253,546.63</u>	<u>20,037,084.63</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 1.209%.

	Gross Debt	Deductions	Net Debt
Local School District Debt	\$ 6,960,000.00	6,572,810.70	387,189.30
Regional High School District Debt	1,622,418.01	1,622,418.01	-
Water & Sewer Utility Debt	16,286,754.77	16,286,754.77	-
General Debt	2,261,750.00	-	2,261,750.00
	<u>\$ 27,130,922.78</u>	<u>24,481,983.48</u>	<u>2,648,939.30</u>

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 \$2,648,939.30 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$219,093,690.00 = 1.209%.

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)	\$ 7,668,279.15
Net Debt	<u>2,648,939.30</u>
Remaining Borrowing Power	<u>\$ 5,019,339.85</u>

### **Note 6: SHORT TERM OBLIGATIONS**

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019
General Capital Notes	\$ 792,500.00		53,750.00	738,750.00
Utility Capital Notes	567,000.00		6,000.00	561,000.00
Special Emergency Notes	120,000.00	80,000.00	120,000.00	80,000.00
Tax Anticipation Notes	-	1,500,000.00	1,500,000.00	-
	<u>\$ 1,479,500.00</u>	<u>1,580,000.00</u>	<u>1,679,750.00</u>	<u>1,379,750.00</u>



**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	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	120,000.00	160,000.00	120,000.00
Tax Anticipation Notes	-	1,350,000.00	1,350,000.00	-
	<u>\$ 1,433,000.00</u>	<u>1,585,250.00</u>	<u>1,538,750.00</u>	<u>1,479,500.00</u>

The City borrowed \$1,500,000 in Tax Anticipation Notes on June 25, 2019 in anticipation of the receipt of taxes and other revenue for the calendar year. The note matured September 13, 2019 and was paid in full. Interest was paid at a rate of 2.35% per annum.

At December 31, 2019 the City had outstanding the following special emergency and bond anticipation notes:

	Amount	Issue Date	Maturity Date	Interest Rate
Current Fund:				
Ocean First Bank	\$ 80,000.00	12/10/2019	12/9/2020	2.00%
General Capital:				
Oppenheimer and Co.	738,750.00	4/5/2019	4/3/2020	2.75%
Water & Sewer Capital:				
Oppenheimer and Co.	<u>561,000.00</u>	4/5/2019	4/3/2020	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 \$1,333,000 in a new bond anticipation note, after a \$59,750 paydown. The note, which is held by the Township of South Brunswick, will mature on April 1, 2021 and bears interest at 2.50% per annum.

**Note 7: LEASE OBLIGATIONS**

During the year ended December 31, 2019, 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
2020	\$ 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.

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.

**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

<u>Year</u>	<u>Amount</u>
2020	15,229.58
2021	2,880.00
2022	2,880.00
2023	960.00
Total Minimum Lease Payments	21,949.58
Less: Amount Representing Interest	517.03
Present Value of Net Minimum Lease Payments	\$ 21,432.55

Rental expenses charged to operations in 2019 and 2018 were \$16,621.58 and \$19,792.42, respectively.

**Note 8: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2019 and 2018 which are anticipated to be appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2020 and 2019 were as follows:

	<u>Year</u>	<u>Balance December 31st</u>	<u>Utilized in Budget of Succeeding Year</u>	<u>Percent Utilized</u>
Current Fund	2019	\$ 239,700.88	215,000.00	89.70%
	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%
Water & Sewer Utility Fund	2019	104,308.95	-	0.00%
	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%

As of the date of this audit report, the City has not adopted the 2020 Local Municipal Budget and the above amounts are subject to change.

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 2020 budget is \$144,700.88 for the current fund and \$104,308.95 for the utility fund.

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## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

### 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, 2019, the following deferred charges are shown on the balance sheets of the various funds:

	Balance 12/31/2019	2020 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Special Emergency			
NJSA 40A:4-55	\$ 80,000.00	40,000.00	40,000.00
Emergency Authorization	15,000.00	15,000.00	-
Total Current Fund	\$ 95,000.00	55,000.00	40,000.00

The appropriations in the 2020 Budget are not less than that required by statute.

### Note 10: SCHOOL TAXES

Local District School Taxes in the amounts of \$3,255,429.00 and \$3,242,206.00 have been raised for the 2019 and 2018 calendar years and remitted to the local school district. Regional High School Tax in the amounts of \$1,436,699.00 and \$1,495,236.00 have been raised for the 2019 and 2018 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 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 12/31/2019	Balance 12/31/2018
Balance of Tax	\$ 499,942.37	523,711.37
Deferred	485,108.00	485,108.00
Tax Payable	\$ 14,834.37	38,603.37

### Note 11: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/2019	Balance 12/31/2018
Prepaid Taxes	\$ 116,351.96	108,746.99
Cash Liability for Taxes Collected in Advance	116,351.96	108,746.99

### 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

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 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 7.50% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 14.1% of covered payroll. The City's contributions to PERS for the years ended December 31, 2019, 2018, and 2017 were \$122,992.19, \$111,312.81, and \$113,889.00.

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 31.92% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2019, 2018, and 2017 were \$322,249.22, \$327,875.00, and \$284,117.00.

The total payroll for the year ended December 31, 2019, 2018, and 2017 was \$2,387,265.94, \$2,320,695.22, and \$2,337,882.35. Payroll covered by PERS was \$761,451, \$828,749, and \$807,914.00. Covered payroll by PFRS was \$1,009,511, \$972,228, and \$988,488.00.

#### *Significant Legislation*

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

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED DECEMBER 31, 2019 AND 2018**

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 PES 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).

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

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

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

# NOTES TO FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2019 AND 2018

### 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, 2019:

#### Public Employees' Retirement System

The Municipality has a liability of \$2,101,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to June 30, 2019. 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, 2019, the Municipality's proportion would be 0.01166478520%, which would be a decrease of 0.22% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Municipality would have recognized pension expense of \$44,618. At December 31, 2019, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 37,725	\$ (9,285)
Changes of assumptions	209,874	(729,534)
Changes in proportion	70,608	(110,830)
Net difference between projected and actual earnings on pension plan investments		(33,178)
Total	<u>\$ 318,207</u>	<u>\$ (882,827)</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,	
2020	\$ (65,346)
2021	(211,981)
2022	(189,287)
2023	(88,880)
2024	(9,126)
Total	<u>\$ (564,620)</u>

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2019 AND 2018

#### Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 200 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2019.

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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, 2019 are summarized in the following table:

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

*Discount Rate*

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019, 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 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 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 Municipality's proportionate share of the net pension liability calculated using the discount rate of 6.28%, 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 (5.28%) or 1-percentage point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Municipality's proportionate share of the net pension liability	\$ 2,522,529	\$ 2,101,817	\$ 1,747,720

*Pension plan fiduciary net position.*

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



# **NOTES TO FINANCIAL STATEMENTS** **YEARS ENDED DECEMBER 31, 2019 AND 2018**

## **Police and Firemen's Retirement System**

The Municipality has a liability of \$3,495,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2018 that was rolled forward to June 30, 2019. 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, 2019, the Municipality's proportion would be 0.02856528790%, which would be a decrease of 8.77% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Municipality would have recognized pension expense of \$106,232. At December 31, 2019, 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	\$ 29,509	\$ (22,132)
Changes of assumptions	119,784	(1,129,800)
Changes in proportion	250,740	(845,483)
Net difference between projected and actual earnings on pension plan investments		(47,367)
Total	<u>\$ 400,033</u>	<u>\$ (2,044,782)</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,	
2020	\$ (287,074)
2021	(602,614)
2022	(426,777)
2023	(210,372)
2024	(117,912)
Total	<u>\$ (1,644,749)</u>

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## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2019 AND 2018

#### Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

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

Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152% adjustment for males and 109/3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) 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, 2019 are summarized in the following table:

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**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
US equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

*Discount Rate*

The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. 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 3.50% as of June 30, 2019, 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 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, 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, 2019, 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 (5.74%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
District's proportionate share of the net pension liability	\$ 4,579,485	\$ 3,495,768	\$ 2,598,922

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 State special funding situation net pension liability amount of \$1,932,374,825.00 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, 2019 State special funding situation pension expense of \$224,526,138.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2019. 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 2019, 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 0.02856528790% for 2019. The net pension liability amount allocated to the Municipality was \$551,988. For the fiscal year ending June 30, 2019 State special funding situation pension expense of \$64,137.00 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, 2019 AND 2018**

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, 2019 were \$5,637,151,775 and \$8,182,092,807, 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, 2018 through June 30, 2019. 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, 2019 AND 2018

### 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, 2019 is as follows:

	<b>June 30, 2019</b>	
	<b>Collective Total</b>	<b>Proportionate Share</b>
Total OPEB Liability	\$ 13,819,244,582	\$ 2,594,978
Plan Fiduciary Net Position	273,173,482	51,297
Net OPEB Liability	<u>\$ 13,546,071,100</u>	<u>\$ 2,543,681</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.98%

At June 30, 2019 the City's proportionate share of the Collective Net OPEB Liability was \$2,543,681. The State's proportionate share for the Special Funding Situation that is associated with the City is \$3,336,318. The City's proportion of the Collective Net OPEB Liability was 0.018778% which was a decrease from the prior year of 15.45%. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.060378% which was an increase from the prior year of 14.38%.

City's Proportionate Share of Collective Net OPEB Liability	\$ 2,543,681
State's proportionate share that is associated with the City	3,336,318
Total	<u>\$ 5,879,999</u>

For the Year ended June 30, 2019 the City's Total OPEB Expense was \$(146,736) and the State of New Jersey realized Total OPEB Expense in the amount of \$44,224 for its proportionate share of Total OPEB Expense that is associated with the City.

The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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*:	
PERS Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
PFRS	
Rate for all future years	3.25% to 15.25%

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

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2019 AND 2018

#### Mortality:

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

PFRS: Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2019

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

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

#### *Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

#### *Discount Rate*

The discount rate for June 30, 2019 was 3.50%. 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, 2019, 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 (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
<hr/>				
Collective				
Net OPEB Liability	\$	15,662,704,137	\$	11,826,026,995
Proportionate Share				
Net OPEB Liability	\$	2,941,142	\$	2,220,691

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

The following presents the net OPEB liability as of June 30, 2019, 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, 2019 AND 2018**

		<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Collective				
Net OPEB Liability	\$	11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531
Proportionate Share				
Net OPEB Liability	\$	2,146,553	\$ 2,543,681	\$ 3,050,284

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

At June 30, 2019, 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 Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (3,961,399,180)	\$	\$ (743,872)
Changes of assumptions		(4,800,426,301)		(901,424)
Net difference between projected and actual earnings on OPEB plan investments	11,158,226		2,095	
Changes in proportion and differences between contributions and proportionate share of contributions			49,095	(855,800)
Total	\$ 11,158,226	\$ (8,761,825,481)	\$ 51,190	\$ (2,501,096)

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

Year ended June 30,	Collective Totals	Proportionate Share
2020	\$ (1,425,201,517)	\$ (399,011)
2021	(1,425,201,517)	(399,011)
2022	(1,426,076,187)	(399,256)
2023	(1,427,489,995)	(399,651)
2024	(1,428,781,861)	(400,013)
Thereafter	(1,617,916,178)	(452,965)
Total	\$ (8,750,667,255)	\$ (2,449,906)

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, 2019 are as follows:



# NOTES TO FINANCIAL STATEMENTS

## YEARS ENDED DECEMBER 31, 2019 AND 2018

Service cost	\$ 666,574,660
Interest on Total OPEB Liability	636,082,461
Expected Investment Return	(11,286,267)
Administrative Expenses	9,478,435
Changes of Benefit Terms	(1,903,958)
Current Period Recognition (Amortization) of Deferred Inflow s/ Outflow s of Resources:	
Differences between Expected and Actual Experience	(619,405,071)
Changes in Assumptions	(809,376,790)
Differences between Projected and Actual Investment	
Earnings on OPEB Plan Investments	3,580,344
Total Collective OPEB Expense	<u>\$ (126,256,186)</u>

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

	<u>2019</u>	<u>2018</u>
City's Proportionate Share of Net OPEB Liability	0.018778%	0.022209%
City's Share of Net OPEB Liability	\$ 2,543,681	3,479,399
City's Covered Payroll	761,451	828,749
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	334.06%	419.84%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.98%

### **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.

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

### **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 \$360,074.28 in 2019 and \$375,479.59 in 2018. 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 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, 2019 and 2018 the total amount accumulated was \$409.40 and \$2,224.89, 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, 2019 and 2018 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 2019 or 2018. 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
2019	\$	8,500.00	4.39	4,285.31	11,711.25	1,913.15
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

### **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

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2019 AND 2018

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.

#### **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 2019 and 2018 calendar years, the City paid \$36,976.00 and \$37,135.80, 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 2019 and 2018. 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 \$8,392.55 and \$8,367.40 on December 31, 2019 and 2018. 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 \$8,392.55 certificate of deposit is restricted for post closure use.

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Note 24: INTERFUND BALANCE**

As of December 31, 2019, the following interfunds were included on the balance sheets of the various funds of Egg Harbor City:

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	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Grant Fund		136,740.39
Grant Fund:		
Current Fund	136,740.39	
Trust Fund		69,990.87
Trust Fund:		
Grant Fund	<u>69,990.87</u>	<u>        </u>
	<u>206,731.26</u>	<u>206,731.26</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**

Other:

The City has evaluated subsequent events through June 30, 2020, 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.

## **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, 2019, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated June 30, 2020, 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**

June 30, 2020



***Schedule of Financial Statement Findings***

**NONE**

***Schedule of Federal and State Award Findings and Questioned Costs***

**NONE**

***STATUS OF PRIOR YEAR RECOMMENDATIONS***

***There were no findings in 2018.***

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>	
Balance December 31, 2018	\$	740,821.20
Increased by Receipts:		
Tax Collector	10,329,828.47	
Revenue Accounts Receivable	1,024,312.24	
Miscellaneous Revenue	38,045.34	
Lake Security Deposits	150.00	
Appropriation Refunds	214,679.84	
Petty Cash	400.00	
State of New Jersey		
Senior Citizens and Veterans	33,523.28	
Homestead Benefit	124,390.14	
Marriage License Fees	375.00	
Burial Permit Fees	5.00	
DCA Training Fees	4,039.00	
Amounts Due From		
General Capital	797,510.26	
Utility Operating	250,000.00	
Utility Capital	567,000.00	
Animal Control Fund	3,562.00	
Unemployment Trust Fund	11,711.25	
Other Trusts	152,525.18	
Escrow Funds	104,554.81	
Cemetery Fund	316.19	
Grant Fund		
Current year Grants Receivable	1,043,162.21	
Unappropriated Reserves	5,445.63	
Tax Anticipation Notes	1,500,000.00	
Special Emergency Note	80,000.00	
	<u>16,285,535.84</u>	
		17,026,357.04

**CURRENT FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Current Fund</u>	
Decreased by Disbursements:		
Current Year Appropriation	5,660,723.04	
Appropriations Reserves	156,423.44	
Accounts Payable	5,307.84	
County Taxes	1,182,346.35	
Local District School Tax	3,255,429.00	
Regional High School Tax	1,460,468.00	
Refund Overpayments	4,604.52	
Special Emergency Note	120,000.00	
Tax Anticipation Note	1,500,000.00	
Reserve for Reassessment	3,659.80	
Lake Security Deposits	150.00	
Petty Cash	113.82	
State of New Jersey		
Marriage License Fees	400.00	
Burial Permit Fees	10.00	
DCA Training Fees	4,720.00	
Amounts Due To		
Animal Control Trust	3,562.00	
Grant Fund	973,953.19	
Other Trust Funds	152,525.18	
Escrow	3,350.00	
General Capital	797,510.26	
Utility Operating	250,000.00	
Utility Capital	567,000.00	
Cemetery Fund	316.19	
	<u>16,102,572.63</u>	
Balance December 31, 2019	\$	<u><u>923,784.41</u></u>

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

Balance December 31, 2018		\$	-
Increased by Receipts:			
Prepaid Taxes	116,351.96		
Taxes Receivable	9,921,895.97		
Revenue Accounts Receivable	198,310.95		
Tax Title and Other Liens	84,799.59		
Miscellaneous Revenue Not Anticipated	8,470.00		
			<u>10,329,828.47</u>
			10,329,828.47
Payments to Treasurer			<u>10,329,828.47</u>
Balance December 31, 2019		\$	<u><u>-</u></u>

**CURRENT FUND**  
**SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance Dec. 31, 2018	Current Year Levy	Added Taxes	Overpayments Created	Collections by Cash	Overpayments (Applied)	Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2019
Arrears 2018	\$ 2,736.74				809.83				1,864.77	3,791.68
	2,547.41				1,790.74					756.67
	5,284.15				2,600.57				1,864.77	4,548.35
2019		10,442,926.45	14,278.34	5,263.68	108,746.99	10,076,823.21	33,235.07	231,502.14	(1,864.77)	10,296.29
\$	5,284.15	10,442,926.45	14,278.34	5,263.68	108,746.99	10,079,423.78	-	231,502.14	-	14,844.64
Analysis of Current Year Tax Levy										
Tax Yield:										
General Property Tax										
Added Taxes (54:4-63.1 et. Seq.)										
10,442,926.45										
14,278.34										
10,457,204.79										
Tax Levy:										
General County Taxes										
County Library Taxes										
County Open Space Taxes										
County Health Taxes										
County Added and Omitted Taxes										
Total County Taxes										
1,050,759.14										
77,538.24										
2,755.34										
48,951.32										
1,619.49										
1,181,623.53										
Local School District Tax										
Regional High School District Tax										
3,255,429.00										
1,436,699.00										
Local Tax for Municipal Purposes										
Add: Additional Tax Levied										
4,568,901.00										
14,552.26										
4,583,453.26										
10,457,204.79										

Cash Receipts  
Homestead Benefit  
Senior Citizens and Veterans  
9,921,895.97  
124,390.14  
33,137.67  
10,079,423.78

**Analysis of Current Year Tax Levy**

**Tax Yield:**

**General Property Tax**

**Added Taxes (54:4-63.1 et. Seq.)**

10,442,926.45

14,278.34

10,457,204.79

**Tax Levy:**

**General County Taxes**

**County Library Taxes**

**County Open Space Taxes**

**County Health Taxes**

**County Added and Omitted Taxes**

**Total County Taxes**

1,050,759.14

77,538.24

2,755.34

48,951.32

1,619.49

1,181,623.53

**Local School District Tax**

**Regional High School District Tax**

**Local Tax for Municipal Purposes**

**Add: Additional Tax Levied**

4,568,901.00

14,552.26

4,583,453.26

10,457,204.79

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

Balance December 31, 2018		\$	946,243.73
Increased by:			
Transfers from Taxes Receivable	231,502.14		
Interest and Costs Accrued by Sale of December 17, 2019	6,901.18		
Collector Adjustments	8,143.72		
Added Tax Title Liens			
Recording Fees and Other Adjustments	894.15		
Demolition & Code Enforcement	2,015.00		
			<u>249,456.19</u>
			1,195,699.92
Decreased by:			
Collections	84,799.59		
Transfer to Foreclosed Property	371,530.56		
			<u>456,330.15</u>
Balance December 31, 2019		\$	<u><u>739,369.77</u></u>

**CURRENT FUND**  
**SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2018	Accrued in 2019	Collected by		Balance Dec. 31, 2019
			Collector	Treasurer	
Tax Collector:					
Interest and Costs on Taxes	\$	65,537.99	65,537.99		
Lake Parking Fees		90,094.00	90,094.00		
Treasurer:					
Licenses:					
Alcoholic Beverage		37,033.18		37,033.18	
Other		49,795.00		49,795.00	
Construction Code Fees		89,122.00		89,122.00	
Fines and Costs:					
Municipal Court	2,624.63	58,734.36		58,305.43	3,053.56
Interest Earned on Investments		4,627.10		4,627.10	
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		55,945.00		55,945.00	
Rental of Municipal Property		4,048.80		4,048.80	
Payment in Lieu of Taxes		35,478.00		35,478.00	
Uniform Fire Safety Act		77,621.89	42,678.96	34,942.93	
Cemetery Contribution		22,201.64		22,201.64	
Jif Dividend		15,000.00		15,000.00	
Vacant Property Registrations		33,452.00		33,452.00	
Conifer Pilot		44,100.00		44,100.00	
		66,800.16		66,800.16	
	\$	1,223,052.12	198,310.95	1,024,312.24	3,053.56

**CURRENT FUND  
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged		Balance Lapsed	Over- Expended
			Cash	Accounts Payable		
<b>OPERATIONS WITHIN "CAPS"</b>						
<b>GENERAL GOVERNMENT</b>						
Administrative and Executive						
Salaries and Wages						
Municipal Clerk (Other)	1,298.84	1,298.84			1,298.84	
Other Expenses						
City Clerk	2,947.40	2,947.40				
Governing Body	5,657.39	5,657.39	1,203.09		1,744.31	
Financial Administration			4,766.98		890.41	
Salaries and Wages	601.77	601.77			601.77	
Other Expenses	2,098.43	4,098.43	597.60		3,500.83	
Assessment of Taxes	0.04	0.04			0.04	
Salaries and Wages	1,838.64	1,838.64	1,124.81		713.83	
Other Expenses						
Tax Collector	477.46	477.46			477.46	
Salaries and Wages						
Other Expenses:						
Tax Sale Costs	386.10	386.10	172.20		213.90	
Miscellaneous Other Expenses	398.08	398.08	110.84		287.24	
Liquidation of Tax Title Liens and						
Foreclosed Property						
Other Expenses	100.00	100.00			100.00	
Legal Services and Costs						
Other Expenses	19,248.40	23,248.40	21,336.92		1,911.48	
Municipal Prosecutor						
Salaries and Wages	0.04	0.04			0.04	
Engineering Services and Costs						
Other Expenses	2,875.83	20,375.83	6,375.83		14,000.00	
Public Buildings and Grounds						
Other Expenses	13,419.74	21,919.74	19,743.86		2,175.88	
Municipal Land Use Law (NJSA 40:55D-1)						
Combined Planning & Zoning/Code Board						
Salaries and Wages	253.78	253.78			253.78	
Other Expenses	1,777.86	1,777.86	640.82		1,137.04	
Economic Development						
Other Expenses	100.00	100.00			100.00	
<b>PUBLIC SAFETY</b>						
Fire Prevention						
Other Expenses	1,325.42	1,325.42	1,242.58		82.84	



**CURRENT FUND**  
**SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged		Balance Lapsed	Over- Expended
			Cash	Accounts Payable		
Right to Know Act/Safety Coordinator	250.00	250.00			250.00	
Other Expenses:						
Police						
Salaries and Wages	51,074.54	-			-	
Other Expenses:						
Purchase of Police Car	9.16	9.16			9.16	
Miscellaneous Other Expenses	15,991.84	57,066.38	44,324.97		12,741.41	
Police Radio and Communications						
Salaries and Wages						
Other Expenses	864.80	864.80			864.80	
Municipal Court						
Salaries and Wages	1,723.29	1,723.29			1,723.29	
Other Expenses	1,335.85	1,335.85	336.90		998.95	
Emergency Management Services						
Other Expenses	900.00	900.00	900.00		-	
PUBLIC WORKS						
Solid Waste Collection (Public Works)						
Salaries and Wages	5,673.55	673.55			673.55	
Other Expenses:						
Hauling Fee (Tipping and Hauling Fee)						
Miscellaneous Other Expenses	8,994.76	3,494.76			3,494.76	
Vehicle Maintenance	9,799.42	19,799.42	15,229.76		4,569.66	
Solid Waste Disposal Cost	18,954.32	18,954.32	3,676.08		15,278.24	
City Garage	5,623.45	3,623.45	1,294.00		2,329.45	
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	3.45	3.45			3.45	
Other Expenses:						
Lining of Kern Field	25.00	25.00			25.00	
Miscellaneous Other Expenses	5,067.05	5,067.05	5,050.00		17.05	
Anniversary or Holiday						
Other Expenses	1,303.28	1,303.28	350.85		952.43	

See Accompanying Auditor's Report

**CURRENT FUND**  
**SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged		Balance Lapsed	Over- Expended
			Cash	Accounts Payable		
Youth Program						
Other Expenses		-				
Crusaders Youth Program						
INSURANCE						
Group Insurance Plans for Employees	16,130.42	16,130.42			15,824.42	
Firemen's Group Insurance Premiums	1,908.90	1,908.90	306.00		1,908.90	
Surety Bond Premiums	500.00	500.00			500.00	
Other Insurance Premiums:						
Workers Compensation (JIF)	320.00	320.00			320.00	
UNIFORM CONSTRUCTION CODE						
Construction Official						
Salaries and Wages	929.52	929.52			929.52	
Other Expenses	2,711.33	2,711.33	1,560.00	950.00	201.33	
UNCLASSIFIED						
Street Lighting	13,661.29	13,661.29			3,336.25	
Gasoline	11,580.02	4,080.02	10,325.04		2,481.90	
Electric	14,714.24	8,714.24	7,881.56		832.68	
Natural Gas	11,459.31	5,459.31	4,714.48		744.83	
Telephone	1,463.83	1,463.83	800.15		663.68	
Contingent	100.00	100.00			100.00	
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System	0.18	0.18			0.18	
Social Security	5,158.26	5,158.26			5,158.26	
Recycling Tax Appropriation	732.12	732.12			732.12	
Capital Improvements:						
Purchase of Dump Truck	240.00	240.00			240.00	
	<u>\$ 266,038.40</u>	<u>266,038.40</u>	<u>156,423.44</u>	<u>950.00</u>	<u>108,664.96</u>	<u>-</u>

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

Balance December 31, 2018	\$	(1.00)
Increased by:		
Levy - Calendar Year 2019		<u>3,255,429.00</u>
		3,255,428.00
Decreased by:		
Payments		<u>3,255,429.00</u>
Balance December 31, 2019	\$	<u><u>(1.00)</u></u>

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

Balance December 31, 2018		
School Tax Payable	\$	38,603.37
School Tax Deferred		<u>485,108.00</u>
		523,711.37
Increased by:		
Levy - School Year July 1, 2019 to June 30, 2020		<u>1,436,699.00</u>
		1,960,410.37
Decreased by:		
Payments		<u>1,460,468.00</u>
Balance December 31, 2019		
School Tax Payable		14,834.37
School Tax Deferred		<u>485,108.00</u>
		<u>499,942.37</u>
2019 Liability for Regional High School Tax		
Tax Paid		1,460,468.00
Tax Payable @ December 31, 2019		<u>14,834.37</u>
		1,475,302.37
Less: Tax Payable @ December 31, 2018		<u>38,603.37</u>
Amount Charged to 2019 Operations	\$	<u><u>1,436,699.00</u></u>

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

<u>Purpose</u>	<u>Balance Dec. 31, 2018</u>	<u>Transferred From 2019 Revenues</u>	<u>Received</u>	<u>Adjustments/ (Canceled)</u>	<u>Balance Dec. 31, 2019</u>
<b>FEDERAL GRANTS:</b>					
Transportation Alternatives					
Atlantic Avenue	\$ 496,228.36		472,828.09		23,400.27
Cedar Creek/Egg Harbor Lake Pedestrian Connection Project	723,000.00	306,540.23			723,000.00
Design Assistance - Bikeway	342,000.00		310,333.88		306,540.23
Small Cities - London Avenue 100 Block Reconstruction	-	5,253.31	3,875.83		31,666.12
Bulletproof Vest					1,377.48
Total Federal	1,561,228.36	311,793.54	787,037.80	-	1,085,984.10
<b>STATE GRANTS:</b>					
NJ Transportation Trust Fund Authority					
Reconstruction of-					
Diesterweg Street - 2015	2,734.33			(2,734.33)	-
Chicago Avenue-600 Block	88,950.00				88,950.00
Chicago Avenue-500 Block	272,000.00		188,670.00		83,330.00
Chicago Avenue-200/300 Blocks		290,000.00		(290,000.00)	-
Safe Streets to Transit Program FY18					
Atlantic Avenue Transit Path Extension	250,000.00			(250,000.00)	-
NJEDA Environmental Clean up	108,542.25			(54,271.25)	54,271.00
Clean Communities	-	15,058.02	15,058.02		-
Green Communities	3,000.00		3,000.00		-
Recycling Tonnage Grant	(0.00)	6,203.00	6,203.00		-
Drunk Driving Enforcement Fund	0.00				0.00
Body Armor	-	1,865.00	1,864.98	(0.02)	(0.00)
Sustainable Jersey - Solar Grant		10,000.00	5,000.00		5,000.00
Neighborhood Preservation Program		125,000.00	25,000.00		100,000.00
NJDEP Community Stewardship Incentive Program - Reforestation and Tree Planting Grant	3,000.00				3,000.00
Total State	728,226.58	448,126.02	244,796.00	(597,005.60)	334,551.00

See Accompanying Auditor's Report

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

<u>Purpose</u>	<u>Balance Dec. 31, 2018</u>	<u>Transferred From 2019 Revenues</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2019</u>
<b>Local Grants:</b>					
Municipal Alliance-Drug Abuse Resistance Education					-
Fiscal Year 2019/2020		12,963.00	212.81		12,750.19
Fiscal Year 2018/2019	11,445.85		10,558.23	(153.74)	733.88
Fiscal Year 2017/2018	0.30			(0.30)	-
Statewide Joint Insurance Fund Incentive Grant	3,945.70		3,945.70		-
Total State	15,391.85	12,963.00	14,716.74	(154.04)	13,484.07
\$	2,304,846.79	772,882.56	1,046,550.54	(597,159.64)	1,434,019.17
		Cash	1,043,162.21		
		Unappropriated Reserves	3,388.33	(57,159.62)	
		Cancel by Resolution		(540,000.02)	
		Charge off to General Capital	1,046,550.54	(597,159.64)	

See Accompanying Auditor's Report

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

	Balance December 31, 2018	2019	Reverse	Encumbrances	Refunds/	Balance
	Appropriated	Appropriations	Disbursed	Prior Year	(Canceled)	Dec. 31, 2019
				Encumbrances		
		Reserve for				
		Encumbrances				
<b>FEDERAL GRANTS:</b>						
Small Cities Community Development Block Grant						
Reconstruction of London Avenue-100 Block	\$ 19,760.00	281,200.00	269,293.88			31,666.12
US Department of Justice						
Bulletproof Vest Program	90.64	5,253.31	909.73		(0.31)	4,433.91
Transportation Alternatives Program						
Atlantic Avenue	-	493,877.13	470,476.86			21,579.63
Cedar Creek/Egg Harbor Lake Pedestrian						
Connection Project	723,000.00		71,137.45			723,000.00
Design Assistance - Bikeway		306,540.23				(0.00)
Total Federal	742,850.64	311,793.54	811,817.92	-	(0.31)	780,679.66
<b>STATE GRANTS:</b>						
Department of Transportation						
Reconstruction of Diesterweg Avenue 2015	2,734.33				(2,734.33)	-
Reconstruction of Chicago Avenue-600 Block	13,100.00		29,312.33			50.24
Reconstruction of Chicago Avenue-500 Block	20,440.00		16,301.67			-
Reconstruction of Chicago Avenue-200/300 Blocks		290,000.00			(290,000.00)	-
Safe Streets to Transit Program FY18						
Atlantic Avenue Transit Path Extension	250,000.00				(250,000.00)	-
NJ DEP-Hazardous Discharge	44,395.27		62,888.28		(49,561.43)	49,561.59
Body Armor Fund	269.36	1,865.00				1,159.36
Drunk Driving Enforcement Fund	9,664.36		374.86			9,289.50
Clean Communities Program	14,326.58	15,058.02	12,884.11			16,500.49
Green Communities	-		3,000.00			-
Recycling Tonnage Grant	8,798.39	6,203.00	6,189.11			10,312.28
Sustainable Jersey- Solar Grant	-	10,000.00	9,180.00			-
Neighborhood Preservation Program		125,000.00	5,000.00			119,753.82
Total State	363,728.29	448,126.02	145,130.36	-	(592,295.76)	206,627.28





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

<u>Purpose</u>	<u>Balance Dec. 31, 2018</u>	<u>Transferred To 2019 Appropriations</u>	<u>Received</u>	<u>(Canceled)/ Adjustment</u>	<u>Balance Dec. 31, 2019</u>
<b>STATE GRANTS:</b>					
Body Armor	\$ 1.29			(1.29)	(0.00)
Bulletproof Vest	3,388.33	3,388.33			-
Drunk Driving Enforcement Fund	(0.85)			0.85	0.00
Recycling Tonnage Grant	0.79		5,445.63	(1.03)	5,445.39
<b>Total State</b>	<u>3,389.56</u>	<u>3,388.33</u>	<u>5,445.63</u>	<u>(1.47)</u>	<u>5,445.39</u>
	<u>\$ 3,389.56</u>	<u>3,388.33</u>	<u>5,445.63</u>	<u>(1.47)</u>	<u>5,445.39</u>

**TRUST FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2018	\$ 383.00	212,734.31
Increased By:		
State Dog License Fees	203.40	
Municipal License Fees	998.60	
Developers Escrow		72,679.53
Unemployment Trust		12,789.70
Construction Code Fees		8.64
Law Enforcement		485.40
Street Opening Escrow		20,354.00
Accumulated Absences		30,009.69
Community Events		2,075.00
Maintenance Bonds		14.11
Parking Offences Adjudication Fund		20.00
Recreation - Developer's Fees		1,300.00
Program Loan Repayments		30,796.27
Interest Earned		25.15
	<u>1,202.00</u>	<u>170,557.49</u>
	1,585.00	383,291.80
Decreased By:		
Paid to State of NJ	203.40	
Dog Fund Expenditures	1,282.00	
Reserve for Program Loans		7,740.00
Unemployment Trust		11,711.25
Developers Escrow		92,004.41
Law Enforcement		-
Street Opening Escrow		15,039.00
Accumulated Absences		31,825.18
Maintenance Bonds		-
Community Events		3,443.65
	<u>1,485.40</u>	<u>177,963.49</u>
Balance December 31, 2019	\$ <u>99.60</u>	<u>205,328.31</u>

**TRUST FUND  
SCHEDULE OF CASH - TREASURER**

	<u>Dog Licenses</u>	<u>Other</u>
<b>Analysis of December 31, 2019 Balance</b>		
Unemployment Trust Fund	\$	1,913.15
POAA Trust		197.29
Law Enforcement Trust Fund		12,199.89
Sanitary Landfill Escrow		8,392.55
Developer's Escrow		53,792.59
Maintenance Bonds		
Samir Ibrahim		7,840.11
SJ Hauck		1,557.99
Program Loans		72,787.23
Community Events		307.69
Recreation Trust Fund		36,390.51
Accumulated Absences		409.40
Snow Removal		44.63
Street Opening Escrows		6,615.00
Fire Prevention Penalty		2,880.28
	\$	<u>205,328.31</u>

**TRUST FUND  
SCHEDULE OF CASH - COLLECTOR**

Balance December 31, 2018	\$	182,761.36
Increased by Receipts:		
Deposits for Redemption of Tax Sale Certificates	362,405.44	
Premiums Received at Tax Sale	<u>98,000.00</u>	
		<u>460,405.44</u>
		643,166.80
Decreased by Disbursements:		
Tax Sale Redemptions	372,266.26	
Premiums Returned	<u>124,500.00</u>	
		<u>496,766.26</u>
Balance December 31, 2019	\$	<u><u>146,400.54</u></u>

ANALYSIS OF BALANCE - DECEMBER 31, 2019

Tax Title Lien Redemption	19,100.54
Tax Sale Premium	<u>127,300.00</u>
	<u><u>146,400.54</u></u>

\$

**TRUST FUND**  
**SCHEDULE OF RESERVE FOR ANIMAL CONTROL**  
**FUND EXPENDITURES**

Balance December 31, 2018	\$	383.00
Increased by:		
Dog License Fees Collected	693.60	
Cat License Fees Collected	200.00	
Late Fees	105.00	
	<hr/>	<hr/>
		998.60
		1,381.60
Decreased by:		
Expenditures under N.J.S.A. 4:19-15.11:		
Cash	1,282.00	
	<hr/>	<hr/>
		1,282.00
Balance December 31, 2019	\$	<hr/> <hr/> 99.60

License Fees Collected

<u>Year</u>	<u>Amount</u>
2018	908.00
2017	945.40
	<hr/>
	1,853.40
	<hr/> <hr/>

**TRUST - OTHER FUNDS**  
**SCHEDULE OF MISCELLANEOUS RESERVES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Reserve</u>	<u>Increased by</u>		<u>Decreased by</u>		<u>Balance Dec. 31, 2019</u>
	<u>Balance Dec. 31, 2018</u>	<u>Receipts</u>	<u>Budget Appropriation</u>	<u>Disbursements</u>	<u>Payments made by Current Fund</u>
Unemployment	\$ 834.70	4,289.70	8,500.00	11,711.25	1,913.15
Fire Prevention Penalty	2,871.64	8.64			2,880.28
Sanitary Landfill Closure	8,367.40	25.15			8,392.55
Developer's Escrow	73,117.47	72,679.53		92,004.41	53,792.59
Law Enforcement Trust	11,714.49	485.40			12,199.89
Recreation Developers	51,290.51	1,300.00		16,200.00	36,390.51
Parking Offense Adjudication Fund	177.29	20.00			197.29
Street Opening Escrows	1,300.00	20,354.00		15,039.00	6,615.00
Accumulated Absences	2,224.89	9.69	30,000.00	31,825.18	409.40
Maintenance Bonds	9,383.99	14.11			9,398.10
Community Events	1,676.34	2,075.00		3,443.65	307.69
Snow Removal	44.63				44.63
Tax Title Lien Redemptions	28,961.36	362,405.44		372,266.26	19,100.54
Tax Sale Premiums	153,800.00	98,000.00		124,500.00	127,300.00
	<u>\$ 345,764.71</u>	<u>561,666.66</u>	<u>38,500.00</u>	<u>666,989.75</u>	<u>278,941.62</u>
				<u>-</u>	

See Accompanying Auditor's Report

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

Balance December 31, 2018		\$	21,509.25
Increased by:			
Capital Improvement Fund	7,000.00		
Premium on Issuance of Notes	<u>5,010.26</u>		
			<u>12,010.26</u>
			33,519.51
Decreased by:			
Improvement Authorizations	<u>10,383.55</u>		
			<u>10,383.55</u>
Balance December 31, 2019		\$	<u><u>23,135.96</u></u>

**GENERAL CAPITAL FUND  
ANALYSIS OF CASH**

	Balance Dec. 31, 2018	Receipts		Disbursements		Transfers		Balance Dec. 31, 2019
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance								
Capital Improvement Fund	\$ 1.53	5,010.26						5,011.79
Encumbrances Payable	1.60	7,000.00				7,000.00		1.60
	8,850.50					7,830.50	29,686.98	30,706.98
Improvement Authorizations:								
#14-2012 Various General Improvements	10,685.19			3,577.55		359.98	697.50	7,445.16
#12-2014 Various General Improvements	1,970.43					327.00	327.00	1,970.43
#11-2015 Various Road Reconstructions								-
#7-2018 Preliminary Expenses for the Reconstruction of the 100 Block of London Avenue and the 500 Block of Chicago Avenue				6,806.00			6,806.00	-
#16-2019 Various General Improvements						29,000.00	7,000.00	(22,000.00)
	\$ 21,509.25	12,010.26	-	10,383.55	-	44,517.48	44,517.48	23,135.96



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

Balance December 31, 2018		\$	1.60
Increased by:			
Budget Appropriation - 2019	<u>7,000.00</u>		<u>7,000.00</u>
			7,001.60
Decreased by:			
Appropriated to Finance Improvement Authorizations	<u>7,000.00</u>		<u>7,000.00</u>
Balance December 31, 2019		\$	<u><u>1.60</u></u>

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

Balance December 31, 2018		\$	1,740,000.00
Decreased by:			
Budget Appropriation to Pay Bonds:			
Municipal Bonds	<u>310,000.00</u>		<u>310,000.00</u>
Balance December 31, 2019		\$	<u><u>1,430,000.00</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Raised in 2019 Budget	Paid through Issuance of Serial Bonds	Balance Dec. 31, 2019	Analysis of Balance		
							Bond Anticipation Notes	Expenditures	Unexpended Improvement Authorizations
8-2013	Various General Improvements	\$ 165,500.00		9,750.00		155,750.00	155,750.00		
12-2014	Various General Equipment	152,000.00		19,000.00		133,000.00	133,000.00		
11-2015	Various Road Reconstruction	475,000.00		25,000.00		450,000.00	450,000.00		
16-2019	Various General Improvements		93,000.00			93,000.00		22,000.00	71,000.00
		<u>\$ 792,500.00</u>	<u>93,000.00</u>	<u>53,750.00</u>	<u>-</u>	<u>831,750.00</u>	<u>738,750.00</u>	<u>22,000.00</u>	<u>71,000.00</u>
							Improvement Authorizations Unfunded		
							Less:		
							Unexpended Proceeds of Bond		
							Anticipation Notes Issued:		
							<u>Ord. Number</u>		<u>1,970.43</u>
									<u>71,000.00</u>
									<u>71,000.00</u>

**GENERAL CAPITAL FUND  
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Authorizations				Paid or Charged	Prior Year Encumbrances	Current Year Encumbrances	Canceled	Balance December 31, 2019	
				Balance December 31, 2018	Other Funding	Deferred Charges to Future Taxation	Funded					Funded	Unfunded
14-2012	Various General Improvements	9/13/2012	225,000.00	\$ 10,685.19				3,577.55	(697.50)	359.98		7,445.16	
12-2014	Various General Equipment	12/4/2014	180,000.00	1,970.43									1,970.43
11-2015	Various Road Reconstruction	7/16/2015	500,000.00						(327.00)	327.00			
7-2018	Preliminary Expenses for the Reconstruction of the 100 Block of London Avenue and the 500 Block of Chicago Avenue	6/28/2018	16,720.00					6,806.00	(6,806.00)				-
16-2019	Various General Improvements	11/27/2019	100,000.00		7,000.00	93,000.00				29,000.00			71,000.00
	a. Repaving & Reconstruction of Roads		250,000.00		250,000.00							250,000.00	
	b. Improvements to Atlantic Avenue Transit Path Extension		290,000.00		290,000.00							290,000.00	
	c. Reconstruction and Repaving of Various Sections of Chicago Avenue												
				\$ 10,685.19	547,000.00	93,000.00		10,383.55	(7,830.50)	29,686.98	-	547,445.16	72,970.43
				Capital Improvement Fund	7,000.00								
				State and Federal Grants	540,000.00								
					547,000.00								

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2019		Interest Rate	Balance Dec. 31, 2018	Increased	Decreased	Balance Dec. 31, 2019
			Date	Amount					
General Obligation Bonds of 2016	4/13/2016	1,543,000	4/1/2020	110,000.00	2.250%	1,350,000.00		100,000.00	1,250,000.00
			4/1/2021-2026	190,000.00	2.250%				
Refunding Bonds	6/7/2016	1,035,000	12/1/2020	180,000.00	1.500%	390,000.00		210,000.00	180,000.00
						\$ 1,740,000.00	-	310,000.00	1,430,000.00
							Paid through budget Refunded	310,000.00	
								-	
								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, 2018	Increased	Decreased/ Adjustment	Balance Dec. 31, 2019
Various Capital Improvements	8-13	1/31/2014	4/5/2019	4/3/2020	2.750% \$	130,250.00			120,500.00
Various Capital Improvements	8-13	12/7/2017	4/5/2019	4/3/2020	2.750%	15,000.00			15,000.00
Various Capital Improvements	8-13	4/10/2018	4/5/2019	4/3/2020	2.750%	20,250.00			20,250.00
Various Capital Improvements	12-14	1/29/2015	4/5/2019	4/3/2020	2.750%	152,000.00		19,000.00	133,000.00
Various Capital Improvements	11-15	1/27/2016	4/5/2019	4/3/2020	2.750%	475,000.00		25,000.00	450,000.00
						<u>\$ 792,500.00</u>	<u>-</u>	<u>53,750.00</u>	<u>738,750.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Debt Issued	Paid Through Budget	Balance Dec. 31, 2019
16-2019	Various Capital Improvements	\$ -	93,000.00			93,000.00
		<u>\$ -</u>	<u>93,000.00</u>	<u>-</u>	<u>-</u>	<u>93,000.00</u>

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

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2018	\$ 377,405.25	14,992.10
Increased by Receipts:		
Collector	2,162,852.04	
Miscellaneous	42,220.27	
Fire Hydrants	30,000.00	
Petty Cash	100.00	
JIF Dividend	7,500.00	
Due from Current Fund	256,000.00	
Due from Utility Operating		
Water Quality Act Capital Fee		217,268.50
Egg Harbor City North Development Fees	<u>29,470.96</u>	
	<u>2,528,143.27</u>	<u>217,268.50</u>
	2,905,548.52	232,260.60
Decreased by Disbursements:		
Appropriations - Current	1,501,034.78	
Appropriations - Prior Year	22,871.54	
Accrued Interest on Bonds	466,570.05	
Bond Anticipation Note		6,000.00
Petty Cash	100.00	
Refund Overpayments	452.25	
Due from State - Route 30 Improvements	972.50	
Due to Current Fund	250,000.00	2,195.26
Due to Utility Capital	210,155.50	
Due to Utility Operating		82,942.82
	<u>2,452,156.62</u>	<u>91,138.08</u>
Balance December 31, 2019	<u>\$ 453,391.90</u>	<u>141,122.52</u>



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

Balance December 31, 2018		\$ -
Increased by Receipts:		
Consumer Accounts Receivable	2,016,186.41	
Special Charges	2,350.39	
Utility Liens	4,747.94	
Prepaid Water Quality Act Capital Fee	23,091.69	
Prepaid Utility Rents	114,175.61	
Prepaid Fire Receipts	<u>2,300.00</u>	
		<u>2,162,852.04</u>
		2,162,852.04
Decreased by Disbursements:		
Payment to Treasurer		<u>2,162,852.04</u>
Balance December 31, 2019		\$ <u><u>-</u></u>

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

Balance December 31, 2018	\$	5,415.90
Increased by Receipts:		
Utility Rents Levied	2,224,636.47	
Overpayments Created	1,878.89	
Transfer from Consumer Accounts Receivable	<u>2,121.75</u>	
		<u>2,228,637.11</u>
		2,234,053.01
Decreased by Collections:		
Collections - 2019	2,016,186.41	
Collections - 2018	179,393.85	
Collections - Special Charges	2,350.39	
Cancellations	1,227.46	
Transfer to Special Charges	2,121.75	
Transfers to Lien	<u>21,295.08</u>	
		<u>2,222,574.94</u>
Balance December 31, 2019		<u><u>11,478.07</u></u>

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

Balance December 31, 2018		8,597.60
Increased by:		
Transfers from Accounts Receivable	21,295.08	
Penalties and Costs Accrued by Sale of December 17, 2019	<u>407.27</u>	
		<u>21,702.35</u>
		30,299.95
Decreased by:		
Collections	4,747.94	
Transfers to Property Acquired for Taxes	<u>1,947.72</u>	
		<u>6,695.66</u>
Balance December 31, 2019	\$	<u><u>23,604.29</u></u>

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

<u>ACCOUNT</u>	Balance Dec. 31, 2018	Additions by		Cancelled	Balance Dec. 31, 2019
		Budget Capital Outlay	By Ordinance		
\$					
Sewer Mains	161,073.44				161,073.44
Engineering and Superintendents	13,131.00				13,131.00
General Equipment	4,726.00				4,726.00
Sewer Line Extension	73,542.00				73,542.00
Sewer Improvements	87,500.00				87,500.00
Erection of Fence	4,361.00				4,361.00
Various Improvements to Sewer System	3,693,400.00				3,693,400.00
8th Terrace Sewer Replacement	65,000.00				65,000.00
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
#11-2018 Various Sewer Utility Repairs			84,750.00		84,750.00
\$	12,907,365.44	-	84,750.00	-	12,992,115.44

See Accompanying Auditor's Report

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

ACCOUNT	Additions by				Balance Dec. 31, 2019
	Balance Dec. 31, 2018	Budget Capital Outlay	By Ordinance	Cancelled	
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
#11-2018 Various Water Utility Repairs			15,250.00		15,250.00
#17-2019 Various Water Utility Improvements			69,500.00		69,500.00
	\$ 16,298,791.36	-	84,750.00	-	16,383,541.36

See Accompanying Auditor's Report

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

Improvement Description	Date	Amount	Balance Dec. 31, 2018	2019 Authorizations			Costs to Fixed Capital	Authorizations Canceled	Balance Dec. 31, 2019
				Deferred Reserve for Amortization	Deferred Charges to Future Revenue				
#11-2018 Various Sewer & Water Repairs	10/18/2018	100,000.00 \$	100,000.00				100,000.00		-
#17-2019 Various Sewer & Water Improvements	9/21/2019	125,000.00			125,000.00		69,500.00		55,500.00
		\$	<u>100,000.00</u>	<u>-</u>	<u>125,000.00</u>		<u>169,500.00</u>	<u>-</u>	<u>55,500.00</u>

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

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged	Accounts Payable	Balance Lapsed	Over- Expended
Operating:						
Salaries and Wages	\$ 3,424.65	3,424.65			3,424.65	
Other Expenses	62,925.74	62,925.74	22,661.54	7,200.00	33,064.20	
Engineering Fees	901.00	901.00		20.00	881.00	
Legal Fees	1,331.96	1,331.96	210.00		1,121.96	
Atlantic County Sewerage Authority - Contractual	396.00	396.00			396.00	
Deferred Charges and Statutory Expenditures						
Contribution to:						
Social Security System (O.A.S.I.)	459.04	459.04			459.04	
	<u>\$ 69,438.39</u>	<u>69,438.39</u>	<u>22,871.54</u>	<u>7,220.00</u>	<u>39,346.85</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, 2019**

Balance December 31, 2018	\$ 113,585.93
Increased by:	
Budget Appropriation for Interest on Bonds and Notes	<u>464,389.93</u>
	577,975.86
Decreased by:	
Interest Paid - Treasurer	<u>466,570.05</u>
Balance December 31, 2019	<u>\$ 111,405.81</u>

**ANALYSIS OF ACCRUED INTEREST  
DECEMBER 31, 2019**

Principal Outstanding Dec. 31, 2019	Interest Rate	From	To	Period	Amount
<b>Serial Bonds</b>					
920,000.00	3.50%	8/1/2019	12/31/2019	153	13,685.00
4,370,628.00	2.25%	10/14/2019	12/31/2019	78	21,306.80
5,030,000.00	3.50%	10/15/2019	12/31/2019	77	37,655.14
1,460,000.00	2.30%	10/1/2019	12/31/2019	92	8,581.56
3,750,127.77	2.25%	10/14/2019	12/31/2019	79	18,516.26
70,000.00	1.50%	12/1/2019	12/31/2019	31	90.42
					<u>99,835.18</u>
<b>Bond Anticipation Notes</b>					
561,000.00	2.75%	4/6/2019	12/31/2019	270	11,570.63
					<u>11,570.63</u>
Total Accrued Interest					<u>\$ 111,405.81</u>

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

Balance December 31, 2018		\$	2,291.35
Increased by:			
Adjustment to Actual Balance			1,470.89
Overpayments Created			<u>408.00</u>
			4,170.24
Decreased by:			
Overpayments Applied			-
Overpayments Refunded	<u>452.25</u>		<u>452.25</u>
Balance December 31, 2019		\$	<u><u>3,717.99</u></u>



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

Improvement Authorization	Date	Ordinance Amount	Balance Dec. 31, 2018		Authorizations		Paid or Charged		Prior Year Encumbered	Authorizations Cancelled	Balance Dec. 31, 2019	
			Funded	Unfunded	Down Payment or Capital Improv. Fund	Deferred Charged to Future Revenue	Cash	Current Year Encumbered			Funded	Unfunded
#11-2018 Various Water & Sewer Repairs	10/18/2018	100,000	-	19,442.82			19,442.82					-
#17-2019 Various Water & Sewer System Improvements	11/21/2019	125,000				125,000.00	69,500.00					55,500.00
			<u>-</u>	<u>19,442.82</u>	<u>-</u>	<u>125,000.00</u>	<u>88,942.82</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,500.00</u>
						Cash	<u>88,942.82</u>					
							<u>88,942.82</u>					

See Accompanying Auditor's Report

**SCHEDULE OF RESERVE FOR AMORTIZATION - WATER**

Balance December 31, 2018	\$	8,271,060.94
Increased by:		
Transfer from Reserve for Amortization - Sewer		
Serial Bonds Paid	<u>284,526.59</u>	<u>284,526.59</u>
Balance December 31, 2019		<u><u>8,555,587.53</u></u>

**SCHEDULE OF RESERVE FOR AMORTIZATION - SEWER**

Balance December 31, 2018		4,309,049.65
Increased by:		
Serial Bonds Paid	<u>268,764.27</u>	<u>268,764.27</u>
Balance December 31, 2019	\$	<u><u>4,577,813.92</u></u>

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

Balance December 31, 2018		\$	5,000.00
Increased by:			
Paid from Operating Budget			
Bond Anticipation Notes	<u>6,000.00</u>		<u>6,000.00</u>
Balance December 31, 2019		\$	<u><u>11,000.00</u></u>

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

Purpose	Date of Issue	Original Issue	Maturities		Int. Rate	Balance Dec. 31, 2018	Increased	Decreased	Balance Dec. 31, 2019
			Date	Outstanding December 31, 2019 Amount					
Refunding Bond Issue	4/26/11	1,690,000.00	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%	1,055,000.00		135,000.00	920,000.00
Egg Harbor City North Utility Improvements	10/14/11	5,056,000.00	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%	4,463,156.54		92,528.54	4,370,628.00

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, 2018	Increased	Decreased	Balance Dec. 31, 2019
			Date	Amount					
General Obligation Refunding Bonds, Series 2014	10/8/2014	5,295,000.00	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%	5,135,000.00		105,000.00	5,030,000.00
			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%	1,545,000.00		85,000.00	1,460,000.00

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, 2018	Increased	Decreased	Balance Dec. 31, 2019
			Date	Amount					
Water Plant Construction	4/14/2016	3,974,000.00	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, 2018	Increased	Decreased	Balance Dec. 31, 2019
			Date	Amount					
Water Plant Construction (continued)	4/14/2016	3,974,000.00	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, 2018	Increased	Decreased	Balance Dec. 31, 2019
			Date	Amount					
Water Plant Construction (continued)	4/14/2016	3,974,000.00	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%	3,815,890.09		65,762.32	3,750,127.77
Refunding Bond Issue	6/7/2016	345,000.00	12/1/2020	70,000.00	1.500%	140,000.00		70,000.00	70,000.00
						<u>\$ 16,154,046.63</u>	-	<u>553,290.86</u>	<u>15,600,755.77</u>
							Paid through budget Refunded	<u>553,290.86</u>	<u>553,290.86</u>

- (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, 2018	Increased	Decreased	Balance Dec. 31, 2019
#6-2004 Sewer Extensions	4/13/2016	4/3/2020	2.75% \$	160,000.00		2,050.00	157,950.00
#20-2008 Various Water & Sewer Improvements	4/13/2016	4/3/2020	2.75%	312,000.00		3,950.00	308,050.00
#11-2018 Various Water & Sewer Repairs	4/9/2018	4/3/2020	2.75%	95,000.00			95,000.00
			\$	<u>567,000.00</u>	<u>-</u>	<u>6,000.00</u>	<u>561,000.00</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, 2018	2019 Authorizations	Transfer from BAN	Notes Issued	Authorizations Cancelled	Balance Dec. 31, 2019
#17-2019 Various Water/Sewer Repairs	11/21/2019	-	125,000.00	-	-	-	125,000.00
		\$ -	125,000.00	-	-	-	125,000.00

**EGG HARBOR CITY**

**PART II**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2019**

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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:

Well Drilling  
Maintenance and Repair Services for City Vehicles

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 3, 2019 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 2019 calendar year, the City held their tax sale on December 17, 2019. 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>
2019	4,195
2018	4,142
2017	4,116

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 2019 calendar year, the City received final judgment on an In Rem Foreclosure of thirteen 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 2019 & 2020 Taxes	25
Municipal Tax Title Liens	10
Payment of 2019 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>
2019	\$ 10,457,204.79	10,180,306.52	97.35%
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%

### Comparative Schedule of Tax Rate Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	5.255	5.264	4.666	4.53	4.28
Apportionment of Tax Rate:					
Municipal	2.299	2.263	1.959	1.89	1.87
County	0.596	0.606	0.592	0.54	0.47
Local School	1.638	1.639	1.442	1.44	1.38
Regional High School	0.722	0.756	0.673	0.66	0.56
Assessed Valuation	198,723,500	197,867,300	222,198,200	223,833,300	225,081,400

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>
2019	\$ 739,369.77	14,844.64	754,214.41	7.21%
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%

### 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.

## 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**

**June 30, 2020**