

BOROUGH OF STONE HARBOR

COUNTY OF CAPE MAY

NEW JERSEY

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

BOROUGH OF STONE HARBOR

TABLE OF CONTENTS

	Exhibit	Page
PART 1		
Independent Auditor's Report		1-3
CURRENT FUND		
Comparative Balance Sheet - Regulatory Basis	A	4-5
Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	A-1	6-7
Statement of Revenues - Regulatory Basis	A-2	8-11
Statement of Expenditures - Regulatory Basis	A-3	12-19
TRUST FUND		
Comparative Balance Sheet - Regulatory Basis	B	20
CAPITAL FUND		
Comparative Balance Sheet - Regulatory Basis	C	21
Statement of Fund Balance - Regulatory Basis	C-1	22
WATER AND SEWER FUNDS		
Comparative Balance Sheet - Regulatory Basis	D	23-24
Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	D-1	25
Statement of Capital Fund Balance - Regulatory Basis	D-2	26
Statement of Revenues - Regulatory Basis	D-3	27
Statement of Expenditures - Regulatory Basis	D-4	28
GENERAL FIXED ASSETS ACCOUNT GROUP		
Statement of General Fixed Assets	E	29
NOTES TO FINANCIAL STATEMENTS		30-52
SUPPLEMENTARY DATA		
Independent Auditor's Report - Government Auditing Standards		53-54

BOROUGH OF STONE HARBOR

TABLE OF CONTENTS

	Exhibit	Page
CURRENT FUND		
Schedule of Cash - Treasurer	A-4	55
Schedule of Current Cash - Collector	A-5	56
Schedule of Taxes Receivable and Analysis of Property Tax Levy	A-6	57
Schedule of Tax Title and Other Liens	A-7	58
Schedule of Revenue Accounts Receivable	A-8	59
Schedule of Appropriation Reserves-Prior Year	A-9	60-64
Schedule of Local District School Tax	A-10	65
Schedule of Federal and State Grants Receivable	A-11	66
Schedule of Appropriated Reserve for Federal and State Grants	A-12	67-68
Schedule of Federal and State Grants - Unappropriated Reserves	A-13	69
TRUST FUNDS		
Schedule of Cash - Treasurer	B-1	70
Schedule of Reserve for Animal Control Fund Expenditures	B-2	71
Schedule of Amount Due From State of New Jersey Department of Health	B-3	72
Schedule of Miscellaneous Reserves	B-4	73
CAPITAL FUNDS		
Schedule of Cash - Treasurer	C-2	73
Analysis of Cash	C-3	74
Statement of Deferred Charges to Future Taxation - Funded	C-4	75
Statement of Deferred Charges to Future Taxation - Unfunded	C-5	76
Schedule of Capital Improvement Fund	C-6	77
Schedule of Improvement Authorizations	C-7	78
Schedule of General Serial Bonds Payable	C-8	79
Schedule of New Jersey EIT Loans Payable	C-8a	80-84
Schedule of Bond Anticipation Notes	C-9	85
Schedule of Bonds and Notes Authorized But Not Issued	C-10	86

BOROUGH OF STONE HARBOR

TABLE OF CONTENTS

	Exhibit	Page
WATER AND SEWER FUNDS		
Schedule of Cash - Treasurer	D-5	87
Analysis of Cash	D-6	88
Schedule of Consumer Accounts Receivable	D-7	89
Schedule of Utility Liens	D-8	90
Schedule of Appropriation Reserves - Prior Year	D-9	90
Schedule of Utility Capital Improvement Fund	D-10	91
Schedule of Accrued Interest on Bonds and Notes and Analysis of Balance	D-11	92
Schedule of Improvement Authorizations	D-12	93
Schedule of Serial Bonds	D-13	94
Schedule of New Jersey EIT Loans Payable	D-13a	95-103
Schedule of Bond Anticipation Notes	D-14	104
Schedule of Bonds and Notes Authorized But Not Issued	D-15	105
PART II		
General Comments		106-108
Findings and Recommendations		109
Status of Prior Year Findings		109

BOROUGH OF STONE HARBOR

PART 1

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2017



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of Borough Council
Borough of Stone 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 the Borough of Stone Harbor, as of December 31, 2017 and 2016, 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, 2017, and the related notes to the financial statements, which collectively comprise the Borough'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 Borough of Stone 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 Borough of Stone Harbor as of December 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 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 Borough of Stone Harbor’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates 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. The letter of comments and recommendation section has not been subject 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2018 on our consideration of the Borough of Stone 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 Borough of Stone 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

April 2, 2018

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

EXHIBIT A - CURRENT FUND

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

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 7,460,590.74	4,540,224.45
Change and Petty Cash Funds	100.00	200.00
Investment in Bond Anticipation Note		
Total Cash	<u>7,460,690.74</u>	<u>4,540,424.45</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	208,829.65	186,735.60
Tax Title Liens	64.96	-
Revenue Accounts Receivable		
Municipal Court	2,733.79	3,009.73
Interfund Receivable:		
Due from Trust Other Fund	50,000.00	-
Due from Animal Control Fund	214.29	0.88
Total Receivables and Other Assets	<u>261,842.69</u>	<u>189,746.21</u>
Deferred Charges:		
Special Emergency Authorization	337,500.00	304,750.00
Emergency Authorization	-	75,000.00
Total Deferred Charges	<u>337,500.00</u>	<u>379,750.00</u>
Total Regular Fund	<u>8,060,033.43</u>	<u>5,109,920.66</u>
Federal and State Grant Fund:		
Cash	2,338.25	-
Federal and State Grants Receivable	3,970,603.75	1,703,908.36
Total Federal and State Grant Fund	<u>3,972,942.00</u>	<u>1,703,908.36</u>
Total Current Fund	<u>\$ 12,032,975.43</u>	<u>6,813,829.02</u>

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

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

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 661,944.61	530,753.30
Encumbrances Payable	209,729.66	336,764.38
Accounts Payable	93,218.00	1,855.09
Prepaid Taxes	3,342,508.03	800,964.42
Overpaid Taxes	44,792.58	35,182.03
Due to State of New Jersey		
Senior Citizens and Veterans	2,774.16	2,069.63
DCA Training Fees	9,466.45	9,885.45
Local School Tax Payable	324,863.65	300,419.65
County Added Tax Payable	53,326.48	37,893.81
Prepaid Beach Fees	48,300.00	43,958.00
Prepaid Uniform Fire Code Fees	90,015.00	88,260.00
Other		
Reserve for TTL	9,500.00	9,500.00
Reserve for Master Plan	50,000.00	-
Reserve for Tax Appeals	16,500.00	16,500.00
Reserve for Building Repairs	4,895.00	4,895.00
Reserve for Reassessment Program	80,287.88	80,287.88
	<u>5,042,121.50</u>	<u>2,299,188.64</u>
Reserve for Receivables and Other Assets	261,842.69	189,746.21
Fund Balance	<u>2,756,069.24</u>	<u>2,620,985.81</u>
Total Regular Fund	<u>8,060,033.43</u>	<u>5,109,920.66</u>
Federal and State Grant Fund:		
Due to Capital	395,997.65	988,752.29
Unappropriated Reserves	19,546.00	27,727.13
Appropriated Reserves	3,553,331.88	687,428.94
Encumbrances Payable	4,066.47	-
Total Federal and State Grant Fund	<u>3,972,942.00</u>	<u>1,703,908.36</u>
Total Current Fund	<u>\$ 12,032,975.43</u>	<u>6,813,829.02</u>

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

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

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized		
Fund Balance	\$ 1,495,463.96	1,512,420.47
Miscellaneous Revenue Anticipated	6,121,642.98	2,982,310.82
Receipts from Delinquent Taxes	185,133.27	139,244.17
Receipts from Current Taxes	24,623,112.16	23,647,725.08
Non Budget Revenue	423,406.41	142,957.94
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	524,775.93	418,943.81
Interfund Returned	-	170,504.61
Total Income	<u>33,373,534.71</u>	<u>29,014,106.90</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	5,084,090.00	5,013,194.02
Other Expenses	4,091,675.00	4,280,932.00
Deferred Charges & Statutory Expenditures	1,079,847.00	1,034,464.80
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	3,480,716.35	576,566.30
Capital Improvements	409,950.00	575,269.00
Municipal Debt Service	3,680,775.05	3,370,153.39
Deferred Charges & Statutory Expenditures	142,250.00	82,853.06
Local District School Tax	2,493,406.00	2,444,516.00
County Tax	11,276,951.12	10,591,265.87
County Share of Added Tax	53,326.46	37,893.81
Interfund Created	50,000.34	-
Total Expenditures	<u>31,842,987.32</u>	<u>28,007,108.25</u>
Excess in Revenue	<u>1,530,547.39</u>	<u>1,006,998.65</u>

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

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

	<u>2017</u>	<u>2016</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by		
Statute Deferred Charges to Budgets of		
Succeeding Year	100,000.00	325,000.00
Total Adjustments	<u>100,000.00</u>	<u>325,000.00</u>
Statutory Excess to Fund Balance	<u>1,630,547.39</u>	<u>1,331,998.65</u>
Fund Balance January 1	<u>2,620,985.81</u>	<u>2,801,407.63</u>
	4,251,533.20	4,133,406.28
Decreased by:		
Utilization as Anticipated Revenue	<u>1,495,463.96</u>	<u>1,512,420.47</u>
Fund Balance December 31	\$ <u><u>2,756,069.24</u></u>	<u><u>2,620,985.81</u></u>

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

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Anticipated		
	Budget	N.J.S. 40A:4-87	Excess or (Deficit)
Fund Balance Anticipated	\$ 1,495,463.96		1,495,463.96
Total Fund Balance Anticipated	1,495,463.96	-	-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	10,400.00		(150.00)
Fees and Permits	246,000.00		91,822.48
Fines and Costs:			
Municipal Court	77,242.34		(8,403.46)
Interest and Costs on Taxes	50,000.00		(3,447.41)
Parking Meters	370,000.00		35,818.63
Interest on Investments and Deposits	2,400.00		1,175.73
Beach Fees	765,000.00		16,469.10
Tennis Courts	25,000.00		6,988.68
Cell Tower Rent	37,950.00		5,002.00
Uniform Fire Code Official	140,000.00		14,383.00
Arts and Crafts Show	69,750.00		14,758.00
Marina Fees	5,000.00		5,921.00
Cable TV Franchise Fee	30,000.00		3,342.34
Beach Concession	55,000.00		20,000.00
Special Events Revenue	600.00		2,034.00
Total Section A: Local Revenues	1,884,342.34	-	205,714.09
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	214,317.00		-
Total Section B: State Aid Without Offsetting Appropriations	214,317.00	-	-

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

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	\$ 465,000.00		562,892.00	97,892.00
Total Section C: Uniform Construction Code Fees	465,000.00	-	562,892.00	97,892.00
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations	6,032.91		6,032.91	
Recycling Tonnage Grant				
DOT - Reconstruction of 95th Street		158,000.00	158,000.00	
DOT - Dump Station Grant		3,025.00	3,025.00	
CMC Tourism Grant		1,500.00	1,500.00	
Stone Harbor Volunteer Fire Department Grant		1,000.00	1,000.00	
Garden Club Grant - 96th Street		5,095.74	5,095.74	
Stone Harbor Property Owners Association Grant		2,433.08	2,433.08	
Clean Communities Program	17,935.58	15,237.40	33,172.98	
Safety Grant	3,650.00		3,650.00	
Police Body Armor Grant	3,757.64		3,757.64	
CMC Open Space Grant-Bikeway	195,000.00		195,000.00	
Flood Mitigation Grant	2,703,804.00		2,703,804.00	
Total Section F: Special Items - Public and Private Programs	2,930,180.13	186,291.22	3,116,471.35	
Off-Set with Appropriations				-

CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government				
Services - Other Special Items;				
Uniform Fire Safety Act	6,700.00		15,124.20	8,424.20
Reserve for Payment of Bonds	65,842.00		65,842.00	-
Interlocal Municipal Service Agreement - Borough of Avalon	56,441.70		56,940.00	498.30
Total Section G: Special Items of General Revenue Anticipated				
With Prior Written Consent of Director of Local Government				
Services - Other Special Items	128,983.70	-	137,906.20	8,922.50
Total Miscellaneous Revenues:	5,622,823.17	186,291.22	6,121,642.98	312,528.59
Receipts from Delinquent Taxes	150,000.00		185,133.27	35,133.27
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	\$ 10,882,500.00		11,259,428.58	376,928.58
Total Amount to be Raised by Taxes for Support of Municipal Budget	10,882,500.00	-	11,259,428.58	376,928.58
Budget Totals	18,150,787.13	186,291.22	19,061,668.79	724,590.44
Non- Budget Revenues:				
Other Non- Budget Revenues:	-		423,406.41	423,406.41
	\$ 18,150,787.13	186,291.22	19,485,075.20	1,147,996.85

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

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	24,623,112.16
--------------------------	----	---------------

Allocated to:

School, County and Other Taxes	<u>13,823,683.58</u>
--------------------------------	----------------------

Balance for Support of Municipal Budget Appropriations	10,799,428.58
--	---------------

Increased by:

Appropriation "Reserved for Uncollected Taxes"	<u>460,000.00</u>
--	-------------------

Amount for Support of Municipal Budget Appropriations	<u><u>11,259,428.58</u></u>
---	-----------------------------

Receipts from Delinquent Taxes:

Delinquent Tax Collection	185,133.27
Tax Title Lien Collections	<u>-</u>

Total Receipts from Delinquent Taxes	<u><u>185,133.27</u></u>
--------------------------------------	--------------------------

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Police - MRNA	541.10
NSF Fee	280.00
Photocopies	202.05
Zoning Board	12,000.00
Tax Collector	22.00
Property Lists	550.00
Sale of BAN Premium	278,697.04
Balance from Accounts	1,222.73
Homestead Rebate-Postage	49.80
PY Receipt	46.53
BOA P Card	154.81
PR Reimbursement	1,455.00
Senior & Vets Admin Fees	290.00
Miscellaneous	<u>127,895.35</u>
	<u>423,406.41</u>

Total Miscellaneous Revenue Not Anticipated:	\$	<u><u>423,406.41</u></u>
--	----	--------------------------

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

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration						
Salaries and Wages	158,300.00	158,300.00	158,299.97		0.03	
Other Expenses	28,000.00	28,000.00	19,054.40	280.34	8,665.26	
Mayor and Council						
Salaries and Wages	79,000.00	74,500.00	73,838.53		661.47	
Other Expenses	8,875.00	8,875.00	6,948.37	291.45	1,635.18	
Municipal Clerk						
Salaries and Wages	190,530.00	190,530.00	190,529.98		0.02	
Other Expenses	19,500.00	19,500.00	15,025.84	1,321.56	3,152.60	
Financial Administration						
Salaries and Wages	80,500.00	80,500.00	80,500.00		-	
Other Expenses	58,660.00	58,660.00	46,787.48	2,603.92	9,268.60	
Elections						
Other Expenses	5,000.00	5,000.00	3,371.97		1,628.03	
Audit Services						
Other Expenses	30,000.00	30,000.00	18,550.00		11,450.00	
Collection of Taxes						
Salaries and Wages	51,500.00	51,500.00	51,433.87		66.13	
Other Expenses	11,560.00	11,560.00	9,498.48	1,060.00	1,001.52	
Assessment of Taxes						
Salaries and Wages	54,400.00	54,400.00	54,366.00		34.00	
Other Expenses	16,100.00	16,100.00	9,627.83	4,346.59	2,125.58	
Legal Services						
Other Expenses	145,000.00	145,000.00	120,973.90	4,215.06	19,811.04	
Engineering Services and Costs						
Other Expenses	25,000.00	25,000.00	20,400.95	4,500.00	99.05	
Insurance						
Employee Group Health	1,370,000.00	1,370,000.00	1,273,432.99	1,073.50	95,493.51	
Other Insurance Premiums	390,000.00	390,000.00	356,703.62	874.00	32,422.38	
Health Benefits Waiver						
Salaries and Wages	8,500.00	8,500.00	7,528.06		971.94	

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
LAND USE ADMINISTRATION:						
Planning Board						
Salaries and Wages	5,400.00	6,475.00	6,475.00		-	
Other Expenses	23,585.00	23,585.00	8,813.10	1,854.38	12,917.52	
Reserve for Master Plan		100,000.00	100,000.00		-	
Zoning Board of Adjustment						
Salaries and Wages	38,300.00	44,500.00	43,845.07		654.93	
Other Expenses	12,600.00	12,600.00	11,355.16	1,206.28	38.56	
PUBLIC SAFETY:						
Fire Department						
Other Expenses	223,650.00	223,650.00	203,471.92	19,671.53	506.55	
Police Department						
Salaries and Wages	1,620,000.00	1,561,925.00	1,440,533.88		121,391.12	
Other Expenses	79,600.00	79,600.00	67,647.26	11,952.74	-	
Office of Emergency Management						
Salaries and Wages	15,400.00	15,400.00	15,400.00		-	
Other Expenses	6,400.00	6,400.00	6,179.32	199.98	20.70	
Aid to Volunteer Rescue Squad	70,000.00	70,000.00	70,000.00		-	
Municipal Prosecutor						
Other Expenses	20,400.00	20,400.00	19,721.00		679.00	
Uniform Fire Code Official						
Salaries and Wages	104,400.00	104,400.00	103,324.96		1,075.04	
Other Expenses	8,000.00	8,000.00	3,409.58	3,129.18	1,461.24	
Fire Hydrant Service						
Other Expenses	2,850.00	2,850.00	2,850.00		-	
Municipal Court						
Salaries and Wages	147,560.00	147,560.00	141,684.50		5,875.50	
Other Expenses	16,000.00	16,000.00	9,061.10	278.00	6,660.90	
Public Defender						
Other Expenses	3,500.00	3,500.00	3,500.00		-	

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
PUBLIC WORKS:						
Public Works						
Salaries and Wages	930,000.00	930,000.00	930,000.00		-	
Other Expenses	158,800.00	158,800.00	91,308.32	37,998.33	29,493.35	
Solid Waste Collection						
Salaries and Wages	602,400.00	592,400.00	571,018.32		21,381.68	
Other Expenses	273,000.00	273,000.00	184,755.99	10,606.60	77,637.41	
Public Building and Grounds						
Other Expenses	108,650.00	108,650.00	98,802.65	9,590.95	256.40	
NATURAL RESOURCES						
Natural Resources Committee						
Salaries and Wages	25,000.00	25,000.00	11,567.26		13,432.74	
Other Expenses	61,000.00	61,000.00	54,115.62	4,611.00	2,273.38	
NATURAL RESOURCES						
Animal Control						
Other Expenses	17,000.00	17,000.00	16,252.00		748.00	
HEALTH AND HUMAN SERVICES:						
Safety Compliance						
Other Expenses	26,400.00	26,400.00	14,684.30	1,358.24	10,357.46	
RECREATION AND EDUCATION:						
Docks, Bulkheads and Seawall						
Salaries and Wages	7,000.00	7,400.00	7,400.00		-	
Beach Patrol						
Salaries and Wages	585,000.00	587,150.00	587,142.92		7.08	
Other Expenses	63,000.00	63,000.00	61,687.46	1,199.09	113.45	
Parks and Playgrounds						
Salaries and Wages	180,900.00	178,350.00	168,739.93		9,610.07	
Other Expenses	48,510.00	48,510.00	46,062.15	704.85	1,743.00	
Special Events						
Salaries and Wages	47,500.00	47,500.00	47,500.00		-	
Tourism						
Other Expenses	128,000.00	128,000.00	118,886.73	482.90	8,630.37	
Museum	25,000.00	25,000.00	25,000.00		-	

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UNIFORM CONSTRUCTION CODE:						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	197,200.00	200,300.00	200,255.03		44.97	
Other Expenses	9,600.00	9,600.00	8,371.25	559.73	669.02	
UNCLASSIFIED:						
Longevity Pay for Employees	17,500.00	17,500.00	17,500.00		-	
Accumulated Leave		-	-		-	
UTILITY EXPENSES AND BULK PURCHASES:						
Electric	111,435.00	121,435.00	115,038.27		6,396.73	
Telephone	150,000.00	138,000.00	91,180.58	14,030.16	32,789.26	
Street Lighting	120,000.00	120,000.00	105,607.14	12,338.41	2,054.45	
Gasoline	57,000.00	57,000.00	50,635.93		6,364.07	
Natural Gas	45,000.00	45,000.00	23,459.49	7,000.00	14,540.51	
TOTAL OPERATIONS WITHIN "CAPS"	9,122,965.00	9,158,765.00	8,421,115.43	159,338.77	578,310.80	-
Contingent	5,000.00	17,000.00	15,648.38		1,351.62	
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	9,127,965.00	9,175,765.00	8,436,763.81	159,338.77	579,662.42	-
Detail:						
Salaries and Wages	5,146,290.00	5,084,090.00	4,908,883.28	-	175,206.72	-
Other Expenses	3,981,675.00	4,091,675.00	3,527,880.53	159,338.77	404,455.70	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEFERRED CHARGES/STATUTORY EXPENDITURES						
Deferred Charges:						
None		-				-
Statutory Expenditures:						
Contributions to:						
Police and Fire Retirement System of N.J.	320,232.00	320,232.00	319,322.00		910.00	
Public Employees Retirement System	340,265.00	340,265.00	339,265.00		1,000.00	
Defined Contribution Retirement Plan	3,500.00	3,500.00	2,836.34		663.66	
Social Security System (O.A.S.I.)	390,850.00	390,850.00	365,260.49		25,589.51	
Unemployment Compensation Insurance	25,000.00	25,000.00	24,023.03		976.97	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	1,079,847.00	1,079,847.00	1,050,706.86	-	29,140.14	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	10,207,812.00	10,255,612.00	9,487,470.67	159,338.77	608,802.56	-
Interlocal Municipal Service Agreements						
Borough of Avalon Interlocal Agreement						
Police Dispatch Services						
Other Expenses	291,833.00	291,833.00	291,832.00		1.00	
Financial Administration - CFO	72,412.00	72,412.00	71,702.44		709.56	
TOTAL SHARED SERVICE AGREEMENTS	364,245.00	364,245.00	363,534.44	-	710.56	-

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
(A) Public and Private Programs Off-Set by Revenues						
Police Body Armor Grant	3,757.64	3,757.64	3,757.64	-	-	-
Recycling Tonnage Grant	6,032.91	6,032.91	6,032.91	-	-	-
DOT - Dump Station Grant	3,025.00	3,025.00	3,025.00	-	-	-
Flood Mitigation	2,703,804.00	2,703,804.00	2,703,804.00	-	-	-
Clean Communities Program	33,172.98	33,172.98	33,172.98	-	-	-
Safety Grant	3,650.00	3,650.00	3,650.00	-	-	-
CMC Open Space Grant-Bikeway	195,000.00	195,000.00	195,000.00	-	-	-
DOT - Reconstruction of 95th Street	158,000.00	158,000.00	158,000.00	-	-	-
CMC Tourism Grant	1,500.00	1,500.00	1,500.00	-	-	-
Stone Harbor Volunteer Fire Department Grant	1,000.00	1,000.00	1,000.00	-	-	-
Garden Club Grant - 96th Street	5,095.74	5,095.74	5,095.74	-	-	-
Stone Harbor Property Owners Association Grant	2,433.08	2,433.08	2,433.08	-	-	-
Total Public and Private Programs Off-Set by Revenues	3,116,471.35	3,116,471.35	3,116,471.35	-	-	-
Total Operations - Excluded from "CAPS"	3,480,716.35	3,480,716.35	3,480,005.79	-	710.56	-
Detail:						
Salaries and Wages	-	-	-	-	-	-
Other Expenses	3,480,716.35	3,480,716.35	3,480,005.79	-	710.56	-
(C) Capital Improvements						
Capital Improvement Fund	210,000.00	210,000.00	210,000.00	-	-	-
Computers - Administrative	15,000.00	15,000.00	9,741.06	-	5,258.94	-
Recreation Improvements	15,450.00	15,450.00	12,030.00	-	3,420.00	-
Police-Breath Test Equipment	20,000.00	20,000.00	-	-	20,000.00	-
Police 4WD Patrol Vehicle	47,000.00	47,000.00	-	41,414.00	5,586.00	-
Borough Hall Carpet	20,000.00	20,000.00	-	8,976.89	11,023.11	-
Tax Office Printer	6,000.00	6,000.00	-	-	6,000.00	-
Beach Patrol-Walkie Talkie System	20,000.00	20,000.00	20,000.00	-	-	-
Beach Patrol-4WD Jeep	44,000.00	44,000.00	43,260.67	-	739.33	-
Police Department Computers	6,500.00	6,500.00	6,101.69	-	398.31	-
Police-Ballistic Vest-8 Officers	6,000.00	6,000.00	5,994.20	-	5.80	-
Total Capital Improvements	409,950.00	409,950.00	307,127.62	50,390.89	52,431.49	-

**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
(D) Debt Service						
Payment of Bond Principal	2,635,000.00	2,635,000.00	2,635,000.00			-
Payment of BANs and Capital Notes	205,650.00	205,650.00	205,650.00			-
Interest on Bonds	377,250.00	377,250.00	377,206.26			43.74
Interest on Notes	92,000.00	144,200.00	144,158.43			41.57
New Jersey Environmental Infrastructure Trust						
Principal	243,250.00	243,250.00	243,186.69		-	63.31
Interest	83,200.00	83,200.00	75,573.67		-	7,626.33
Total Debt Service	<u>3,636,350.00</u>	<u>3,688,550.00</u>	<u>3,680,775.05</u>	<u>-</u>	<u>-</u>	<u>7,774.95</u>
(E) Deferred Charges						
Emergency Authorizations	75,000.00	75,000.00	75,000.00		-	
Special Emergency Authorization	67,250.00	67,250.00	67,250.00	-	-	
Total Deferred Charges	<u>142,250.00</u>	<u>142,250.00</u>	<u>142,250.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	7,669,266.35	7,721,466.35	7,610,158.46	50,390.89	53,142.05	7,774.95
SUBTOTAL GENERAL APPROPRIATIONS	<u>17,877,078.35</u>	<u>17,977,078.35</u>	<u>17,097,629.13</u>	<u>209,729.66</u>	<u>661,944.61</u>	<u>7,774.95</u>
(M) Reserve for Uncollected Taxes	460,000.00	460,000.00	460,000.00			
TOTAL GENERAL APPROPRIATIONS	<u>\$ 18,337,078.35</u>	<u>18,437,078.35</u>	<u>17,557,629.13</u>	<u>209,729.66</u>	<u>661,944.61</u>	<u>7,774.95</u>

CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Canceled
	Budget	Budget After Modifications		Encumbered	Reserved	
Budget						
Appropriations by 40A:4-87		18,150,787.13				
Special Emergency		186,291.22				
		<u>100,000.00</u>				
		<u>18,437,078.35</u>				
Reserve for Uncollected Taxes			460,000.00			
Federal and State Grants			3,116,471.35			
Deferred Charges - Special Emergency			142,250.00			
Transferred to Reserve for Master Plan			100,000.00			
Disbursements			13,738,907.78			
			<u>17,557,629.13</u>			

EXHIBIT B - TRUST FUND

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

	<u>2017</u>	<u>2016</u>
ASSETS		
Animal Control Fund:		
Cash	\$ 699.62	600.58
Due from State of New Jersey	<u>-</u>	<u>34.80</u>
	<u>699.62</u>	<u>635.38</u>
Other Funds:		
Cash - Treasurer	<u>2,176,033.87</u>	<u>1,738,931.96</u>
	<u>2,176,033.87</u>	<u>1,738,931.96</u>
	<u>\$ 2,176,733.49</u>	<u>1,739,567.34</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Animal Control Fund:		
Due to Current Fund	\$ 214.29	0.88
Reserve for Expenditures	<u>485.33</u>	<u>634.50</u>
	<u>699.62</u>	<u>635.38</u>
Other Funds:		
Reserves - Miscellaneous	2,126,033.87	1,738,931.96
Due to Current Fund	50,000.00	-
	<u>2,176,033.87</u>	<u>1,738,931.96</u>
	<u>\$ 2,176,733.49</u>	<u>1,739,567.34</u>

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

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

EXHIBIT C - CAPITAL FUND

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

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash	\$	2,739,717.33	2,083,200.67
Deferred Charges to Future Taxation -			
Funded		12,618,611.79	15,496,798.30
Unfunded		24,145,892.05	20,687,131.05
Interfunds and Receivables			
Due from Grant Fund		395,997.65	988,752.29
Due from State of New Jersey - EIT		450,644.26	734,096.33
Due from Water and Sewer Capital Fund		93,711.33	0.01
		<u>40,444,574.41</u>	<u>39,989,978.65</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Contracts Payable		6,069,281.36	9,289,003.07
Serial Bonds Payable		8,810,000.00	11,445,000.00
NJEIT Loan Payable		3,808,611.79	4,051,798.30
Bond Anticipation Notes Payable		19,500,000.00	9,433,000.00
Improvement Authorizations:			
Funded		147,567.34	437,192.73
Unfunded		1,452,368.82	4,695,560.57
Reserve for Payment of NJEIT Loan		260,393.12	193,366.00
Reserve for Payment of Bonds		293,466.43	359,308.43
Reserve for Arbitrage Liability		1,699.33	1,699.33
Reserve for Preliminary Costs		8,830.46	8,830.46
Capital Improvement Fund		92,236.00	75,100.00
Fund Balance		119.76	119.76
	\$	<u>40,444,574.41</u>	<u>39,989,978.65</u>

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

2016	11,254,131.05
2017	4,645,892.05

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

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

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$	119.76	119.76
No current year activity			
Ending Balance December 31	\$	<u>119.76</u>	<u>119.76</u>

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

EXHIBIT D - WATER AND SEWER FUND

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

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Operating Fund:			
Cash	\$	1,454,730.00	1,130,273.33
Change Fund		50.00	50.00
		<u>1,454,780.00</u>	<u>1,130,323.33</u>
Receivables and Other Assets with Full Reserves:			
Water & Sewer Rents Receivable		83,407.15	84,549.12
		<u>83,407.15</u>	<u>84,549.12</u>
Total Operating Fund		<u>1,538,187.15</u>	<u>1,214,872.45</u>
Capital Fund:			
Cash - Treasurer		4,485,012.68	1,231,597.91
Due from N.J. Environ. Infrastructure Trust			
2010 Series A		2,830.00	2,830.00
2012 Series A		224,742.87	224,742.87
2012 Series ABC		-	120,995.90
2015 Series		989,791.30	1,603,607.33
Fixed Capital		12,622,948.87	12,622,948.87
Fixed Capital - Authorized and Uncompleted		22,199,000.00	17,389,000.00
Total Capital Fund		<u>40,524,325.72</u>	<u>33,195,722.88</u>
	\$	<u><u>42,062,512.87</u></u>	<u><u>34,410,595.33</u></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>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	\$	251,475.00	183,532.75
Reserve for Encumbrances		45,231.83	74,280.12
Utility Prepayments		84,942.99	73,126.65
Utility Overpayments		21,103.45	22,380.29
Accrued Interest on Bonds and Notes		109,745.66	86,276.57
		<u>512,498.93</u>	<u>439,596.38</u>
Reserve for Receivables		83,407.15	84,549.12
Fund Balance		942,281.07	690,726.95
Total Operating Fund		<u>1,538,187.15</u>	<u>1,214,872.45</u>
Capital Fund:			
Encumbrances Payable		681,866.14	2,571,824.21
Interfunds:			
Due to General Capital Fund		93,711.33	0.01
Serial Bonds Payable		2,075,000.00	2,550,000.00
N.J. Environmental Infrastructure Trust Loans		7,456,704.35	7,982,881.38
Bond Anticipation Notes		9,675,000.00	4,022,500.00
Improvement Authorizations:			
Funded		-	-
Unfunded		5,721,746.11	2,344,396.52
Reserve for Amortization		14,373,900.57	13,372,723.54
Deferred Reserve for Amortization		235,700.00	160,700.00
Reserve for Payment of Bonds		60,000.00	60,000.00
Reserve for Insurance Reimbursement		71,505.06	71,505.06
Capital Improvement Fund		44,575.77	24,575.77
Fund Balance		34,616.39	34,616.39
Total Capital Fund		<u>40,524,325.72</u>	<u>33,195,722.88</u>
	\$	<u>42,062,512.87</u>	<u>34,410,595.33</u>

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

2016	1,923,143.95
2017	1,005,643.95

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

**WATER AND SEWER UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized			
Fund Balance	\$	320,513.00	135,026.00
Water & Sewer Rents		3,604,984.09	3,413,842.11
Fire Hydrant Service		2,850.00	2,850.00
Miscellaneous Unanticipated Revenue		228,386.76	190,268.29
Miscellaneous Revenue		129,151.86	-
Other Credits to Income:			
Unexpended Balance of Appropriation Res.		210,614.73	133,444.68
Total Income		<u>4,496,500.44</u>	<u>3,875,431.08</u>
Expenditures			
Operations			
Salaries and Wages		407,500.00	399,826.00
Other Expenses		521,200.00	548,900.00
Interlocal Agreement - CFO		18,103.00	17,748.00
Cape May County MUA		1,654,960.00	1,300,000.00
Capital Improvements		20,000.00	20,000.00
Debt Service		1,269,470.32	1,190,405.54
Statutory & Deferred Charges		33,200.00	32,500.00
Total Expenditures		<u>3,924,433.32</u>	<u>3,509,379.54</u>
Excess/(Deficit) in Revenue		<u>572,067.12</u>	<u>366,051.54</u>
Adjustments to Income before Fund Balance:			
Expenditures included above which are by			
Statute Deferred Charges to Budgets of			
Succeeding Year - None		-	-
Total Adjustments		<u>-</u>	<u>-</u>
Excess in Operations		<u>572,067.12</u>	<u>366,051.54</u>
Fund Balance January 1		<u>690,726.95</u>	<u>459,701.41</u>
		1,262,794.07	825,752.95
Decreased by:			
Utilization as Anticipated Revenue		<u>320,513.00</u>	<u>135,026.00</u>
Fund Balance December 31	\$	<u><u>942,281.07</u></u>	<u><u>690,726.95</u></u>

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

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

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Beginning Balance January 1	\$	34,616.39	34,616.39
Increased by:			
No Activity			
		<u>-</u>	<u>-</u>
		34,616.39	34,616.39
Decreased by:			
No Activity			
		<u>-</u>	<u>-</u>
Ending Balance December 31	\$	<u><u>34,616.39</u></u>	<u><u>34,616.39</u></u>

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

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 320,513.00	320,513.00	-
Rents - Water & Sewer	3,413,000.00	3,604,984.09	191,984.09
Fire Hydrant Service	2,850.00	2,850.00	-
Miscellaneous	190,000.00	228,386.76	38,386.76
Miscellaneous Not Anticipated		129,151.86	129,151.86
	<u>\$ 3,926,363.00</u>	<u>4,285,885.71</u>	<u>359,522.71</u>

Analysis of Realized Revenue:

Consumer Accounts Receivable:

Water and Sewer Rents

Current Collections	3,740,713.91
Prepayments & Overpayments Applied	95,506.94
Fire Hydrant Service	(2,850.00)
Miscellaneous below	(228,386.76)

3,604,984.09

Miscellaneous

Meter Boxes & Fittings	119,339.47
Meter Rental	7,492.50
Penalties on Delinquent Accounts	6,535.52
Permanent Disconnect	2,000.00
NSF Fee	60.00
Sewer Vent Penalty	2,457.23
Sewer Service	3,368.00
Final Meter Reading	5,400.00
Miscellaneous	250.00
Miscellaneous Parts	8,569.95
Miscellaneous Water Use	5,957.80
Street Openings	46,586.40
Turn off/on	7,995.35
Private Fire Protection	12,374.54

228,386.76

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

WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 407,500.00	407,500.00	356,080.35		51,419.65	
Other Expenses	521,200.00	521,200.00	406,700.40	45,231.83	69,267.77	
Cape May County MUA	1,654,960.00	1,654,960.00	1,528,667.00		126,293.00	
Interlocal Agreement - CFO	18,103.00	18,103.00	17,925.60		177.40	
	<u>2,601,763.00</u>	<u>2,601,763.00</u>	<u>2,309,373.35</u>	<u>45,231.83</u>	<u>247,157.82</u>	<u>-</u>
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00			
	<u>20,000.00</u>	<u>20,000.00</u>	<u>20,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:						
Payment of Bond Principal	1,007,200.00	1,007,200.00	1,007,176.72			23.28
Interest on Bonds	217,500.00	217,500.00	215,593.60			1,906.40
Interest on Notes	46,700.00	46,700.00	46,700.00			-
	<u>1,271,400.00</u>	<u>1,271,400.00</u>	<u>1,269,470.32</u>	<u>-</u>	<u>-</u>	<u>1,929.68</u>
Deferred Charges and Statutory Expenditures:						
Social Security System	31,200.00	31,200.00	27,143.70		4,056.30	
Unemployment	2,000.00	2,000.00	1,739.12		260.88	
	<u>33,200.00</u>	<u>33,200.00</u>	<u>28,882.82</u>	<u>-</u>	<u>4,317.18</u>	<u>-</u>
	<u>\$ 3,926,363.00</u>	<u>3,926,363.00</u>	<u>3,627,726.49</u>	<u>45,231.83</u>	<u>251,475.00</u>	<u>1,929.68</u>

EXHIBIT E - GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31,
REGULATORY BASIS

	<u>2017</u>	<u>2016</u>
General Fixed Assets:		
Land	\$ 78,321,333.00	78,321,333.00
Land Improvements	66,634.52	66,634.52
Buildings and Improvements	4,511,293.67	4,511,293.67
Machinery and Equipment	9,123,650.57	9,142,461.33
	<u>92,022,911.76</u>	<u>92,041,722.52</u>
Investment in General Fixed Assets	\$ <u>92,022,911.76</u>	<u>92,041,722.52</u>

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

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

NOTES TO FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Component units are legally separate organizations for which the entity is financially accountable. The entity is financially accountable for an organization if the entity appoints a voting majority of the organization's governing board and (1) the entity is able to significantly influence the programs or services performed or provided by the organization; or (2) the entity is legally entitled to or can otherwise access the organization's resources; the entity is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the entity is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the entity in that the entity approves the budget, the issuance of debt or the levying of taxes. The entity has no component units.

B. Description of Funds

The accounting policies of the Borough of Stone Harbor 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, the Borough of Stone Harbor 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 of the water and sewer utility and acquisition of water and sewer capital facilities other than those acquired in the Current and General Capital Funds.

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 entity budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the entity's Current Fund, in addition the receivables for utility billings are recorded with offsetting reserves in the Utility Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the entity which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

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 unencumbered 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.

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 is not included on the various balance sheets.

General Fixed Assets -- The entity has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which 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.

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. Expenditures for long lived assets with an original cost in excess of \$2,000.00 are capitalized.

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 balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the costs of acquisitions of property, equipment and improvements.

The utility does not record depreciation on fixed assets.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

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 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.

Interest on Delinquent Taxes -- It is the policy of the Borough of Stone Harbor to collect interest for the nonpayment of taxes or assessments on or before the date when they would become delinquent. The Tax Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of taxes becoming delinquent after due date and eighteen percent (18%) per annum on any amount of taxes in excess of \$1,500.00 becoming delinquent after due date and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of six percent (6%) shall be charged against the delinquency. There is a ten day grace period.

Levy of Utility Charges -- The entity operates a water and sewer utility fund. Rates are determined by ordinance and changed as necessary. Water and sewer charges are based on flat fees and usage based on the type of entity. Charges are billed annually and due in quarterly installments on December 1, March 1, June 1 and September 1.

Interest on Delinquent Utility Charges -- It is the policy of the entity to collect interest for the nonpayment of utility charges on or before the date when they would become delinquent. The Utility Collector is authorized to charge eight percent (8%) per annum on the first \$1,500.00 of charges becoming delinquent after due date and eighteen percent (18%) per annum on any amount of charges in excess of \$1,500.00 becoming delinquent after due date.

Capitalization of Interest -- It is the policy of the Borough of Stone Harbor to treat interest on projects as a current expense and the interest is included in both the current and utility operating budgets with the exception of certain projects financed by the New Jersey Environmental Infrastructure Trust.

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

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 entity'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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

F. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Township's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Township's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81 "Irrevocable Split-Interest Agreements". This statement, which is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the Township's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 "Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73". This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the Township's financial reporting.

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

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

In March 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 85 "Omnibus 2017". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Township's financial reporting.

In May 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 86 "Certain Debt Extinguishment Issues". This statement, which is effective for fiscal periods beginning after June 15, 2017, will not have any effect on the Township's financial reporting.

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2017 and 2016 statutory budgets included a reserve for uncollected taxes in the amount of \$460,000 and \$460,000.00, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$1,495,463.96 and \$1,512,420.47, respectively. In addition, the entity operates a self liquidating water and sewer utility. Under New Jersey Statutes a separate budget for the utility must be adopted concurrently with the operating budget of the entity. The utility budget must be a balanced cash basis budget with fund balance being used to balance the budget. The amount of fund balance budgeted to balance the 2017 and 2016 statutory budgets was \$320,513.00 and \$135,026.00.

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 Borough Council.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

The following significant budget transfers were approved in the 2017 and 2016 calendar years:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
<u>Current Fund:</u>		
Planning Board		
Reserve for Master Plan	100,000.00	-
Police Department		
Salaries and Wages	(58,075.00)	-
Telephone		
Other Expenses		(13,000.00)
Gasoline		
Other Expenses		13,000.00
Debt Service		
Interest on Notes	52,200.00	

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 2017 and 2016, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2017</u>	<u>2016</u>
Green Communities		3,000.00
NJ DOT -95th Street	158,000.00	179,000.00
CMC Prosecutor - Body Worn Cameras		5,000.00
Safety Grant		3,650.00
Donations- Fire Department		1,000.00
NJ DOT - Dump Station Grant	3,025.00	
CMC Tourism Grant	1,500.00	
Stone Harbor Volunteer Fire Dept Grant	1,000.00	
Garden Club Grant- 96th Street	5,095.74	
Stone Harbor Property Owners Assoc	2,433.08	
Clean Communities Program	15,237.40	
	<u>186,291.22</u>	<u>191,650.00</u>

The Borough 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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

the succeeding three or five years. The Borough approved a special emergency appropriations in the amount of \$250,000.00 in 2016 and \$67,250.00 in 2017. The 2016 Special Emergency was for the Revaluation of Real Property and the 2017 Special Emergency was for the Master Plan. The unfunded balances of all Special Emergencies as of December 31, 2016 was \$337,500. The Borough also approved an emergency appropriations of \$75,000 in 2016. The emergency was for down payments on capital improvements.

NOTE 3: INVESTMENTS

As of December 31, 2017 and 2016, the municipality had no investments.

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 entity can 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, 2017 and 2016, \$0 of the municipality's bank balance of \$17,171,645.54 and \$10,828,605.04 was exposed to custodial credit risk.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2017 and 2016:

	Balance 12/31/2016	Additions	Retirements	Balance 12/31/2017
Land	\$ 78,321,333.00			\$ 78,321,333.00
Building	66,635.00			66,635.00
Building Improvements	4,511,294.11			4,511,294.11
Equipment and Machinery	9,142,460.41	631,812.21	(650,622.97)	9,123,649.65
	<u>\$ 92,041,722.52</u>	<u>631,812.21</u>	<u>(650,622.97)</u>	<u>92,022,911.76</u>

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016
Land	\$ 78,321,333.00			\$ 78,321,333.00
Building	66,635.00			66,635.00
Building Improvements	4,511,294.11			4,511,294.11
Equipment and Machinery	8,562,058.94	716,711.63	(136,310.16)	9,142,460.41
	<u>\$ 91,461,321.05</u>	<u>716,711.63</u>	<u>(136,310.16)</u>	<u>92,041,722.52</u>

Note 6: SHORT-TERM OBLIGATIONS

At December 31, 2017, the Borough has a bond anticipation outstanding in the amount of \$29,175,000.00, due November 2, 2018 with interest at 2.5%.

	Balance 12/31/16	Issued	Retired	Balance 12/31/17
Bond Anticipation				
Notes payable:				
General	\$ 9,433,000.00	19,500,000.00	9,433,000.00	19,500,000.00
Water & Sewer	4,022,500.00	9,675,000.00	4,022,500.00	9,675,000.00
	<u>\$ 13,455,500.00</u>	<u>29,175,000.00</u>	<u>13,455,500.00</u>	<u>29,175,000.00</u>

At December 31, 2016, the Borough has a bond anticipation outstanding in the amount of \$13,455,500.00, due November 3, 2017 with interest at 0.97%.

	Balance 12/31/15	Issued	Retired	Balance 12/31/16
Bond Anticipation				
Notes payable:				
General	\$5,100,000.00	9,433,000.00	5,100,000.00	9,433,000.00
Water & Sewer	3,522,500.00	4,022,500.00	3,522,500.00	4,022,500.00
	<u>\$8,622,500.00</u>	<u>13,455,500.00</u>	<u>8,622,500.00</u>	<u>13,455,500.00</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 7: LONG TERM DEBT

Long-term debt as of December 31, 2016 and 2017 consisted of the following:

	Balance 12/31/15	Issued	Retired	Balance 12/31/16	Amounts Due Within One Year
Bonds payable:					
General	\$ 14,134,000.00	3,220,000.00	5,909,000.00	11,445,000.00	2,635,000.00
Utility	3,075,000.00	1,445,000.00	1,970,000.00	2,550,000.00	475,000.00
Total	17,209,000.00	4,665,000.00	7,879,000.00	13,995,000.00	3,110,000.00
Other liabilities:					
Loans Payable:					
General	4,291,046.47		239,248.17	4,051,798.30	243,186.50
Utility	8,587,347.11		604,465.73	7,982,881.38	526,177.03
Total long-term liabilities	\$ 30,087,393.58	4,665,000.00	8,722,713.90	26,029,679.68	3,879,363.53
	Balance 12/31/16	Issued	Retired	Balance 12/31/17	Amounts Due Within One Year
Bonds payable:					
General	\$ 11,445,000.00		2,635,000.00	8,810,000.00	2,685,000.00
Utility	2,550,000.00		475,000.00	2,075,000.00	500,000.00
Total	13,995,000.00	-	3,110,000.00	10,885,000.00	3,185,000.00
Other liabilities:					
Loans Payable:					
General	4,051,798.30		243,186.51	3,808,611.79	234,514.89
Utility	7,982,881.38		526,177.03	7,456,704.35	547,503.97
Total long-term liabilities	\$ 26,029,679.68	-	3,879,363.54	22,150,316.14	3,967,018.86

Outstanding Bonds Whose Principal and Interest are Paid From the Current Fund Budget of the Entity:

\$12,750,000.00 General Improvement Bonds dated November 1, 2011, due in annual installments through November 1, 2023, bearing interest at a varying rate ranging from 3.0% to 3.125%. The balance remaining as of December 31, 2017 is \$7,200,000.00.

\$3,220,000.00 General Refunding Bonds dated March 31, 2016, due in annual installments through August 15, 2018, bearing interest at 4.0%. The balance remaining as of December 31, 2017 is \$1,610,000.00.

\$1,013,511.00 N.J. Environmental Trust Loan Bond Series B dated December 2, 2010, due in annual installments beginning August 1, 2012 through August 1, 2030, bearing interest at 5.00%. The balance remaining as of December 31, 2017 is \$901,761.39.

\$358,462.00 N.J. Environmental Fund Loan Bond dated December 2, 2010, due in semi-annual installments through August 1, 2030, bearing no interest. The balance remaining at December 31, 2017 is \$147,190.30.

\$141,786.00 N.J. Environmental Trust Loan Bond Series ABC dated May 3, 2012, due in annual installments beginning August 1, 2013 through August 1, 2031, bearing interest ranging from 2.00% to 5.00%. The balance remaining as of December 31, 2017 is \$125,101.50.

\$105,536.00 N.J. Environmental Fund Loan Bond dated May 3, 2012, due in semi-annual installments through August 1, 2031, bearing no interest. The balance remaining at December 31, 2016 is \$38,375.52.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

\$1,070,575.00 N.J. Environmental Trust Loan Bond Series A dated May 3, 2012, due in annual installments beginning August 1, 2013 through August 1, 2031, bearing interest ranging from 2.00% to 5.00%. The balance remaining as of December 31, 2017 is \$929,957.72.

\$493,799.00 N.J. Environmental Fund Loan Bond dated May 3, 2012, due in semi-annual installments through August 1, 2031, bearing no interest. The balance remaining at December 31, 2017 is \$167,235.25.

\$346,667.00 N.J. Environmental Fund Loan Bond dated May 21, 2015, due in annual installments beginning August 1, 2016 through August 1, bearing interest ranging from 4.00% to 5.00%. The balance remaining at December 31, 2017 is \$323,578.00.

\$1,123,006.00 N.J. Environmental Fund Loan Bond dated May 21, 2015, due in annual installments beginning August 1, 2016 through August 1, bearing no interest. The balance remaining at December 31, 2017 is \$970,489.33.

\$161,181.00 N.J. Environmental Fund Loan Bond dated May 21, 2015, due in annual installments beginning August 1, 2016 through August 1, bearing interest ranging from 4.00% to 5.00%. The balance remaining at December 31, 2017 is \$153,837.44.

\$69,115.00 N.J. Environmental Fund Loan Bond dated May 21, 2015, due in annual installments beginning August 1, 2016 through August 1, bearing no interest. The balance remaining at December 31, 2017 is \$51,085.34.

Outstanding Bonds Whose Principal and Interest are Paid From the Utility Operating Fund of the Entity:

\$1,620,000.00 Water & Sewer Utility Bonds dated November 1, 2011, due in annual installments through November 1, 2023, bearing interest at a varying rate ranging from 2.0% to 3.125%. The balance remaining as of December 31, 2017 is \$975,000.00.

\$1,445,000.00 Refunding Bonds dated March 31, 2016, due in annual installments through August 15, 2020, bearing interest at 4.0%. The balance remaining as of December 31, 2017 is \$1,100,000.00

\$920,000.00 N.J. Environmental Trust Loan Bond Series A dated November 8, 2007, due in annual installments beginning August 1, 2009 through August 1, 2027, bearing interest at varying rates. The balance remaining as of December 31, 2017 is \$509,000.00.

\$901,733.00 N.J. Environmental Fund Loan Bond Series A dated November 8, 2007, due in semi-annual installments through August 1, 2027, bearing no interest. The balance remaining at December 31, 2017 is \$463,470.58.

\$707,506.00 N.J. Environmental Trust Loan Bond Series A dated March 10, 2010, due in annual installments beginning August 1, 2011 through August 1, 2029, bearing no interest. The balance remaining as of December 31, 2017 is \$570,000.00.

\$2,023,865.00 N.J. Environmental Fund Loan Bond Series A dated March 10, 2010, due in semi-annual installments through August 1, 2029, bearing no interest. The balance remaining at December 31, 2017 is \$1,098,576.61.

\$273,203.37 N.J. Environmental Trust Loan Bond Series B dated December 2, 2010, due in annual installments beginning August 1, 2012 through August 1, 2030, bearing interest at 5.00%. The balance remaining as of December 31, 2017 is \$243,063.40.

\$111,087.48 N.J. Environmental Fund Loan Bond dated December 2, 2010, due in semi-annual installments through August 1, 2030, bearing no interest. The balance remaining at December 31, 2017 is \$39,674.10.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

\$728,304.13 N.J. Environmental Trust Loan Bond Series ABC dated May 3, 2012, due in annual installments beginning August 1, 2013 through August 1, 2031, bearing interest ranging from 2.00% to 5.00%. The balance remaining as of December 31, 2017 is \$482,891.60.

\$226,358.02 N.J. Environmental Fund Loan Bond dated May 3, 2012, due in semi-annual installments through August 1, 2031, bearing no interest. The balance remaining at December 31, 2017 is \$148,129.68.

\$906,832.75 N.J. Environmental Trust Loan Bond Series A dated May 3, 2012, due in annual installments beginning August 1, 2013 through August 1, 2031, bearing interest ranging from 2.00% to 5.00%. The balance remaining as of December 31, 2017 is \$766,142.10.

\$406,814.50 N.J. Environmental Fund Loan Bond dated May 3, 2012, due in semi-annual installments through August 1, 2031, bearing no interest. The balance remaining at December 31, 2017 is \$137,776.16.

\$2,063,781.00 N.J. Environmental Fund Loan Bond dated May 21, 2015, due in semi-annual installments through September 1, 2034, bearing interest ranging from 4.00% to 5.00%. The balance as of December 31, 2017 is \$1,940,978.67.

\$1,522,720.00 N.J. Environmental Fund Loan Bond dated May 21, 2016, due in semi-annual installments through September 1, 2034, bearing no interest. The balance remaining at December 31, 2017 is \$647,156.00.

\$326,362.00 N.J. Environmental Fund Loan Bond dated May 21, 2016, due in semi-annual installments through September 1, 2034, bearing interest ranging from 4.00% to 5.00%. The balance as of December 31, 2017 is \$307,674.77.

\$354,593.00 N.J. Environmental Fund Loan Bond dated May 21, 2016, due in semi-annual installments through September 1, 2034, bearing no interest. The balance remaining at December 31, 2017 is \$102,170.68.

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

Year	General Fund		Utility Fund	
	Principal	Interest	Principal	Interest
2017	2,933,623.43	358,029.95	1,047,503.97	192,870.06
2018	1,377,561.85	257,058.47	1,069,981.60	166,141.54
2019	1,431,969.97	218,790.05	1,081,306.31	138,959.96
2020	1,484,711.43	178,801.23	734,486.10	110,848.78
2021	1,540,316.53	137,175.35	742,137.63	97,624.86
2022-2026	2,712,158.74	246,473.77	2,986,131.99	299,001.28
2027-2031	946,035.72	64,925.26	1,485,688.50	86,912.26
2032-2034	192,234.13	3,666.66	384,468.25	7,333.34
	<u>\$ 12,618,611.80</u>	<u>1,464,920.74</u>	<u>9,531,704.35</u>	<u>1,099,692.08</u>

As of December 31, 2017, the carrying value of the above bonds and notes approximates the fair value of the bonds. The total interest charged to the current budget was \$521,364.69 and to the utility budget was \$262,293.60.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

<u>Summary of Municipal Debt</u>	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 32,118,611.79	\$ 24,929,798.30	\$ 19,234,000.00
Water/Sewer Utility - Bonds and Notes	19,206,704.35	14,555,381.38	6,597,500.00
Total Issued	<u>51,325,316.14</u>	<u>39,485,179.68</u>	<u>25,831,500.00</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	4,645,892.05	11,254,131.05	12,194,000.00
Water/Sewer Utility - Bonds and Notes	1,005,643.95	1,923,143.95	570,143.95
Total Authorized But Not Issued	<u>5,651,536.00</u>	<u>13,177,275.00</u>	<u>12,764,143.95</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 56,976,852.14</u>	<u>\$ 52,662,454.68</u>	<u>\$ 38,595,643.95</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 0.841%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ -	-	-
Water/Sewer Utility Debt	20,212,348.30	20,212,348.30	-
General Debt	36,764,503.84	553,859.55	36,210,644.29
	<u>\$ 56,976,852.14</u>	<u>\$ 20,766,207.85</u>	<u>\$ 36,210,644.29</u>

Net Debt \$36,210,644.29 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$4,307,129,241.67 = 0.841%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 150,749,523.46
Net Debt	36,210,644.29
Remaining Borrowing Power	<u>\$ 114,538,879.17</u>

The Borough of Stone Harbor School District, as a K-5 school district, is permitted to borrow up to 2.5% of the average equalized valuation for the past three years. State statutes allow a school district to exceed the districts limitation with voter approval. Any amount approved by the voters in excess of the limit is treated as an impairment of the municipal limit.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2017 and 2016, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018 and 2017 were as follows:

	2018	2017
Current Fund	\$ 1,560,843.47	\$ 1,495,463.96
Water/Sewer Utility	419,779.10	320,513.00

NOTE 9: SCHOOL TAXES

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

	12/31/2017	12/31/2016
Balance of Tax	\$ 1,246,701.25	\$ 1,222,257.25
Deferred	921,837.60	921,837.60
Tax Payable	<u>\$ 324,863.65</u>	<u>300,419.65</u>

NOTE 10: 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 12/31/17	Balance 12/31/16
Prepaid Taxes	\$ 3,342,508.03	\$ 800,864.42
Cash Liability for Taxes Collected in Advance	<u>\$ 3,342,508.03</u>	<u>\$ 800,864.42</u>

NOTE 11: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The PERS 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

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.

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 7.20% through June 30, 2017 and 7.34% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current Employer's PERS rate is 13.37% of covered payroll. The entity's contributions to PERS for the years ended December 31, 2017, 2016, and 2015 were \$342,074.00, \$324,760.00 and \$324,393.00

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 which is currently 27.35% of covered payroll. The entity's contributions to PFRS for the years ended December 31, 2017, 2016, and 2015 were \$319,322.00, \$301,136.00 and \$261,454.00.

The total payroll for the year ended December 31, 2017, 2016 and 2015 was \$4,749,195.54, \$4,919,371.12 and \$4,634,649.23 Payroll covered by PFRS was \$1,050,537.00, \$1,209,108.00 and \$1,239,901.00. Payroll covered by PERS was \$2,674,477.00, \$2,625,002.00 and \$2,623,527.00.

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.

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 ¼ 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 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

NOTE 12: 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. GASB statement 68 requires that the June 30, 2017 actuarial valuation be used for this disclosure, but as of the date of this report the 2017 actuarial valuations are not yet available from the Division of Pensions. The Division of Local Government Services has stated that disclosing the 2016 valuation is in compliance with the Regulatory Basis of Accounting described in Note 1.

The following represents the municipality's pension liabilities as June 30, 2016:

Public Employees' Retirement System

The Municipality has a liability of \$11,310,466.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2016, the Municipality's proportion would be 0.03818893000%, which would be an increase of 1.10% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$1,090,051.00. At December 31, 2016, 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	\$ 210,340	
Changes of assumptions	2,342,924	
Changes in proportion	234,188	(197,187)
Net difference between projected and actual earnings on pension plan investments	431,278	
Total	<u>\$ 3,218,730</u>	<u>(197,187)</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,	
2017	\$ 683,794
2018	683,794
2019	781,717
2020	654,167
2021	218,071
Total	<u>\$ 3,021,543</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65% - 4.15% (based on age)
Thereafter	2.65% - 5.15% (based on age)
Investment rate of return:	7.65%

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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 inflations. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 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 3.98%, 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 (2.98%) or 1-percentage point higher (4.98%) than the current rate:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Municipality's proportionate share of the net pension liability	\$ 13,554,505	11,310,466	\$ 9,459,807

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, 2017 AND 2016
(CONTINUED)

Police and Firemen's Retirement System

The Municipality has a liability of \$7,481,373.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2016, the Municipality's proportion would be 0.03916424650%, which would be an increase of 5.72% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Municipality would have recognized pension expense of \$894,589.00. At December 31, 2016, 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	\$ -	(49,042)
Changes of assumptions	1,036,232	
Changes in proportion	500,546	(101,037)
Net difference between projected and actual earnings on pension plan investments	524,205	
Total	<u>\$ 2,060,983</u>	<u>(150,079)</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,		
2016	\$	462,081
2017		462,081
2018		613,318
2019		359,295
2020		14,129
Total	<u>\$</u>	<u>1,910,904</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases:	
Through 2026	2.10% - 8.98% (based on age)
Thereafter	3.10% - 9.98% (based on age)
Investment rate of return:	7.65%

Pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt (Except US)	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liability was 5.55% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2050. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2050, 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, 2016, 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 (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
District's proportionate share of the net pension liability	\$ 9,510,746	7,481,373	5,827,206

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

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, 2016 State special funding situation net pension liability amount of \$1,604,141,087.00, 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, 2016 State special funding situation pension expense of \$204,886,666.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2016. 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 2016, 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 0.03916424650% for 2016. The net pension liability amount allocated to the Municipality was \$628,250.00. For the fiscal year ending June 30, 2016 State special funding situation pension expense of \$80,242.00 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 13: POST-RETIREMENT BENEFITS

Plan Description The Borough of Stone Harbor contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at to <http://www.state.nj.us/treasury/pensions/shbp.htm>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

Plan Coverage The entity currently has 2 collective bargaining units as well as non-union employees. The employee's post employment benefits are not dependent upon the collective bargaining unit to which they are a member. The benefits by collective bargaining unit are:

All Employees - Individuals who retired with at least 25 years of service to the Borough receive hospitalization, major medical, prescription for the employee and spouse in effect at the time of retirement.

Funding Policy Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Borough of Stone Harbor on a monthly basis. The rates charged by the system for the year ended December 31, 2017 vary according to the type of coverage selected by the retiree and range from \$540.00 to \$2,800.00 monthly per retiree.

The Borough of Stone Harbor contributions to SHBP for post-retirement benefits for the year ended December 31, 2017 and 2016 were \$111,866.08 and \$107,983.32 respectively, which equaled the required contribution for the year.

NOTE 14: ACCRUED SICK AND VACATION BENEFITS

The Borough does not permit employees to accrue sick and vacation time. Hence, employees are not compensated upon retirement for accrued time.

NOTE 15: ECONOMIC DEPENDENCY

The Borough of Stone Harbor is not economically dependent on any one business. The tourism industry is a major source of tax revenue for the entity.

NOTE 16: RISK MANAGEMENT

The entity 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 entity maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2017 and 2016 the entity did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The entity is a member of the Atlantic County Joint Insurance Fund (JIF) and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The entity is obligated to remit insurance premiums into these funds for sufficient insurance coverage. There is an unknown contingent liability with the Atlantic County Municipal Joint Insurance Fund if there is a catastrophic insurance claim from any member of the fund. The entity has a general liability limit of \$100,000 under JIF, which increases to \$5,000,000 under MEL.

NOTE 17: DEFERRED COMPENSATION

Employees of the Borough of Stone Harbor 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 entity. 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(CONTINUED)

An unrelated financial institution administers the deferred compensation plan. 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 entity has an obligation of due care in selecting the third party administrator.

NOTE 18: CONTINGENT LIABILITIES

From time to time, the entity is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the entity's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

NOTE 19: INTERFUND BALANCES

As of December 31, 2017, the following interfunds were included on the balance sheets of the various funds of the Borough of Stone Harbor:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 214.29	
Trust Other Fund	50,000.00	
Grant Fund:		
General Capital Fund		395,997.65
Animal Control Fund:		
Current Fund		214.29
General Capital Fund:		
Grant Fund	395,997.65	
Water & Sewer Capital Fund	93,711.33	
Trust Other Fund:		
Current Fund		50,000.00
Water and Sewer Capital Fund:		
General Capital Fund		93,711.33
	\$ <u>539,923.27</u>	<u>539,923.27</u>

NOTE 20: SUBSEQUENT EVENTS

The entity has evaluated subsequent events through April 2, 2018, the date which the financial statements were available to be issued and identified no events requiring disclosure.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

SUPPLEMENTARY DATA



Independent Auditor's Report

The Honorable Mayor and
Members of Borough Council
Borough of Stone 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, 2017, and the related notes to the financial statements, which collectively comprise Borough's basic financial statements, and have issued our report thereon dated April 2, 2018, 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 Borough'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 Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough'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 Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

April 2, 2018

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		<u>Current Fund</u>
Balance December 31, 2016	\$	4,540,224.45
Increased by Receipts:		
Tax Collector	27,392,156.71	
Revenue Accounts Receivable	2,826,401.04	
Miscellaneous Revenue	423,406.41	
State of New Jersey:		
Senior Citizen and Veterans Deductions	14,500.00	
DCA Training Fees	26,587.00	
Return of Change Funds	100.00	
Prepaid Beach Fees	48,300.00	
Prepaid Uniform Fire Code Fees	90,015.00	
Federal and State Unappropriated Reserves	19,545.00	
Federal and State Receivables	631,916.22	
		<u>31,472,927.38</u>
		36,013,151.83
Decreased by Disbursements:		
Current Year Appropriation	13,738,907.78	
Prior Year Appropriations	299,523.75	
County Taxes	11,314,844.91	
DCA Training Fees	27,006.00	
Local District School Taxes	2,468,962.00	
Due from Animal Control Fund	0.34	
Due from Trust Other	50,000.00	
Accounts Payable	1,855.09	
Due to General Capital Fund - Grant Fund	592,754.64	
Federal and State Disbursements	56,368.33	
		<u>28,550,222.84</u>
Balance December 31, 2017	\$	<u>7,462,928.99</u>
	Current Fund	7,460,590.74
	Grant Fund	<u>2,338.25</u>
		<u>7,462,928.99</u>

See Accompanying Auditor's Report

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

Balance December 31, 2016		\$ -
Increased by Receipts:		
Prepaid Taxes	3,342,508.03	
Tax Overpayments	44,792.58	
Taxes Receivable	23,958,303.51	
Revenue Accounts Receivable	46,552.59	
	<hr/>	<hr/> 27,392,156.71
		27,392,156.71
Payments to Treasurer		<hr/> 27,392,156.71
Balance December 31, 2017		\$ <hr/> <hr/> -

See Accompanying Auditor's Report

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

Year	Balance Dec. 31, 2016	Current Year Levy	Added Taxes	Overpayments Created	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2017
					2016	2017			
2015	\$ 186,735.60	-	-	-	-	185,133.27	1,602.33	-	0.00
	186,735.60					185,133.27	1,602.33		0.00
2016		24,721,437.64	116,637.89		800,964.42	23,822,147.74	6,068.76	64.96	208,829.65
	\$ 186,735.60	24,721,437.64	116,637.89	-	800,964.42	24,007,281.01	7,671.09	64.96	208,829.65

Cash Receipts
Overpayments Applied
Senior Citizens and Veterans
24,007,281.01

Analysis of Current Year Tax Levy

Tax Yield:

General Property Tax
Added Taxes (54:4-63.1 et. Seq.)

24,721,437.64
116,637.89
24,838,075.53

Tax Levy:

General County Taxes
County Library Taxes
County Open Space Taxes
County Added and Omitted Taxes
Total County Taxes

9,421,105.81
1,424,457.40
431,387.91
53,326.46
11,330,277.58

Local School District Tax

2,493,406.00

Local Tax for Municipal Purposes
Add: Additional Tax Levied

10,882,500.00
131,891.95
11,014,391.95
24,838,075.53

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

Balance December 31, 2016		\$	-
Increased by:			
Transfers from Taxes Receivable	64.96		
	<hr/>		<hr/>
			64.96
			64.96
Decreased by:			
Collections			
None			
	<hr/>		<hr/>
			-
Balance December 31, 2017		\$	<u><u>64.96</u></u>

See Accompanying Auditor's Report

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	533.12	533.12		533.12	
Other Expenses	4,260.36	4,260.36	591.96	3,668.40	
Mayor and Council					
Salaries and Wages	5,000.00	5,000.00	3,000.00	2,000.00	
Other Expenses	1,301.13	1,301.13	689.65	611.48	
Municipal Clerk					
Salaries and Wages	0.99	0.99		0.99	
Other Expenses	9,624.47	9,624.47	908.37	8,716.10	
Financial Administration					
Salaries and Wages	1,759.34	1,759.34		1,759.34	
Other Expenses	2,408.08	2,408.08	2,264.36	143.72	
Elections					
Other Expenses	1,019.14	1,019.14		1,019.14	
Audit Services					
Other Expenses	15,000.00	15,000.00	7,000.00	8,000.00	
Collection of Taxes					
Salaries and Wages		-		-	
Other Expenses	59.35	59.35	59.35	-	
Assessment of Taxes					
Salaries and Wages	1.00	1.00		1.00	
Other Expenses	12,504.04	12,504.04	1,645.98	10,858.06	
Revaluation	142,736.00	142,736.00	142,736.00	-	
Legal Services and Costs					
Other Expenses	30,917.61	30,917.61	1,516.17	29,401.44	
Engineering Services and Costs					
Other Expenses	7,818.25	7,818.25	2,785.00	5,033.25	

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
Insurance					
Employee Group Insurance	70,276.13	70,276.13	57,145.67	13,130.46	-
Other Insurance Premiums	51,114.10	51,114.10		51,114.10	
Health Benefit Waiver					
Salaries and Wages	2,125.00	2,125.00	2,125.00	-	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	600.00	600.00		600.00	
Other Expenses	20,212.93	20,212.93	503.85	19,709.08	
Zoning Board					
Salaries and Wages		-		-	
Other Expenses	14,671.06	14,671.06	934.63	13,736.43	
PUBLIC SAFETY					
Fire Department					
Other Expenses	17,522.30	17,522.30	16,699.69	822.61	
Police Department					
Salaries and Wages		-		-	
Other Expenses	12,524.09	12,524.09	10,795.35	1,728.74	
Office of Emergency Management					
Other Expenses	683.26	683.26		683.26	
Municipal Prosecutor					
Other Expenses	679.00	679.00		679.00	
Uniform Construction Code Official					
Salaries and Wages	12,798.06	12,798.06		12,798.06	
Other Expenses	4,777.65	4,777.65	400.00	4,377.65	
Municipal Court					
Salaries and Wages		-		-	
Other Expenses	9,273.11	9,273.11	1,224.53	8,048.58	

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
PUBLIC WORKS					
Public Works					
Salaries and Wages		-		-	
Other Expenses	34,394.19	34,394.19	10,170.10	24,224.09	
Solid Waste Collection					
Salaries and Wages	23,151.25	23,151.25	8,348.56	14,802.69	
Other Expenses	18,284.10	18,284.10	10,239.51	8,044.59	
Public Building and Grounds					
Other Expenses	9,974.86	9,974.86	5,975.73	3,999.13	
NATURAL RESOURCES					
Natural Resources Committee					
Salaries and Wages	25,000.00	25,000.00		25,000.00	
Other Expenses	29,250.96	29,250.96	9,965.95	19,285.01	
Animal Control					
Other Expenses	1,470.02	1,470.02		1,470.02	
HEALTH AND HUMAN SERVICES					
Safety Compliance					
Other Expenses	14,820.14	14,820.14	117.40	14,702.74	
RECREATION AND EDUCATION					
Docks, Bulkheads and Seawall					
Salaries and Wages	379.90	379.90		379.90	
Beach Patrol					
Salaries and Wages	23,828.72	23,828.72		23,828.72	
Other Expenses	4,411.67	4,411.67		4,411.67	
Parks and Playgrounds					
Salaries and Wages	23,605.93	23,605.93		23,605.93	
Other Expenses	2,711.28	2,711.28	223.00	2,488.28	
Tourism					
Other Expenses	24,290.37	24,290.37	14,940.34	9,350.03	

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
STATE UNIFORM CONSTRUCTION CODE					
Construction Official					
Salaries and Wages	7,730.18	7,730.18		7,730.18	
Other Expenses	3,129.35	3,129.35	387.51	2,741.84	
UNCLASSIFIED					
Longevity Pay for Employees	0.24	0.24		0.24	
UTILITIES					
Electricity	6,943.78	6,943.78	6,943.78	-	
Telephone	60,802.32	60,802.32	2,390.25	58,412.07	
Street Lighting	15,801.71	15,801.71	11,882.57	3,919.14	
Gasoline	3,293.31	3,293.31	2,885.56	407.75	
Natural Gas	28,373.82	28,373.82	1,645.93	26,727.89	
Contingent	4,525.00	4,525.00	3,600.00	925.00	
STATUTORY EXPENDITURES					
Contribution to					
Defined Contribution Retirement Plan	1,241.17	1,241.17		1,241.17	
Social Security	9,300.95	9,300.95		9,300.95	
Unemployment Compensation Insurance	2,319.97	2,319.97		2,319.97	
INTERLOCAL AGREEMENTS					
Borough of Avalon					
Financial Administration-CFO	710.28	710.28		710.28	

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
CAPITAL IMPROVEMENTS					
Recreation Improvements	5,003.84	5,003.84		5,003.84	
Police-Breath Test Equipment	20,000.00	20,000.00		20,000.00	
Fire Department-Radios	10,568.80	10,568.80		10,568.80	
All Other Accounts - No Change	-	-		-	
	<u>\$ 867,517.68</u>	<u>867,517.68</u>	<u>342,741.75</u>	<u>524,775.93</u>	<u>-</u>
Transfer to Accounts Payable			43,218.00		
Cash Disbursements			<u>299,523.75</u>		
			<u>342,741.75</u>		

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX

Balance December 31, 2016			
School Tax Payable	\$	300,419.65	
School Tax Deferred		<u>921,837.60</u>	
			1,222,257.25
Increased by:			
Levy - School Year July 1, 2017 to June 30, 2018			<u>2,493,406.00</u>
			3,715,663.25
Decreased by:			
Payments			<u>2,468,962.00</u>
Balance December 31, 2017			
School Tax Payable		324,863.65	
School Tax Deferred		<u>921,837.60</u>	
			<u>1,246,701.25</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			2,468,962.00
Tax Payable Ending			<u>324,863.65</u>
			2,793,825.65
Less: Tax Payable Beginning			<u>300,419.65</u>
Amount Charged to Current Year Operations	\$		<u><u>2,493,406.00</u></u>

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2016	<u>Transferred</u> From 2017 Revenues	<u>Received</u>	<u>Cancelled</u>	<u>Balance</u> Dec. 31, 2017
FEDERAL GRANTS:					
CDBG - Disaster Recovery					
Flood Mitigation Grant		2,703,804.00			2,703,804.00
Cops in Shops	2,000.00				2,000.00
Total Federal	<u>2,000.00</u>	<u>2,703,804.00</u>	<u>-</u>	<u>-</u>	<u>2,705,804.00</u>
STATE GRANTS:					
DOT - Reconstruction of 95th Street	179,000.00	158,000.00			337,000.00
DOT - Dump Station Grant		3,025.00			3,025.00
Clean Communities		15,237.40	15,237.40		-
NJ Cooperative Marketing Grant	1,109.75				1,109.75
NJDOT - Relocation of Site 103	190,133.61			190,133.61	-
Hazard Mitigation Grant	75,000.00				75,000.00
Green Communities	3,000.00		3,000.00		-
Total State	<u>448,243.36</u>	<u>176,262.40</u>	<u>18,237.40</u>	<u>190,133.61</u>	<u>416,134.75</u>
LOCAL GRANTS:					
County of Cape May - Streetscape	8,140.00				8,140.00
CMC Tourism Grant		1,500.00	1,500.00		-
Stone Harbor Volunteer Fire Department Grant		1,000.00	1,000.00		-
Garden Club Grant - 96th Street		5,095.74	5,095.74		-
Stone Harbor Property Owners Association Grant		2,433.08	2,433.08		-
CMC Open Space Grant-Bikeway		195,000.00			195,000.00
Open Space-82nd St Rec Complex I	297,525.00				297,525.00
Open Space-82nd St Rec Complex II	302,475.00				302,475.00
AMCJIF Safety Grant		3,650.00	3,650.00		-
Open Space-Chelsea Park	645,525.00		600,000.00		45,525.00
Total Local	<u>1,253,665.00</u>	<u>208,678.82</u>	<u>613,678.82</u>	<u>-</u>	<u>848,665.00</u>
\$	<u><u>1,703,908.36</u></u>	<u><u>3,088,745.22</u></u>	<u><u>631,916.22</u></u>	<u><u>190,133.61</u></u>	<u><u>3,970,603.75</u></u>

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2016		2017	Disbursed	Cancelled	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances				
FEDERAL GRANTS:						
Police Body Armor Grant	\$ 3,284.47		3,757.64	6,447.00		595.11
CDBG - Disaster Recovery						
Flood Mitigation Grant			2,703,804.00			2,703,804.00
Cops in Shops	879.44					879.44
Total Federal	4,163.91	-	2,707,561.64	6,447.00	-	2,705,278.55
STATE GRANTS:						
Drunk Driving Enforcement Fund - 2012	241.29					241.29
Municipal Court Alcohol Grant - Revolving	759.26					759.26
Clean Communities Program	3,561.07		33,172.98	25,128.23		11,605.82
DOT - Dump Station Grant			3,025.00	3,025.00		-
Municipal Stormwater Grant - 2004	2,171.02					2,171.02
Municipal Stormwater Grant - 2005	6,822.00					6,822.00
NJ Tourism - Cooperative Marketing	109.12					109.12
Recycling Tonnage Grant - Revolving	10,342.49		6,032.91	12,341.22		4,034.18
NJDOT - Relocation of Site 103	154,653.60			(35,480.01)	(190,133.61)	-
ADA Improvements - 82nd St	83,090.26					83,090.26
Hazard Mitigation Grant	75,000.00					75,000.00
Green Communities	3,000.00			3,000.00		-
NJDOT - Reconstruction of 95th Street	179,000.00		158,000.00			337,000.00
Total State	518,750.11	-	200,230.89	8,014.44	(190,133.61)	520,832.95

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2016		2017	Disbursed	Cancelled	Balance Dec. 31, 2017
	Appropriated	Reserve for Encumbrances				
LOCAL GRANTS:						
Archival Museum - Revolving	1,257.10					1,257.10
Private Donation - Speed Sentry - Revolving	45.00					45.00
Feral Cat Management - Revolving	233.27					233.27
Cape May County MUA - Mini-Grant - Revolving	1,737.71					1,737.71
Shore Bird Stewardship - Revolving	9,721.21					9,721.21
County of Cape May - Streetscape - Revolving	2,202.06					2,202.06
CMC Tourism Grant			1,500.00	1,500.00		-
Stone Harbor Volunteer Fire Department Grant			1,000.00	1,000.00		-
Garden Club Grant - 96th Street			5,095.74	5,095.74		-
Stone Harbor Property Owners Association Grant			2,433.08	2,397.05		36.03
CMC Open Space Grant-Bikeway			195,000.00			195,000.00
AMCJIF Safety Grant	2,209.97		3,650.00	5,673.32		186.65
Comcast Technology Grant - Revolving	8,305.00			3,000.00		5,305.00
Donations - Parks	120.29					120.29
Donations - Hurricane Sandy	296.35					296.35
Open Space-82nd St Recreation Complex	27,684.42					27,684.42
Open Space-Chelsea Park	110,702.54			27,307.25		83,395.29
Total Local	<u>164,514.92</u>	<u>-</u>	<u>208,678.82</u>	<u>45,973.36</u>	<u>-</u>	<u>327,220.38</u>
\$	<u>687,428.94</u>	<u>-</u>	<u>3,116,471.35</u>	<u>60,434.80</u>	<u>(190,133.61)</u>	<u>3,553,331.88</u>
			Cash Disbursed	56,368.33		
			Encumbered	4,066.47		
				<u>60,434.80</u>		

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2016	<u>Transferred</u> To 2017 Appropriations	<u>Received</u>	<u>Balance</u> Dec. 31, 2017
STATE GRANTS:				
Recycling Tonnage Grant	\$ 6,032.91	6,032.91	12,852.39	12,852.39
Drunk Driving Enforcement			4,826.74	4,826.74
Police Body Armor Grant	3,757.64	3,757.64	1,865.87	1,865.87
Supplemental Fire Services Grant	1.00			1.00
Clean Communities	17,935.58	17,935.58		-
Grand Total	<u>\$ 27,727.13</u>	<u>27,726.13</u>	<u>19,545.00</u>	<u>19,546.00</u>

TRUST FUND
SCHEDULE OF CASH - TREASURER

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2016	\$ 600.58	1,738,931.96
Increased By:		
State Dog License Fees	77.40	
Municipal Dog License Fees	47.40	
Due to Current Fund	0.34	
Cat License Fees	16.50	
Due to Current Fund		50,000.00
Other Reserves		<u>600,141.49</u>
	<u>141.64</u>	<u>650,141.49</u>
	742.22	2,389,073.45

TRUST FUND
SCHEDULE OF CASH - TREASURER

B-1
Sheet 2

	<u>Animal Control</u>	<u>Other</u>
Decreased By:		
Paid to State of NJ	42.60	
Other Reserves		<u>213,039.58</u>
	<u>42.60</u>	<u>213,039.58</u>
Balance December 31, 2017	\$ <u><u>699.62</u></u>	<u><u>2,176,033.87</u></u>

Analysis of December 31, 2017 Balance

Trust - Other	\$	272,102.73
COAH		1,781,088.06
Public Defender		1,804.06
Police Forfeiture Fund		3,503.03
Preservation Trust Account		114,318.22
Parking Offense Adjudication Account		<u>3,217.77</u>
	\$	<u><u>2,176,033.87</u></u>

See Accompanying Auditor's Report

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL
FUND EXPENDITURES

Balance December 31, 2016	\$	634.50
Increased by:		
Dog License Fees Collected	47.40	
Cat License Fees Collected	16.50	
	<hr/>	<hr/>
		63.90
		698.40
Decreased by:		
Statutory Excess Due to Current Fund	213.07	
Expenditures under N.J.S.A. 4:19-15.11:		
Cash		
	<hr/>	<hr/>
		213.07
Balance December 31, 2017	\$	<hr/> <hr/> 485.33

License Fees Collected

<u>Year</u>	<u>Amount</u>
2016	142.40
2015	342.93
	<hr/>
	<hr/> <hr/> 485.33

See Accompanying Auditor's Report

TRUST FUND
SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY
ANIMAL CONTROL FUND

Balance December 31, 2016	\$		(34.80)
Increased By:			
Collected in 2017		<u>77.40</u>	<u>77.40</u>
			42.60
Decreased By:			
Payments		<u>42.60</u>	<u>42.60</u>
Balance December 31, 2017	\$		<u><u>-</u></u>

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2016		\$ 2,083,200.67
Increased by:		
Budget Appropriations:		
Capital Improvement Fund	210,000.00	
Bond Anticipation Notes Issued	10,272,650.00	
Due from NJ Environmental Infrastructure Trust	283,452.07	
Due from Grant Fund	592,754.64	
Reserve for NJEIT Loan - NJ DOT Grant	67,027.12	
	<hr/>	<hr/>
		11,425,883.83
		13,509,084.50
Decreased by:		
Improvement Authorizations	1,320,810.78	
Encumbrances Payable	9,289,003.07	
Utility Capital Interfund	93,711.32	
Anticipated as a Revenue in Current Fund Budget;		
Reserve for Payment of Bonds	65,842.00	
	<hr/>	<hr/>
		10,769,367.17
Balance December 31, 2017		\$ <u><u>2,739,717.33</u></u>

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2016	Receipts		Disbursements		Transfers		Balance Dec. 31, 2017
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
\$								
Fund Balance	119.76							119.76
Capital Improvement Fund	75,100.00	210,000.00				192,864.00		92,236.00
Contracts Payable	9,289,003.07				9,289,003.07		6,069,281.36	6,069,281.36
Reserve for Payment of Bonds	359,308.43				65,842.00			293,466.43
Reserve for Payment of NJEIT Loan	193,366.00	67,027.12						260,393.12
Reserve for Preliminary Expenses	8,830.46							8,830.46
Reserve for Arbitrage Liability	1,699.33							1,699.33
Due from NJ Environmental Infrastructure Trust	(734,096.33)	283,452.07			93,711.32			(450,644.26)
Due from Water and Sewer Capital Fund	(0.01)							(93,711.33)
Due from Grant Fund	(988,752.29)	592,754.64						(395,997.65)
Improvement Authorizations:								
1208 Improve Lagoons and Basins	150.00			(1,255.53)				150.00
1228 Various Improvements	407.18			(22,791.25)		507.53		1,155.18
1249 Various Improvements	30,603.00			(7,464.50)				53,394.25
1293 Various Improvements	-			(63,720.09)		6,000.00		7,464.50
1308 Various Improvements	755.83			(3,693.20)		425.35		58,475.92
1332 Various Improvements	12,794.94			(10,141.34)				16,062.79
1356 Various Improvements	(230,231.68)			51,895.05		148,301.08		(220,090.34)
1390 Various Improvements	97,110.64			(125,285.35)		119,962.84		(103,085.49)
1398 Various Improvements	(595,011.68)			(4,392.27)		180,873.19		(589,689.17)
1417 Various Improvements	(67,208.15)			16.21				(243,689.07)
1436 Various Improvements	(514,699.63)			488,285.77				(514,715.84)
1449 Various Improvements	190,254.77		2,028,239.00	(25,493.73)		1,983,191.87		(298,031.00)
1455 Various Improvements	(1,556,790.02)							(1,486,249.16)
1463 Improvement of Recreational Facilities	2,303.00			(8,055.30)		1,523.13		8,835.17
1465 Improvement of Beach Property	(2,750,000.00)		2,750,000.00	(560,110.58)		560,110.58		-
1477 Various Improvements	30,116.37			(45,004.75)		64,256.42		10,864.70
1478 Various Improvements	(846,932.32)		880,000.00	(171,359.04)		570,516.28		(366,089.56)
1486 Beach and Bay Improvements	75,000.00		1,425,000.00	1,493,307.32		6,692.68		(0.00)
1495 Various Improvements			1,764,411.00	335,323.36		457,573.97	92,864.00	1,064,377.67
1499 Public Safety Building- Supp #1			1,425,000.00	750.00		1,499,250.00	75,000.00	-
1509 Public Safety Building- Supp #2				-		470,096.44	25,000.00	(445,096.44)
\$	2,083,200.67	1,153,233.83	10,272,650.00	1,320,810.78	9,448,556.39	6,262,145.36	6,262,145.36	2,739,717.33

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2016		\$ 75,100.00
Increased by:		
Current Fund Budget Appropriation	210,000.00	
Special Emergency Appropriation	<u> </u>	<u>210,000.00</u>
		285,100.00
Decreased by:		
Appropriation to Finance Improvement Authorization	192,864.00	
	<u> </u>	<u>192,864.00</u>
Balance December 31, 2017		\$ <u><u>92,236.00</u></u>

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2016		\$ 15,496,798.30
Increased by:		
None		
	<hr/>	<hr/>
		-
		15,496,798.30
Decreased by:		
Serial Bonds Paid by Operating Budget	2,635,000.00	
NJEIT Loans Paid by Operating Budget	243,186.51	
	<hr/>	<hr/>
		2,878,186.51
Balance December 31, 2017		\$ <u><u>12,618,611.79</u></u>

See Accompanying Auditor's Report

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

Ord #	Improvement Description	Analysis of Balance				Bond		Unexpended	
		Balance Dec. 31, 2016	2017 Authorizations	Other	Balance Dec. 31, 2017	Anticipation Notes	Expenditures	Improvement	Authorizations
		\$							
1356	Various Improvements:	230,231.68			230,231.68		220,090.34	10,141.34	
	d. Improve Streets and Locations								
1390	Improvement to Water and Sewerage System - General Capital Portion	117,418.37			117,418.37		103,085.49	14,332.88	
1398	Various Improvements	1,618,000.00		73,529.00	1,544,471.00	926,471.00	589,689.17	28,310.83	
1417	Various Improvements	999,000.00		80,906.00	918,094.00	669,094.00	243,689.07	5,310.93	
1436	Various Improvements	1,378,000.00		51,215.00	1,326,785.00	798,785.00	514,715.84	13,284.16	
1449	Various Improvements	298,031.00			298,031.00		298,031.00	-	
1455	Various Improvements	8,068,350.00			8,068,350.00	6,528,239.00	1,486,249.16	53,861.84	
1463	Improvement of Recreational Facilities	133,000.00			133,000.00	133,000.00		-	
1465	Improvement of Beach Property	4,750,000.00			4,750,000.00	4,750,000.00		-	
1478	Various Improvements	1,670,100.00			1,670,100.00	1,080,000.00	366,089.56	224,010.44	
1486	Beach and Bay Improvements	1,425,000.00			1,425,000.00	1,425,000.00		-	
1495	Various Improvements		1,764,411.00		1,764,411.00	1,764,411.00		-	
1499	Public Safety Building- Supp #1		1,425,000.00		1,425,000.00	1,425,000.00		-	
1509	Public Safety Building- Supp #2		475,000.00		475,000.00		445,096.44	29,903.56	
		<u>\$ 20,687,131.05</u>	<u>3,664,411.00</u>	<u>205,650.00</u>	<u>24,145,892.05</u>	<u>19,500,000.00</u>	<u>4,266,736.07</u>	<u>379,155.98</u>	
Less:									
Improvement Authorizations Unfunded									
Unexpended Proceeds of Bond									
Anticipation Notes Issued:									
	Ord. Number								
	1495						1,064,377.67		
	1463						8,835.17		
								1,073,212.84	
								<u>\$ 379,155.98</u>	

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2016		Authorizations		Paid or Charged	Balance December 31, 2017	
				Funded	Unfunded	Other Funding	Deferred Charges to Future Taxation		Funded	Unfunded
1208	Improve Lagoons and Basins	4/6/2004	300,000.00	\$ 150.00					150.00	
1228	Various Improvements: i. Improvement of Site 103	3/1/2005	4,059,000.00	407.18				(748.00)	1,155.18	
1249	Various Improvements: f. Funding Borough's Obligation for Affordable Housing	3/7/2006	2,450,000.00							
1293	Various Improvements c. Improve Beach Property	8/3/2007	3,300,000.00	30,603.00				(22,791.25)	53,394.25	
1308	Various Improvements b. Improve Borough Buildings and Property	4/1/2008	3,950,000	-				(7,464.50)	7,464.50	
1332	Various Improvements d. Purchase Equipment - Various Borough Departments	3/17/2009	2,900,000	755.83				(57,720.09)	58,475.92	
1356	Various Improvements a. Vehicular Equipment for Borough Departments	3/16/2010	2,400,000	12,794.94				(3,267.85)	16,062.79	
1390	Improvement to Water and Sewer System - General Capital Portion	10/18/2011	2,600,000	-				(10,141.34)		10,141.34
1398	Various Improvements	3/6/2012	1,700,000	97,110.64	117,418.37			200,196.13		14,332.88
1417	Various Improvements	3/19/2013	1,050,000		22,988.32			(5,322.51)		28,310.83
1436	Various Improvements				181,791.85			176,480.92		5,310.93
1449	Various Improvements			190,254.77	13,300.37			16.21		13,284.16
1455	Various Improvements	3/3/2015	8,493,000		298,031.00			488,285.77		-
1463	Improvement of Recreational Facilities				2,011,559.98			1,957,698.14		53,861.84
1477	Various Improvements	5/15/2015	140,000		2,303.00			(6,532.17)		8,835.17
1478	Various Improvements a. New Recycling/Trash Truck b. ADA Improvements/Flood Mitigation c. Purchase equipment/Flag Pole d. Beach and Bay Improvements e. Road Improvements	2/23/2016	1,758,000	30,116.37				19,251.67	10,864.70	
1486	Beach and Bay Improvements	11/9/2016	1,500,000	75,000.00	1,425,000.00			1,500,000.00		-
1495	Various Improvements	3/17/2017	1,857,275			92,864.00	1,764,411.00	792,897.33		1,064,377.67
1499	Public Safety Building- Supp #1	6/20/2017	1,500,000			75,000.00	1,425,000.00	1,500,000.00		-
1509	Public Safety Building- Supp #2		500,000			25,000.00	475,000.00	470,096.44		29,903.56
				\$ 437,192.73	4,695,560.57	192,864.00	3,664,411.00	7,390,092.14	147,567.34	1,452,368.82

See Accompanying Auditor's Report

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Date	Amount				
General Bonds of 2011	11/1/2011	12,750,000	11/01/18	1,075,000.00	3.000%	\$ 8,225,000.00	1,025,000.00	7,200,000.00
			11/01/19	1,125,000.00	3.000%			
			11/01/20	1,175,000.00	3.000%			
			11/01/21	1,225,000.00	3.000%			
			11/01/22	1,275,000.00	3.000%			
			11/01/23	1,325,000.00	3.125%			
General Refunding Bonds of 2016	3/31/2016	3,220,000	8/15/2018	1,610,000.00	4.000%	3,220,000.00	1,610,000.00	1,610,000.00
					\$	11,445,000.00	2,635,000.00	8,810,000.00

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds				Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Balance December 31, 2017	Outstanding	Amount	Date				
NJEIT 2010B Trust Loan CW - General Capital Portion	12/2/2010	1,013,511			64,883.89	2018	Var.	\$ 966,645.29	64,883.90	901,761.39
					68,822.31	2019				
					68,822.31	2020				
					68,822.31	2021				
					72,760.74	2022				
					72,760.74	2023				
					76,699.16	2024				
					80,637.59	2025				
					80,637.59	2026				
					65,747.19	2027				
					59,076.38	2028				
					59,076.38	2029				
					63,014.80	2030				
NJEIT 2010B Fund Loan CW - General Capital Portion	12/2/2010	358,462			14,719.03	2018	0.000%	161,909.33	14,719.03	147,190.30
					14,719.03	2019				
					14,719.03	2020				
					14,719.03	2021				
					14,719.03	2022				
					14,719.03	2023				
					14,719.03	2024				
					14,719.03	2025				
					14,719.03	2026				
					14,719.03	2027				

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds				Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Balance	Outstanding	Amount					
			Date	December 31, 2017						
NJEIT Spring 2012ABC Trust Loan DW-General Capital	5/3/2012	141,786	2018	9,482.35		Var.				
			2019	9,482.35						
			2020	9,482.35						
			2021	9,482.35						
			2022	9,482.35						
			2023	9,482.35						
			2024	9,482.35						
			2025	9,482.35						
			2026	9,482.35						
			2027	9,482.35						
			2028	9,482.35						
			2029	10,507.59						
			2030	5,144.03						
			2031	5,144.03						
								133,555.04	8,453.54	125,101.50
NJEIT Spring 2012ABC Trust Loan DW-General Capital	5/3/2012	105,536	2018	3,197.96		0.000%				
			2019	3,197.96						
			2020	3,197.96						
			2021	3,197.96						
			2022	3,197.96						
			2023	3,197.96						
			2024	3,197.96						
			2025	3,197.96						
			2026	3,197.96						
			2027	3,197.96						
			2028	3,197.96						
			2029	3,197.96						
								41,573.48	3,197.96	38,375.52

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds						
			Outstanding		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017	
			Balance December 31, 2017	Amount					
	Date								
NJEIT 2012A Trust Loan CW-General Capital	5/3/2012	1,070,575	2018	61,114.60	Var.	988,330.86	58,373.14	929,957.72	
			2019	61,114.60					
			2020	63,856.05					
			2021	66,597.51					
			2022	66,597.51					
			2023	69,338.97					
			2024	72,080.43					
			2025	72,080.43					
			2026	74,821.89					
			2027	77,563.35					
			2028	80,304.81					
			2029	52,087.73					
			2030	54,829.19					
		2031	57,570.65						
NJEIT 2012A Fund Loan CW-General Capital	5/3/2012	493,799	2018	14,108.54	0.000%	181,343.79	14,108.54	167,235.25	
			2019	14,108.54					
			2020	14,108.54					
			2021	14,108.54					
			2022	14,108.54					
			2023	14,108.54					
			2024	14,108.54					
			2025	14,108.54					
			2026	14,108.54					
			2027	14,108.54					
			2028	14,108.54					
			2029	12,041.31					

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds				Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Balance	Outstanding	Amount					
			Date	December 31, 2017						
NJEIT 2015 Trust Loan CW-Water/Sewer	5/21/2015	346,667	2018	19,034.00		0.000%				
			2019	19,034.00						
			2020	19,034.00						
			2021	19,034.00						
			2022	19,034.00						
			2023	19,034.00						
			2024	19,034.00						
			2025	19,034.00						
			2026	19,034.00						
			2027	19,034.00						
			2028	19,034.00						
			2029	19,034.00						
			2030	19,034.00						
			2031	19,034.00						
			2032	19,034.00						
			2033	19,034.00						
			2034	19,034.00						
NJEIT 2015 Fund Loan CW-Water/Sewer	5/21/2015	1,123,006	2018	51,401.33		Var				
			2019	51,401.33						
			2020	53,068.00						
			2021	53,068.00						
			2022	53,068.00						
			2023	54,734.67						
			2024	54,734.67						
			2025	56,401.33						
			2026	56,401.33						
			2027	58,068.00						
			2028	58,068.00						
			2029	59,734.67						
			2030	59,734.67						
			2031	61,401.33						
			2032	61,401.33						
			2033	63,068.00						
			2034	64,734.67						
								1,020,224.00	49,734.67	970,489.33

See Accompanying Auditor's Report

GENERAL CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds				Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Outstanding		Amount	Date				
			Balance December 31, 2017							
NJEIT 2015 Trust Loan DW-Water/Sewer	5/21/2015	163,181			7,676.71	2018	Var.	161,514.15	7,676.71	153,837.44
					7,676.71	2019				
					7,676.71	2020				
					7,676.71	2021				
					9,343.38	2022				
					9,343.38	2023				
					9,343.38	2024				
					9,343.38	2025				
					9,343.38	2026				
					9,343.38	2027				
					9,343.38	2028				
					9,343.38	2029				
					9,343.38	2030				
					9,343.38	2031				
					9,343.38	2032				
					9,343.38	2033				
					11,010.04	2034				
NJEIT 2015 Fund Loan DW-Water/Sewer	5/21/2015	69,115			3,005.02	2018	0.000%	54,090.36	3,005.02	51,085.34
					3,005.02	2019				
					3,005.02	2020				
					3,005.02	2021				
					3,005.02	2022				
					3,005.02	2023				
					3,005.02	2024				
					3,005.02	2025				
					3,005.02	2026				
					3,005.02	2027				
					3,005.02	2028				
					3,005.02	2029				
					3,005.02	2030				
					3,005.02	2031				
					3,005.02	2032				
					3,005.02	2033				
					3,005.02	2034				
								\$ 4,051,798.30	243,186.51	3,808,611.79

See Accompanying Auditor's Report

**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, 2016	Increased	Decreased	Balance Dec. 31, 2017
Various Improvements	1398	11/7/2014 11/7/2014	11/3/2016 11/2/2017	11/3/2017 11/2/2018	0.970% 2.500%	\$ 1,000,000.00	926,471.00	1,000,000.00	- 926,471.00
Various Improvements	1417	11/7/2014 11/7/2014	11/3/2016 11/2/2017	11/3/2017 11/2/2018	0.970% 2.500%	750,000.00	669,094.00	750,000.00	- 669,094.00
Various Improvements	1436	11/7/2014 11/7/2014	11/3/2016 11/2/2017	11/3/2017 11/2/2018	0.970% 2.500%	850,000.00	798,785.00	850,000.00	- 798,785.00
Various Improvements	1455	11/5/2015 11/5/2015	11/3/2016 11/2/2017	11/3/2017 11/2/2018	0.970% 2.500%	4,500,000.00	6,528,239.00	4,500,000.00	- 6,528,239.00
Improvement of Recreational Facilities	1463	11/3/2016 11/3/2016	11/3/2016 11/2/2017	11/3/2017 11/2/2018	0.970% 2.500%	133,000.00	133,000.00	133,000.00	- 133,000.00
Improvement of Beach Property	1465	11/3/2016 11/3/2016	11/3/2016 11/2/2017	11/3/2017 11/2/2018	0.970% 2.500%	2,000,000.00	4,750,000.00	2,000,000.00	- 4,750,000.00
Various Improvements	1478	11/3/2016 11/3/2016	11/3/2016 11/2/2017	11/3/2017 11/2/2018	0.970% 2.500%	200,000.00	1,080,000.00	200,000.00	- 1,080,000.00
Beach and Bay Improvements	1486	11/3/2016	11/2/2017	11/2/2018	2.500%	1,425,000.00	1,425,000.00		1,425,000.00
Various Improvements	1495	11/3/2016	11/2/2017	11/2/2018	2.500%	1,764,411.00	1,764,411.00		1,764,411.00
Public Safety Building- Supp #1	1499	11/3/2016	11/2/2017	11/2/2018	2.500%	1,425,000.00	1,425,000.00		1,425,000.00
						<u>\$ 9,433,000.00</u>	<u>19,500,000.00</u>	<u>9,433,000.00</u>	<u>19,500,000.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Balance Dec. 31, 2017
1356	Various Improvements: d. Improve Streets and Locations	\$ 230,231.68			230,231.68
1390	Improvement of Water and Sewerage System - General Capital Portion	117,418.37			117,418.37
1398	Various Improvements:	618,000.00			618,000.00
1417	Various Improvements	249,000.00			249,000.00
1436	Various Improvements	528,000.00			528,000.00
1449	Various Improvements	298,031.00			298,031.00
1455	Various Improvements	3,568,350.00		2,028,239.00	1,540,111.00
1465	Improvement of Beach Property	2,750,000.00		2,750,000.00	-
1478	Various Improvements	1,470,100.00		880,000.00	590,100.00
1486	Beach and Bay Improvements	1,425,000.00		1,425,000.00	-
1495	Various Improvements		1,764,411.00	1,764,411.00	-
1499	Public Safety Building- Supp #1		1,425,000.00	1,425,000.00	-
1509	Public Safety Building- Supp #2		475,000.00		475,000.00
		<u>\$ 11,254,131.05</u>	<u>3,664,411.00</u>	<u>10,272,650.00</u>	<u>4,645,892.05</u>

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2016	\$ 1,130,273.33	1,231,597.91
Increased by Receipts:		
Collector	3,975,912.21	
Due to General Capital		93,711.32
NJFIT Loan Receipts		734,811.93
FEMA Grant		75,000.00
Bond Anticipation Notes		5,652,500.00
Budget Appropriation		20,000.00
	<u>3,975,912.21</u>	<u>6,576,023.25</u>
	5,106,185.54	7,807,621.16
Decreased by Disbursements:		
Current Year Appropriation	3,365,432.89	
Prior Year Appropriations	47,198.14	
Accrued Interest on Bonds and Notes	238,824.51	
Improvement Authorizations		3,322,608.48
	<u>3,651,455.54</u>	<u>3,322,608.48</u>
Balance December 31, 2017	\$ <u>1,454,730.00</u>	<u>4,485,012.68</u>

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2016	Receipts		Improvement Authorizations	Disbursements		Transfers	Balance Dec. 31, 2017
		Miscellaneous	Debt Issued		Miscellaneous	From	To	
\$	34,616.39							34,616.39
Fund Balance	24,575.77	20,000.00						44,575.77
Capital Improvement Fund	2,571,824.21					2,591,330.64	701,372.57	681,866.14
Encumbrances Payable	60,000.00							60,000.00
Reserve for Payment of Bonds	71,505.06							71,505.06
Reserve for Insurance Reimbursement	0.01	93,711.32						93,711.33
Due to General Capital Fund	(1,952,176.10)	734,811.93						(1,217,364.17)
Due from N.J. Environ. Infrastructure Trust								
Improvement Authorizations:								
1342 Improvement of the Water and Sewerage System	(77,126.64)						26,658.72	(50,467.92)
1370 Various Improvements that include the Purchase and Installation of a New Generator at the 114th St. Pump Station and Installation of New Fire Hydrants	(567.00)							(567.00)
1391 Improvement of the Water and Sewerage System	(1,811.63)							(1,811.63)
1399 Various Improvements b. Water/Sewer Equipment	10.48						23,100.19	23,110.67
1418 Various Improvements that include a new South End well, the upgrade of the dewatering system, the removal of outfall pipes and the installation of new water and sewer mains	249,373.37			229,999.89		293,782.54	157,918.18	(116,490.88)
1437 Various Improvements a: Purchase Vehicles b: Purchase Equipment c: Upgrade Dewatering Equipment d: Purchase of Computer Equipment	(2,000.00) 31,848.22 95,665.84 (8,628.41)		16,000.00	113.78 10,397.35 24,345.62 6,509.78			545.00 4,022.53	(1,568.78) 21,450.87 70,801.62 861.81
1450 Improvement of Water and Sewerage System	1,106,674.56			2,091,267.75		130,946.14	1,225,339.52	109,800.19
1456 Various Improvements	(302,177.19)	75,000.00	250,000.00	12,717.90		1,941.49	21,515.58	29,679.00
1479 Various Improvements a. Acquisition of new equipment b. Water/Sewer Improvements c. Acquisition of new computer equip	(9,945.36) (21,038.00) (849.00)		31,500.00 495,200.00 3,300.00	20,730.54 44,307.69 1,702.55			1,895.00 17,099.00	2,719.10 383,713.41 748.45
1480 Various Improvements	(638,176.67)		800,000.00	787,063.50		2,030.95	1,113,236.92	485,965.80
1492-17 Various Improvements			1,500,000.00	51,331.56		111,746.12		1,336,922.32
1496-17 Various Improvements			2,556,500.00	42,120.57		93,144.30		2,421,235.13
\$	1,231,597.91	923,523.25	5,652,500.00	3,322,608.48	-	3,292,703.21	3,292,703.21	4,485,012.68

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2016		\$ -
Increased by Receipts:		
Consumer Accounts Receivable:		
Water & Sewer Rents Collected	3,740,713.91	
Prepaid Rents	84,942.99	
Overpaid Rents	21,103.45	
Miscellaneous	906.90	
Premium on Sale of BANS	<u>128,244.96</u>	
		<u>3,975,912.21</u>
		3,975,912.21
Payments to Treasurer		<u>3,975,912.21</u>
Balance December 31, 2017		\$ <u><u>-</u></u>

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2016		\$ 84,549.12
Increased by Receipts:		
Water & Sewer Rents Rents Levied	3,835,078.88	
		<u>3,835,078.88</u>
		3,919,628.00
Decreased by Disbursements:		
Collections	3,740,713.91	
Prepayments & Overpayments Applied	95,506.94	
		<u>3,836,220.85</u>
Balance December 31, 2017		\$ <u><u>83,407.15</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2016		\$
Increased by Receipts:		
No Activity in 2017		
	<u> </u>	<u>-</u>
		-
Decreased by Disbursements:		
No Activity in 2017		
	<u> </u>	<u>-</u>
		-
Balance December 31, 2017		\$ <u><u>-</u></u>

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR**

	Balance Dec. 31, 2016	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	23,664.07	23,664.07	7,268.51	16,395.56	-
Other Expenses	124,548.91	124,548.91	39,929.63	84,619.28	-
Cape May County MUA	108,731.00	108,731.00		108,731.00	-
Interlocal Agreement - CFO	177.60	177.60		177.60	-
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	340.38	340.38		340.38	-
Unemployment	350.91	350.91		350.91	-
	<u>\$ 257,812.87</u>	<u>257,812.87</u>	<u>47,198.14</u>	<u>210,614.73</u>	<u>-</u>

Balance December 31, 2016		\$	86,276.57
Increased by:			
Budget Appropriations:			
Interest on Bonds	215,593.60		
Interest on NJEIT Loans	46,700.00		
			<u>262,293.60</u>
			348,570.17
Decreased By:			
Payments of Debt Service Interest			238,824.51
			<u>109,745.66</u>
Balance December 31, 2017		\$	109,745.66

Principal Outstanding December 31, 2017	Interest Rate	From	To	Days	Amount
<u>Serial Bonds and Loans</u>					
1,100,000.00	4.00%	8/16/2017	12/31/2017	137	16,423.33
975,000.00	Var.	11/10/2017	12/31/2017	52	4,225.00
463,470.58	0.00%	8/1/2017	12/31/2017	153	-
509,000.00	5.00%	8/1/2017	12/31/2017	153	10,816.25
1,098,576.61	0.00%	8/1/2017	12/31/2017	153	-
570,000.00	Var.	8/1/2017	12/31/2017	153	9,883.80
39,674.10	0.00%	8/1/2017	12/31/2017	153	-
243,063.40	Var.	8/1/2017	12/31/2017	153	3,534.99
137,776.16	0.00%	8/1/2017	12/31/2017	153	-
766,142.10	Var.	8/1/2017	12/31/2017	153	8,931.18
148,129.68	0.00%	8/1/2017	12/31/2017	153	-
482,891.60	Var.	8/1/2017	12/31/2017	153	3,283.66
647,156.00	0.00%	8/1/2017	12/31/2017	153	-
1,940,978.67	Var.	8/1/2017	12/31/2017	153	12,076.77
102,170.68	0.00%	8/1/2017	12/31/2017	153	-
307,674.77	Var.	8/1/2017	12/31/2017	153	1,930.04
9,675,000.00	2.50%	11/3/2017	12/31/2017	59	38,640.63
<u>19,206,704.35</u>					<u>109,745.66</u>

92

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

Ord #	Improvement Description	Amount	Authorizations			Prior Encumbrances Cancelled	Paid or Charged	Balance December 31, 2017	
			Balance December 31, 2016	Other Funding	Deferred Charges to Future Revenue			Funded	Unfunded
			Funded						
1342	Improvement of the Water and Sewerage System	3,000,000 \$	138.68			(26,658.72)			26,797.40
1399	Various Improvements b. Water/Sewer Equipment	750,000	10.48			(23,100.19)			23,110.67
1418	Various Improvements that include a new South End well, the upgrade of the dewatering system, the removal of outfall pipes and the installation of new water and sewer mains	1,650,000	372,873.37			(157,918.18)	523,782.43		7,009.12
1437	Various Improvements a: Purchase Vehicles b: Various Equipment c: Upgrade Dewatering System d: Purchase of Computer Equipment	242,000 120,000 242,000 16,000	31,848.22 97,665.84 7,371.59			(545.00) (4,022.53)	113.78 10,397.35 28,886.75 6,509.78		431.22 21,450.87 72,801.62 861.81
1450	Improvement of Water and Sewerage System	4,000,000	1,106,674.56			(1,225,339.52)	2,222,213.89		109,800.19
1456	Various Improvements	366,000	44,822.81			(21,515.58)	14,659.39		51,679.00
1479	Various Improvements a. Acquisition of new equipment b. Water/Sewer Improvements c. Acquisition of new computer equip	31,500.00 518,200.00 3,300.00	21,554.64 497,162.00 2,451.00			(1,895.00) (17,099.00)	20,730.54 107,547.59 1,702.55		2,719.10 406,713.41 748.45
1480	Various Improvements	1,300,000.00	161,823.33			(1,113,236.92)	789,094.45		485,965.80
1492-17	Various Improvements	1,500,000.00			1,500,000.00		163,077.68		1,336,922.32
1496-17	Various Improvements	3,310,000.00			3,310,000.00		135,264.87		3,174,735.13
		\$	-	-	4,810,000.00	(2,591,330.64)	4,023,981.05	-	5,721,746.11
			2,344,396.52						

See Accompanying Auditor's Report

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Date	Amount				
Water & Sewer Utility Bonds of 2011	11/1/2011	1,620,000	11/01/18	140,000.00	3.000% \$	1,105,000.00	130,000.00	975,000.00
			11/01/19	150,000.00	3.000%			
			11/01/20	160,000.00	3.000%			
			11/01/21	170,000.00	3.000%			
			11/01/22	175,000.00	3.000%			
			11/01/23	180,000.00	3.125%			
Refunding Bond of 2006 Bonds	3/10/2016	1,445,000	08/15/18	360,000.00	4.000%	1,445,000.00	345,000.00	1,100,000.00
			08/15/19	375,000.00	4.000%			
			08/15/20	365,000.00	4.000%			
					\$	<u>2,550,000.00</u>	<u>475,000.00</u>	<u>2,075,000.00</u>

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Amount of		Maturities of Bonds		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
	Date of Issue	Original Issue	Outstanding					
			Date	Amount				
NJEIT 2007A Trust Loan	11/8/2007	920,000.00	2018	44,000.00	5.00%	\$ 548,000.00	39,000.00	509,000.00
			2019	42,000.00	5.00%			
			2020	44,000.00	5.00%			
			2021	48,000.00	5.00%			
			2022	48,000.00	5.00%			
			2023	53,000.00	5.00%			
			2024	53,000.00	5.00%			
			2025	53,000.00	5.00%			
			2026	62,000.00	5.00%			
			2027	62,000.00	5.00%			
NJEIT 2007A Fund Loan	11/8/2007	901,733.00	2018	48,205.37		509,912.08	46,441.50	463,470.58
			2019	46,621.42				
			2020	45,354.25				
			2021	47,275.50				
			2022	45,532.13				
			2023	46,977.16				
			2024	45,359.78				
			2025	43,647.28				
			2026	48,209.07				
			2027	46,288.62				

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds			Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Outstanding December 31, 2017						
			Date	Amount					
NJEIT 2010A Trust Loan DW & CW	3/10/2010	707,506.00	2018	40,000.00	Var.	605,000.00	35,000.00	570,000.00	
			2019	40,000.00					
			2020	45,000.00					
			2021	45,000.00					
			2022	45,000.00					
			2023	45,000.00					
			2024	50,000.00					
			2025	50,000.00					
			2026	50,000.00					
			2027	50,000.00					
			2028	55,000.00					
			2029	55,000.00					
NJEIT 2010A Fund Loan DW & CW	3/10/2010	2,023,865.00	2018	120,689.79	0.000%	1,219,266.40	120,689.79	1,098,576.61	
			2019	120,689.79					
			2020	120,689.79					
			2021	120,689.79					
			2022	120,689.79					
			2023	120,689.79					
			2024	120,689.79					
			2025	120,689.79					
			2026	61,694.29					
			2027	23,787.96					
			2028	23,787.96					
			2029	23,788.08					

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds			Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Date	Outstanding December 31, 2017 Amount					
NJEIT 2010B Trust Loan CW - Water/Sewer Portion 21.2314924%	12/2/2010	273,203.37	2018	17,488.99		Var.	260,552.39	17,488.99	243,063.40
			2019	18,550.57					
			2020	18,550.57					
			2021	18,550.57					
			2022	19,612.14					
			2023	19,612.14					
			2024	20,673.72					
			2025	21,735.29					
			2026	21,735.29					
			2027	17,721.69					
			2028	15,923.62					
			2029	15,923.62					
			2030	16,985.19					
NJEIT 2010B Fund Loan CW - Water/Sewer Portion 21.2314924%	12/2/2010	111,087.48	2018	3,967.41		0.00%	43,641.51	3,967.41	39,674.10
			2019	3,967.41					
			2020	3,967.41					
			2021	3,967.41					
			2022	3,967.41					
			2023	3,967.41					
			2024	3,967.41					
			2025	3,967.41					
			2026	3,967.41					
			2027	3,967.41					

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds				Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Outstanding							
			Date	Amount						
NJEIT Spring 2012ABC Trust Loan DW-Water/Sewer 79.4238650%	5/3/2012	728,304.13	2018	36,601.85	Var.	515,522.26	32,630.66	482,891.60		
			2019	36,601.85						
			2020	36,601.85						
			2021	36,601.85						
			2022	36,601.85						
			2023	36,601.85						
			2024	36,601.85						
			2025	36,601.85						
			2026	36,601.85						
			2027	36,601.85						
			2028	36,601.85						
			2029	40,559.31						
			2030	19,855.97						
			2031	19,855.97						
NJEIT Spring 2012ABC Trust Loan DW-Water/Sewer 79.4238650%	5/3/2012	226,358.02	2018	12,344.14	0.000%	160,473.82	12,344.14	148,129.68		
			2019	12,344.14						
			2020	12,344.14						
			2021	12,344.14						
			2022	12,344.14						
			2023	12,344.14						
			2024	12,344.14						
			2025	12,344.14						
			2026	12,344.14						
			2027	12,344.14						
			2028	12,344.14						
			2029	12,344.14						

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds			Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Date	Outstanding December 31, 2017 Amount					
NJEIT 2012A Trust Loan CW-Water/Sewer 45.1708140%	5/3/2012	906,832.75	2018	50,349.02		Var.	814,232.58	48,090.48	766,142.10
			2019	50,349.02					
			2020	52,607.57					
			2021	54,866.11					
			2022	54,866.11					
			2023	57,124.65					
			2024	59,383.19					
			2025	59,383.19					
			2026	61,641.73					
			2027	63,900.27					
			2028	66,158.81					
			2029	42,912.27					
			2030	45,170.81					
			2031	47,429.35					
NJEIT 2012A Fund Loan CW-Water/Sewer 45.1708140%	5/3/2012	406,814.50	2018	11,623.27		0.000%	149,399.43	11,623.27	137,776.16
			2019	11,623.27					
			2020	11,623.27					
			2021	11,623.27					
			2022	11,623.27					
			2023	11,623.27					
			2024	11,623.27					
			2025	11,623.27					
			2026	11,623.27					
			2027	11,623.27					
			2028	11,623.27					
			2029	9,920.19					

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Date	Outstanding December 31, 2017 Amount				
NJEIT 2015 Trust Loan CW-Water/Sewer 66.6666667%	5/21/2015	2,063,781	2018	102,802.67	Var.	2,040,448.00	99,469.33	1,940,978.67
			2019	102,802.67				
			2020	106,136.00				
			2021	106,136.00				
			2022	106,136.00				
			2023	109,469.33				
			2024	109,469.33				
			2025	112,802.67				
			2026	112,802.67				
			2027	116,136.00				
			2028	116,136.00				
			2029	119,469.33				
			2030	119,469.33				
			2031	122,802.67				
			2032	122,802.67				
			2033	126,136.00				
			2034	129,469.33				

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds				Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Outstanding		Amount	Date				
			December 31, 2017							
NJEIT 2015 Fund Loan CW-Water/Sewer 66.6666600%	5/21/2015	1,522,720			38,068.00	2018	0.000%	685,224.00	38,068.00	647,156.00
					38,068.00	2019				
					38,068.00	2020				
					38,068.00	2021				
					38,068.00	2022				
					38,068.00	2023				
					38,068.00	2024				
					38,068.00	2025				
					38,068.00	2026				
					38,068.00	2027				
					38,068.00	2028				
					38,068.00	2029				
					38,068.00	2030				
					38,068.00	2031				
					38,068.00	2032				
					38,068.00	2033				
					38,068.00	2034				

See Accompanying Auditor's Report

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Date	Outstanding December 31, 2017 Amount				
NJEIT 2015 Trust Loan DW-Water/Sewer 66.66666667%	5/21/2015	326,362	2018	15,353.42	Var.	323,028.19	15,353.42	307,674.77
			2019	15,353.42				
			2020	15,353.42				
			2021	15,353.42				
			2022	18,686.75				
			2023	18,686.75				
			2024	18,686.75				
			2025	18,686.75				
			2026	18,686.75				
			2027	18,686.75				
			2028	18,686.75				
			2029	18,686.75				
			2030	18,686.75				
			2031	18,686.75				
			2032	18,686.75				
			2033	18,686.75				
			2034	22,020.09				

See Accompanying Auditor's Report

**WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds		Interest Rate	Balance Dec. 31, 2016	Decreased	Balance Dec. 31, 2017
			Outstanding					
			Date	Amount				
NJEIT 2015 Fund Loan DW-Water/Sewer 66.6666667%	5/21/2015	354,593	2018	6,010.04	0.000%	108,180.72	6,010.04	102,170.68
			2019	6,010.04				
			2020	6,010.04				
			2021	6,010.04				
			2022	6,010.04				
			2023	6,010.04				
			2024	6,010.04				
			2025	6,010.04				
			2026	6,010.04				
			2027	6,010.04				
			2028	6,010.04				
			2029	6,010.04				
			2030	6,010.04				
			2031	6,010.04				
			2032	6,010.04				
			2033	6,010.04				
			2034	6,010.04				
						\$ 7,982,881.38	526,177.03	7,456,704.35

**WATER AND SEWER UTILITY 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, 2016	Increased	Decreased	Balance Dec. 31, 2017
Improvement of the Water and Sewerage System	1342	11/5/2015	11/3/2016	11/3/2017	0.970% \$	148,827.00	148,827.00	148,827.00	-
Improvement of the Water and Sewerage System	1391	11/5/2015	11/2/2017	11/2/2018	2.500%	498,480.00	498,480.00	498,480.00	-
Various Improvements	1399	11/5/2015	11/2/2017	11/2/2018	2.500%				498,480.00
a. Water Tower Rehabilitation		11/5/2015	11/3/2016	11/3/2017	0.970%	539,000.00		539,000.00	-
b. Water/Sewer Equipment		11/5/2015	11/3/2016	11/3/2017	0.970%	97,000.00		97,000.00	-
c. Wells Reconstruction		11/3/2016	11/3/2016	11/3/2017	0.970%	61,500.00		61,500.00	-
a. Water Tower Rehabilitation		11/5/2015	11/2/2017	11/2/2018	2.500%		539,000.00		539,000.00
b. Water/Sewer Equipment		11/5/2015	11/2/2017	11/2/2018	2.500%		97,000.00		97,000.00
c. Wells Reconstruction		11/5/2015	11/2/2017	11/2/2018	2.500%		61,500.00		61,500.00
Various Improvements that include a new South End well, the upgrade of the dewatering system, the removal of outfall pipes and the installation of new water and sewer mains	1418	11/5/2015	11/3/2016	11/3/2017	0.970%	1,500,000.00	1,500,000.00	1,500,000.00	-
		11/5/2015	11/2/2017	11/2/2018	2.500%				1,500,000.00
Various Improvements	1437	11/5/2015	11/3/2016	11/3/2017	0.970%	240,000.00		240,000.00	-
a. Purchase Vehicles		11/5/2015	11/3/2016	11/3/2017	0.970%	120,000.00		120,000.00	-
b. Various Equipment		11/5/2015	11/3/2016	11/3/2017	0.970%	240,000.00		240,000.00	-
c. Upgrade Dewatering System		11/5/2015	11/2/2017	11/2/2018	2.500%		240,000.00		240,000.00
a. Purchase Vehicles		11/5/2015	11/2/2017	11/2/2018	2.500%		120,000.00		120,000.00
b. Various Equipment		11/5/2015	11/2/2017	11/2/2018	2.500%		240,000.00		240,000.00
c. Upgrade Dewatering System		11/5/2015	11/2/2017	11/2/2018	2.500%		16,000.00		16,000.00
d. Purchase of Computer Equipment		11/5/2015	11/2/2017	11/2/2018	2.500%				
Various Improvements	1450	11/3/2016	11/3/2016	11/3/2017	0.970%	77,693.00		77,693.00	-
		11/5/2015	11/2/2017	11/2/2018	2.500%		77,693.00		77,693.00
Various Improvements	1480	11/3/2016	11/3/2016	11/3/2017	0.970%	500,000.00		500,000.00	-
		11/5/2015	11/2/2017	11/2/2018	2.500%		1,300,000.00		1,300,000.00
Various Improvements	1456	11/2/2017	11/2/2017	11/2/2018	2.500%		250,000.00		250,000.00
Various Improvements	1479	11/2/2017	11/2/2017	11/2/2018	2.500%		31,500.00		31,500.00
a. Acquisition of new equipment		11/2/2017	11/2/2017	11/2/2018	2.500%		495,200.00		495,200.00
b. Water/Sewer Improvements		11/2/2017	11/2/2017	11/2/2018	2.500%		3,300.00		3,300.00
c. Acquisition of new computer equip		11/2/2017	11/2/2017	11/2/2018	2.500%				
Various Improvements	1492-17	11/2/2017	11/2/2017	11/2/2018	2.500%		1,500,000.00		1,500,000.00
Various Improvements	1496-17	11/2/2017	11/2/2017	11/2/2018	2.500%		2,556,500.00		2,556,500.00
					\$	4,022,500.00	9,675,000.00	4,022,500.00	9,675,000.00

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2016	2017 Authorizations	Debt Issued	Grants Received	Balance Dec. 31, 2017
1342	Improvement of the Water and Sewerage System	\$ 77,265.32				77,265.32
1370	Various Improvements that include the Purchase and Installation of a New Generator at the 114th St. Pump Station and Installation of New Fire Hydrants	567.00				567.00
1391	Improvement of the Water and Sewerage System	1,811.63				1,811.63
1418	Various Improvements	123,500.00				123,500.00
1437	Various Improvements a: Purchase Vehicles c: Upgrade Dewatering System d: Purchase of Computer Equipment	2,000.00 2,000.00 16,000.00		16,000.00		2,000.00 2,000.00 -
1456	Various Improvements	347,000.00		250,000.00	75,000.00	22,000.00
1479	Various Improvements a. Acquisition of new equipment b. Water/Sewer Improvements c. Acquisition of new computer equip	31,500.00 518,200.00 3,300.00		31,500.00 495,200.00 3,300.00		- 23,000.00 -
1480	Various Improvements	800,000.00		800,000.00		-
1492-17	Various Improvements		1,500,000.00	1,500,000.00		-
1496-17	Various Improvements		3,310,000.00	2,556,500.00		753,500.00
		<u>\$ 1,923,143.95</u>	<u>4,810,000.00</u>	<u>5,652,500.00</u>	<u>75,000.00</u>	<u>1,005,643.95</u>

See Accompanying Auditor's Report

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

BOROUGH OF STONE HARBOR

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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 awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law". Due to the Borough having a Qualified Purchasing Agent, pursuant to N.J.S.A. 40A:11-3(a), the maximum bid threshold is \$40,000.

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

Our examination of expenditures did not reveal any payments in excess of the bid threshold for the provision or performance of any goods or services, other than those where bids has been previously sought by public advertisement, awarded under state or county cooperative purchasing agreements, or awarded in compliance with other provisions of the "Local Public Contracts Law," N.J.S.A. 40A:11.

The minutes indicated that bids were sought by public advertising for the following items:

Reconstruction of Golden Gate Road
Resurfacing of First Avenue, 105th Street and 107th Street

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.

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 adopted the following resolution authorizing interest to be charged on delinquent taxes:

BE IT RESOLVED by the Mayor and Council of the Borough of Stone Harbor, County of Cape May and State of New Jersey, in accordance with Chapter 75, New Jersey Laws of 1991, and N.J.S.A. 54:4-67, 54:5-32, 54:5-34 and 54:5-35, which authorizes the Governing Body inter alia to fix the rate of interest to be charged, in the Borough of Stone Harbor, for the nonpayment of taxes, assessments and municipal charges, said rate of interest shall be and is hereby fixed at 8 per cent per annum on the first \$1,500 of delinquency and 18 per cent per annum on any amount in excess of \$1,500 to be calculated from the date when the taxes, assessments and charges become delinquent.

BE IT FURTHER RESOLVED by the Borough Council of the Borough of Stone Harbor, in accordance with N.J.S.A. 54:4-67, Chapter 75, New Jersey Laws of 1991, and Chapter 32, New Jersey Laws of 1994, which permits a 6 per cent penalty on taxes and municipal charges greater than \$10,000 as of the close of the fiscal year, that said end-of-year penalty shall be fixed for the Year 2017.

It appears from an examination of the collector's records that interest was charged in accordance with the forgoing resolution.

Delinquent Taxes and Tax Title Liens

The Tax sale was held on September 13, 2017 and was complete.

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>
2017	1
2016	-
2015	-

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 2017 and 2018 Taxes	5
Delinquent Taxes	5
Payment of Utility Charges	5
Delinquent Utility Charges	5

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>Cash Collections</u>	<u>Percent of Collections</u>
2017	\$ 24,721,438	24,623,112	99.13%
2016	23,847,929	23,647,725	99.16%
2015	23,350,101	23,134,979	99.07%
2014	23,072,256	22,703,972	98.39%
2013	22,601,796	22,254,427	98.46%
2012	22,312,347	21,945,022	98.35%

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tax Rate	0.555	0.535	0.525	0.518	0.509
Apportionment of Tax Rate:					
Municipal	0.245	0.239	0.239	0.232	0.224
County	0.254	0.240	0.231	0.230	0.232
Local School	0.056	0.056	0.055	0.056	0.053
Assessed Valuation	4,454,313,088	4,441,757,321	4,433,947,230	4,418,454,825	4,423,378,939

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>		Amount of Tax Title <u>Liens</u>	Amount of Delinquent <u>Taxes</u>	Total <u>Delinquent</u>	Percentage Of Tax <u>Levy</u>
2017	\$	65	208,830	208,895	0.84%
2016		-	186,736	186,736	0.78%
2015		-	142,721	142,721	0.61%
2014		-	225,626	225,626	0.98%
2013		-	210,881	210,881	0.93%
2012		-	268,333	268,333	1.20%

Uniform Construction Code

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

Deposit of Municipal Funds

N.J.S.A. 40A:5-15 states:

“All moneys, including moneys collected by taxation, received from any source by or on behalf of any local unit or any board or department thereof shall, within 48 hours after the receipt thereof, either

- a. be paid to the officer charged with the custody of the general funds of the local unit, who shall deposit all such funds within 48 hours after the receipt thereof to the credit of the local unit in its designated legal depository, or
- b. be deposited to the credit of the local unit in its designated legal depository.”

Our examination revealed that municipal funds were deposited within the mandated time.

{This space intentionally left blank}

FINDINGS AND RECOMMENDATIONS

None

STATUS OF PRIOR YEAR FINDINGS

None

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

April 2, 2018