

BOROUGH OF STONE HARBOR

COUNTY OF CAPE MAY

NEW JERSEY

AUDIT REPORT

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

BOROUGH OF STONE HARBOR

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BOROUGH OF STONE HARBOR

PART 1

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2018



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018 and 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the 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, 2018 and 2017, or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 July 23, 2019 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

July 23, 2019

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EXHIBIT A - CURRENT FUND

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

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Treasurer	\$ 5,370,052.48	7,460,590.74
Change and Petty Cash Funds	850.00	100.00
Total Cash	<u>5,370,902.48</u>	<u>7,460,690.74</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	130,827.01	208,829.65
Tax Title Liens	227.33	64.96
Revenue Accounts Receivable		
Municipal Court	3,084.04	2,733.79
Interfund Receivable:		
Due from Trust Other Fund	-	50,000.00
Due from Animal Control Fund	213.57	214.29
Total Receivables and Other Assets	<u>134,351.95</u>	<u>261,842.69</u>
Deferred Charges:		
Special Emergency Authorization	250,250.00	337,500.00
Emergency Authorization	35,000.00	-
Total Deferred Charges	<u>285,250.00</u>	<u>337,500.00</u>
Total Regular Fund	<u>5,790,504.43</u>	<u>8,060,033.43</u>
Federal and State Grant Fund:		
Cash	305,170.27	2,338.25
Federal and State Grants Receivable	3,892,053.75	3,970,603.75
Total Federal and State Grant Fund	<u>4,197,224.02</u>	<u>3,972,942.00</u>
Total Current Fund	<u>\$ 9,987,728.45</u>	<u>12,032,975.43</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>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 818,372.56	661,944.61
Encumbrances Payable	307,543.83	209,729.66
Accounts Payable	78,062.51	93,218.00
Prepaid Taxes	791,672.91	3,342,508.03
Overpaid Taxes	84,054.51	44,792.58
Due to State of New Jersey		
Senior Citizens and Veterans	2,774.16	2,774.16
DCA Training Fees	12,293.45	9,466.45
Local School Tax Payable	349,797.65	324,863.65
County Added Tax Payable	74,729.61	53,326.48
Prepaid Beach Fees	57,694.00	48,300.00
Prepaid Uniform Fire Code Fees	80,920.00	90,015.00
Due to Utility Operating	2,930.00	
Other		
Reserve for TTL	-	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>2,762,528.07</u>	<u>5,042,121.50</u>
Reserve for Receivables and Other Assets	134,351.95	261,842.69
Fund Balance	<u>2,893,624.41</u>	<u>2,756,069.24</u>
Total Regular Fund	<u>5,790,504.43</u>	<u>8,060,033.43</u>
Federal and State Grant Fund:		
Due to Capital	395,997.65	395,997.65
Unappropriated Reserves	8,205.07	19,546.00
Appropriated Reserves	3,211,423.75	3,553,331.88
Encumbrances Payable	581,597.55	4,066.47
Total Federal and State Grant Fund	<u>4,197,224.02</u>	<u>3,972,942.00</u>
Total Current Fund	<u>\$ 9,987,728.45</u>	<u>12,032,975.43</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>2018</u>	<u>2017</u>
Revenue and Other Income Realized		
Fund Balance	\$ 1,560,843.47	1,495,463.96
Miscellaneous Revenue Anticipated	3,489,789.97	6,121,642.98
Receipts from Delinquent Taxes	201,414.68	185,133.27
Receipts from Current Taxes	26,669,551.51	24,623,112.16
Non Budget Revenue	167,460.20	423,406.41
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	617,753.29	524,775.93
Interfund Returned	1.20	-
Total Income	<u>32,706,814.32</u>	<u>33,373,534.71</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	5,222,384.00	5,084,090.00
Other Expenses	4,230,077.00	4,091,675.00
Deferred Charges & Statutory Expenditures	1,132,022.00	1,079,847.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	782,035.67	3,480,716.35
Capital Improvements	760,600.00	409,950.00
Municipal Debt Service	4,095,412.17	3,680,775.05
Deferred Charges & Statutory Expenditures	87,250.00	142,250.00
Local District School Tax	2,543,276.00	2,493,406.00
County Tax	12,115,626.23	11,276,951.12
County Share of Added Tax	74,729.61	53,326.46
Interfund Created		50,000.34
Prior Year Accounts Payable Canceled	3.00	-
Total Expenditures	<u>31,043,415.68</u>	<u>31,842,987.32</u>
Excess in Revenue	<u>1,663,398.64</u>	<u>1,530,547.39</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>2018</u>	<u>2017</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	35,000.00	100,000.00
Total Adjustments	<u>35,000.00</u>	<u>100,000.00</u>
Statutory Excess to Fund Balance	<u>1,698,398.64</u>	<u>1,630,547.39</u>
Fund Balance January 1	<u>2,756,069.24</u>	<u>2,620,985.81</u>
	4,454,467.88	4,251,533.20
Decreased by:		
Utilization as Anticipated Revenue	<u>1,560,843.47</u>	<u>1,495,463.96</u>
Fund Balance December 31	\$ <u><u>2,893,624.41</u></u>	<u><u>2,756,069.24</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, 2018

	Anticipated		
	Budget	N.J.S. 40A:4-87	Realized
Fund Balance Anticipated	\$ 1,560,843.47		1,560,843.47
Total Fund Balance Anticipated	1,560,843.47	-	1,560,843.47
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	10,250.00		10,188.00
Fees and Permits	300,000.00		359,766.62
Fines and Costs:			
Municipal Court	68,800.00		71,315.32
Interest and Costs on Taxes	35,000.00		54,047.29
Parking Meters	385,000.00		436,513.18
Interest on Investments and Deposits	3,000.00		42,943.58
Beach Fees	765,000.00		780,266.00
Tennis Courts	30,000.00		37,339.37
Cell Tower Rent	40,000.00		47,610.00
Uniform Fire Code Official	140,000.00		145,517.00
Arts and Crafts Show	70,000.00		68,944.17
Marina Fees	7,500.00		300.00
Cable TV Franchise Fee	30,000.00		35,394.24
Beach Concession	55,000.00		71,000.00
Special Events Revenue	600.00		6,115.00
Total Section A: Local Revenues	1,940,150.00	-	2,167,259.77
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	214,317.00		214,317.00
Total Section B: State Aid Without Offsetting Appropriations	214,317.00	-	214,317.00
			227,109.77
			-
			-

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, 2018

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	\$ 485,000.00		565,609.40	80,609.40
Total Section C: Uniform Construction Code Fees	485,000.00	-	565,609.40	80,609.40
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	12,852.39		12,852.39	
ACE - Reconstruction of 95th Street		175,000.00	175,000.00	
ACMJIF Wellness Grant		1,000.00	1,000.00	
CMC Tourism Grant		1,500.00	1,500.00	
Garden Club Grant - 96th Street	6,228.59		6,228.59	
Stone Harbor Property Owners Association Grant		7,000.00	7,000.00	
DOT- Reconstruction of 92nd Street		180,000.00	180,000.00	
Drunk Driving Enforcement Fund	4,826.74		4,826.74	
Clean Communities Program		14,581.08	14,581.08	
Safety Grant	3,650.00		3,650.00	
Police Body Armor Grant	1,865.87		1,865.87	
Sustainable Jersey		2,000.00	2,000.00	
Total Section F: Special Items - Public and Private Programs	29,423.59	381,081.08	410,504.67	-
Off-Set with Appropriations				

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, 2018

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Section G: Special Items of General Revenue Anticipated with Prior Written Consent of Director of Local Government				
Services - Other Special Items;				
Uniform Fire Safety Act	6,700.00		8,686.60	1,986.60
Reserve for Payment of Bonds	65,842.00		65,842.00	-
Interlocal Municipal Service Agreement - Borough of Avalon	57,570.53		57,570.53	-
Total Section G: Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government	130,112.53	-	132,099.13	1,986.60
Services - Other Special Items				
Total Miscellaneous Revenues:	2,799,003.12	381,081.08	3,489,789.97	309,705.77
Receipts from Delinquent Taxes	150,000.00		201,414.68	51,414.68
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	\$ 11,850,000.00		12,400,919.67	550,919.67
Total Amount to be Raised by Taxes for Support of Municipal Budget	11,850,000.00	-	12,400,919.67	550,919.67
Budget Totals	16,359,846.59	381,081.08	17,652,967.79	912,040.12
Non- Budget Revenues:				
Other Non- Budget Revenues:	-		167,460.20	167,460.20
	\$ 16,359,846.59	381,081.08	17,820,427.99	1,079,500.32

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, 2018**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	26,669,551.51
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Allocated to:

School, County and Other Taxes	<u>14,733,631.84</u>
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Balance for Support of Municipal Budget Appropriations	11,935,919.67
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Increased by:

Appropriation "Reserved for Uncollected Taxes"	<u>465,000.00</u>
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Amount for Support of Municipal Budget Appropriations	<u><u>12,400,919.67</u></u>
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	201,414.68
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Tax Title Lien Collections	<u>-</u>
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Total Receipts from Delinquent Taxes	<u><u>201,414.68</u></u>
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Police - MRNA	371.55
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Youth Basketball	18,404.00
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NSF Fee	360.00
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Photocopies	361.59
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Senior & Vets Admin Fees	260.00
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Zoning Board	8,800.00
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Property Lists	810.00
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Sale of Bond Premium	601.78
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Sale of Assets	38,971.83
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Homestead Rebate-Postage	39.60
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BOA P Card	191.73
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PR Reimbursement	1,089.00
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Miscellaneous	<u>97,199.12</u>
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	<u>167,460.20</u>
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Total Miscellaneous Revenue Not Anticipated:	\$	<u><u>167,460.20</u></u>
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The Accompanying Notes To The Financial Statements Are An Integral Part of This Statement

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT						
General Administration						
Salaries and Wages	\$ 162,768.00	162,768.00	162,767.44		0.56	
Other Expenses	29,000.00	29,000.00	21,685.64	6,354.53	959.83	
Mayor and Council						
Salaries and Wages	80,850.00	80,850.00	75,309.04		5,540.96	
Other Expenses	12,987.00	12,987.00	8,641.90	2,661.71	1,683.39	
Municipal Clerk						
Salaries and Wages	196,304.00	196,304.00	195,858.00		446.00	
Other Expenses	19,500.00	19,500.00	15,271.91	2,179.99	2,048.10	
Financial Administration						
Salaries and Wages	82,380.00	82,380.00	80,190.07		2,189.93	
Other Expenses	57,960.00	57,960.00	49,851.90	4,649.65	3,458.45	
Elections						
Other Expenses	5,000.00	5,000.00	3,435.44		1,564.56	
Audit Services						
Other Expenses	30,000.00	30,000.00	19,380.00	8,250.00	2,370.00	
Collection of Taxes						
Salaries and Wages	52,720.00	52,720.00	52,720.00		-	
Other Expenses	12,580.00	12,580.00	10,417.79	531.12	1,631.09	
Assessment of Taxes						
Salaries and Wages	55,726.00	55,726.00	55,725.00		1.00	
Other Expenses	15,155.00	15,155.00	12,861.26	1,126.41	1,167.33	
Legal Services						
Other Expenses	145,000.00	145,000.00	94,272.25	25,735.00	24,992.75	
Engineering Services and Costs						
Other Expenses	25,000.00	25,000.00	18,355.31	4,342.50	2,302.19	
Insurance						
Employee Group Health	1,370,000.00	1,370,000.00	1,263,104.47	356.25	106,539.28	
Other Insurance Premiums	390,000.00	390,000.00	328,410.85		61,589.15	
Health Benefits Waiver						
Salaries and Wages	8,500.00	8,500.00	6,916.25		1,583.75	

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
LAND USE ADMINISTRATION:						
Planning Board						
Salaries and Wages	6,475.00	6,475.00	6,475.00		-	
Other Expenses	23,585.00	23,585.00	18,415.45	4,615.53	554.02	
Reserve for Master Plan	-	-			-	
Zoning Board of Adjustment						
Salaries and Wages	42,000.00	42,000.00	41,538.00		462.00	
Other Expenses	13,650.00	13,650.00	4,557.31	2,822.74	6,269.95	
PUBLIC SAFETY:						
Fire Department						
Other Expenses	383,500.00	383,500.00	323,186.77	38,864.99	21,448.24	
Police Department						
Salaries and Wages	1,620,000.00	1,620,000.00	1,500,035.01		119,964.99	
Other Expenses	79,600.00	79,600.00	68,834.54	9,616.90	1,148.56	
Office of Emergency Management						
Salaries and Wages	15,700.00	15,700.00	15,696.00		4.00	
Other Expenses	6,400.00	6,400.00	4,297.63		2,102.37	
Aid to Volunteer Rescue Squad	70,000.00	70,000.00	70,000.00		-	
Municipal Prosecutor						
Other Expenses	20,400.00	20,400.00	19,721.04		678.96	
Uniform Fire Code Official						
Salaries and Wages	106,380.00	106,380.00	105,881.00		499.00	
Other Expenses	8,000.00	8,000.00	4,039.50		3,960.50	
Fire Hydrant Service						
Other Expenses	2,850.00	2,850.00	2,850.00		-	
Municipal Court						
Salaries and Wages	148,000.00	148,000.00	146,062.25		1,937.75	
Other Expenses	16,000.00	16,000.00	8,217.72	832.00	6,950.28	
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, 2018

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved
PUBLIC WORKS:					
Public Works					
Salaries and Wages	953,000.00	953,000.00	937,858.23		15,141.77
Other Expenses	200,200.00	200,200.00	135,507.29	22,291.60	42,401.11
Solid Waste Collection					
Salaries and Wages	607,000.00	607,000.00	597,747.23		9,252.77
Other Expenses	278,400.00	268,400.00	184,827.84	9,836.87	73,735.29
Public Building and Grounds					
Other Expenses	110,700.00	110,700.00	108,176.94	2,504.83	18.23
NATURAL RESOURCES					
Natural Resources Committee					
Salaries and Wages	25,000.00	25,000.00	2,829.44		22,170.56
Other Expenses	61,000.00	61,000.00	52,861.70	5,869.96	2,268.34
NATURAL RESOURCES					
Animal Control					
Other Expenses	17,800.00	17,800.00	17,570.00		230.00
HEALTH AND HUMAN SERVICES:					
Safety Compliance					
Other Expenses	28,500.00	28,500.00	18,886.85	4,507.38	5,105.77
RECREATION AND EDUCATION:					
Docks, Bulkheads and Seawall					
Salaries and Wages	7,500.00	7,500.00	7,500.00		-
Beach Patrol					
Salaries and Wages	596,700.00	590,200.00	577,563.01		12,636.99
Other Expenses	63,000.00	69,500.00	61,261.83	7,280.00	958.17
Parks and Playgrounds					
Salaries and Wages	185,400.00	185,400.00	171,325.26		14,074.74
Other Expenses	48,710.00	48,710.00	47,371.18	760.68	578.14
Special Events					
Salaries and Wages	47,500.00	47,500.00	47,500.00		-
Tourism					
Other Expenses	128,000.00	128,000.00	122,911.78	3,224.80	1,863.42
Museum	25,000.00	25,000.00	18,750.00		6,250.00

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
UNIFORM CONSTRUCTION CODE:					
State Uniform Construction Code					
Construction Official					
Salaries and Wages	211,481.00	211,481.00	211,481.00	-	
Other Expenses	9,600.00	9,600.00	7,099.02	1,511.49	989.49
UNCLASSIFIED:					
Longevity Pay for Employees	17,500.00	17,500.00	17,500.00	-	
UTILITY EXPENSES AND BULK PURCHASES:					
Electric	130,000.00	150,000.00	146,848.82	3,151.18	(0.00)
Telephone	58,000.00	58,000.00	54,860.56	543.62	2,595.82
Street Lighting	125,000.00	125,000.00	109,171.37	11,200.00	4,628.63
Gasoline	150,000.00	140,000.00	115,206.01	11,133.80	13,660.19
Natural Gas	45,000.00	45,000.00	25,679.19	3,100.00	16,220.81
TOTAL OPERATIONS WITHIN "CAPS"	9,447,461.00	9,447,461.00	8,616,776.29	199,855.53	630,829.18
Contingent	5,000.00	5,000.00	1,626.45	2,574.63	798.92
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	9,452,461.00	9,452,461.00	8,618,402.74	202,430.16	631,628.10
Detail:					
Salaries and Wages	5,228,884.00	5,222,384.00	5,016,477.23	-	205,906.77
Other Expenses	4,223,577.00	4,230,077.00	3,601,925.51	202,430.16	425,721.33

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
DEFERRED CHARGES/STATUTORY EXPENDITURES						
Deferred Charges:						
None		-				-
Statutory Expenditures:						
Contributions to:						
Police and Fire Retirement System of N.J.	333,425.00	333,425.00	333,425.00		-	
Public Employees Retirement System	370,097.00	370,097.00	369,330.36		766.64	
Defined Contribution Retirement Plan	3,500.00	3,500.00	3,433.16		66.84	
Social Security System (O.A.S.I.)	400,000.00	400,000.00	375,101.87		24,898.13	
Unemployment Compensation Insurance	25,000.00	25,000.00	22,921.07		2,078.93	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	1,132,022.00	1,132,022.00	1,104,211.46	-	27,810.54	-
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	10,584,483.00	10,584,483.00	9,722,614.20	202,430.16	659,438.64	-
Interlocal Municipal Service Agreements						
Borough of Avalon Interlocal Agreement						
Police Dispatch Services	297,670.00	297,670.00	297,670.00		-	
Other Expenses	73,861.00	73,861.00	73,379.20		481.80	
Financial Administration - CFO	371,531.00	371,531.00	371,049.20	-	481.80	-
TOTAL SHARED SERVICE AGREEMENTS						

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

	Appropriations		Expended		(Over expended) Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
(A) Public and Private Programs Off-Set by					
Revenues					
Police Body Armor Grant	1,865.87	1,865.87	1,865.87	-	-
Recycling Tonnage Grant	12,852.39	12,852.39	12,852.39	-	-
Drunk Driving Enforcement	4,826.74	4,826.74	4,826.74	-	-
Clean Communities Program		14,581.08	14,581.08	-	-
Safety Grant	3,650.00	3,650.00	3,650.00	-	-
DOT- Reconstruction of 92nd Street		180,000.00	180,000.00	-	-
ACE - Reconstruction of 95th Street		175,000.00	175,000.00	-	-
CMC Tourism Grant		1,500.00	1,500.00	-	-
Garden Club Grant - 96th Street	6,228.59	6,228.59	6,228.59	-	-
Stone Harbor Property Owners Association Grant		7,000.00	7,000.00	-	-
ACMJIF- Wellness Grant		1,000.00	1,000.00	-	-
Sustainable Jersey Small Grant		2,000.00	2,000.00	-	-
Total Public and Private Programs Off-Set by	29,423.59	410,504.67	410,504.67	-	-
Revenues					
Total Operations - Excluded from "CAPS"	400,954.59	782,035.67	781,553.87	-	481.80
Detail:					
Salaries and Wages	-	-	-	-	-
Other Expenses	400,954.59	782,035.67	781,553.87	-	481.80
(C) Capital Improvements					
Capital Improvement Fund	350,000.00	350,000.00	350,000.00		
FEMA - Return of Overpayment		35,000.00	34,772.54		227.46
Computers - Closed Circuit Video	10,000.00	10,000.00	5,280.41	4,115.77	603.82
Police 4x4 ATV	15,000.00	15,000.00			15,000.00
Beach Patrol Equipment	59,000.00	59,000.00	58,953.51		46.49
Body Cameras		-			-
Recreation Improvements	9,600.00	9,600.00	6,944.00		2,656.00
Police-Breath Test Machine	20,000.00	20,000.00			20,000.00
Parking Kiosk	25,000.00	25,000.00			25,000.00
Maintenance Equipment-Tire Changer	15,000.00	15,000.00	11,410.75	619.99	2,969.26
Police 4WD Patrol Vehicle	47,000.00	47,000.00	2,040.00	44,640.80	319.20
Tax Office Printer	6,000.00	6,000.00			6,000.00
Police Department Computers	10,000.00	10,000.00	151.99	9,615.61	232.40
Curbing & Sidewalks	25,000.00	25,000.00		23,764.00	1,236.00
Public Works Generator / HVAC	15,000.00	15,000.00	12,241.77		2,758.23
Trash & Recycling Containers	8,000.00	8,000.00	3,759.52		4,240.48
Street Signs	24,000.00	24,000.00	6,649.40	15,906.25	1,444.35
Public Works Maintenance Equipment	12,000.00	12,000.00			12,000.00
Public Works Parking Lot	5,000.00	5,000.00			5,000.00
Public Works Vehicle	5,000.00	5,000.00	1,013.50		3,986.50
Street Line Painting	25,000.00	25,000.00			25,000.00
Landscaping Improvements	20,000.00	20,000.00			20,000.00
Public Works Grounds Equipment	20,000.00	20,000.00	2,669.99	6,451.25	10,878.76
Total Capital Improvements	725,600.00	760,600.00	495,887.38	105,113.67	159,598.95
					-

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

	Appropriations		Expended		(Over expended) Unexpended Balance Canceled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
(D) Debt Service					
Payment of Bond Principal	2,685,000.00	2,685,000.00	2,685,000.00		-
Payment of BANs and Capital Notes	320,900.00	320,900.00	320,900.00		-
Interest on Bonds	282,057.00	282,057.00	282,056.26		0.74
Interest on Notes	487,500.00	487,500.00	487,500.00		-
New Jersey Environmental Infrastructure Trust					
Principal	248,625.00	248,625.00	248,623.43		1.57
Interest	72,477.00	72,477.00	71,332.48		1,144.52
Total Debt Service	<u>4,096,559.00</u>	<u>4,096,559.00</u>	<u>4,095,412.17</u>	<u>-</u>	<u>1,146.83</u>
(E) Deferred Charges					
Special Emergency Authorization - 5 years	87,250.00	87,250.00	87,250.00	-	-
Total Deferred Charges	<u>87,250.00</u>	<u>87,250.00</u>	<u>87,250.00</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>5,310,363.59</u>	<u>5,726,444.67</u>	<u>5,460,103.42</u>	<u>105,113.67</u>	<u>1,146.83</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>15,894,846.59</u>	<u>16,310,927.67</u>	<u>15,182,717.62</u>	<u>307,543.83</u>	<u>1,146.83</u>
(M) Reserve for Uncollected Taxes	<u>465,000.00</u>	<u>465,000.00</u>	<u>465,000.00</u>		
TOTAL GENERAL APPROPRIATIONS	<u>\$ 16,359,846.59</u>	<u>16,775,927.67</u>	<u>15,647,717.62</u>	<u>307,543.83</u>	<u>1,146.83</u>
Budget		16,359,846.59			
Appropriations by 40A:4-87		381,081.08			
Emergency Appropriations		<u>35,000.00</u>			
		<u>16,775,927.67</u>			
Reserve for Uncollected Taxes			465,000.00		
Federal and State Grants			410,504.67		
Deferred Charges - Special Emergency			87,250.00		
Transferred to Reserve for Master Plan			-		
Disbursements			14,684,962.95		
			<u>15,647,717.62</u>		

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EXHIBIT B - TRUST FUND

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

	<u>2018</u>	<u>2017</u>
ASSETS		
Animal Control Fund:		
Cash	\$ 777.50	699.62
Due from State of New Jersey		-
	<u>777.50</u>	<u>699.62</u>
Other Funds:		
Cash - Treasurer	<u>2,522,443.98</u>	<u>2,176,033.87</u>
	<u>2,522,443.98</u>	<u>2,176,033.87</u>
	<u>\$ 2,523,221.48</u>	<u>2,176,733.49</u>
 LIABILITIES, RESERVES AND FUND BALANCE		
Animal Control Fund:		
Due to State of New Jersey	\$ 3.60	-
Due to Current Fund	213.57	214.29
Reserve for Expenditures	<u>560.33</u>	<u>485.33</u>
	<u>777.50</u>	<u>699.62</u>
Other Funds:		
Reserves - Miscellaneous	2,522,443.98	2,126,033.87
Due to Current Fund	-	50,000.00
	<u>2,522,443.98</u>	<u>2,176,033.87</u>
	<u>\$ 2,523,221.48</u>	<u>2,176,733.49</u>

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

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EXHIBIT C - CAPITAL FUND

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

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Cash	\$	7,179,993.01	2,739,717.33
Deferred Charges to Future Taxation -			
Funded		37,139,988.36	12,618,611.79
Unfunded		645,878.05	24,145,892.05
Interfunds and Receivables			
Due from Grant Fund		395,997.65	395,997.65
Due from State of New Jersey - EIT		595,381.40	450,644.26
Due from Water and Sewer Capital Fund		93,711.33	93,711.33
		<u>46,050,949.80</u>	<u>40,444,574.41</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Contracts Payable		2,992,161.20	6,069,281.36
Serial Bonds Payable		33,580,000.00	8,810,000.00
NJEIT Loan Payable		3,559,988.36	3,808,611.79
Bond Anticipation Notes Payable		-	19,500,000.00
Improvement Authorizations:			
Funded		5,227,959.57	147,567.34
Unfunded		29,170.34	1,452,368.82
Reserve for Payment of NJEIT Loan		260,393.12	260,393.12
Reserve for Payment of Bonds		361,374.43	293,466.43
Reserve for Arbitrage Liability		1,699.33	1,699.33
Reserve for Preliminary Costs		841.69	8,830.46
Capital Improvement Fund		37,242.00	92,236.00
Fund Balance		119.76	119.76
	\$	<u>46,050,949.80</u>	<u>40,444,574.41</u>

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

2017	4,645,892.05
2018	645,878.05

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>2018</u>	<u>2017</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>2018</u>	<u>2017</u>
<u>ASSETS</u>			
Operating Fund:			
Cash	\$	1,557,620.03	1,454,730.00
Change Fund		50.00	50.00
		<u>1,557,670.03</u>	<u>1,454,780.00</u>
Receivables and Other Assets with Full Reserves:			
Water & Sewer Rents Receivable		69,642.36	83,407.15
Due from Utility Capital		44,882.14	
Due from Current Fund		2,930.00	
		<u>117,454.50</u>	<u>83,407.15</u>
Total Operating Fund		<u>1,675,124.53</u>	<u>1,538,187.15</u>
Capital Fund:			
Cash - Treasurer		3,738,592.23	4,485,012.68
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
2015 Series		989,791.30	989,791.30
Fixed Capital		12,622,948.87	12,622,948.87
Fixed Capital - Authorized and Uncompleted		24,363,000.00	22,199,000.00
Total Capital Fund		<u>41,941,905.27</u>	<u>40,524,325.72</u>
	\$	<u><u>43,617,029.80</u></u>	<u><u>42,062,512.87</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>2018</u>	<u>2017</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Appropriation Reserves	\$	168,099.78	251,475.00
Reserve for Encumbrances		56,597.47	45,231.83
Utility Prepayments		60,750.13	84,942.99
Utility Overpayments		17,754.77	21,103.45
Accrued Interest on Bonds and Notes		129,768.29	109,745.66
		<u>432,970.44</u>	<u>512,498.93</u>
Reserve for Receivables		69,642.36	83,407.15
Fund Balance		1,172,511.73	942,281.07
		<u>1,675,124.53</u>	<u>1,538,187.15</u>
Total Operating Fund			
Capital Fund:			
Encumbrances Payable		1,430,555.23	681,866.14
Interfunds:			
Due to General Capital Fund		93,711.33	93,711.33
Due to Utility Operating		44,882.14	
Serial Bonds Payable		1,575,000.00	2,075,000.00
N.J. Environmental Infrastructure Trust Loans		6,903,200.38	7,456,704.35
Bond Anticipation Notes		9,597,000.00	9,675,000.00
Improvement Authorizations:			
Funded		-	-
Unfunded		6,400,754.43	5,721,746.11
Reserve for Amortization		15,505,404.54	14,373,900.57
Deferred Reserve for Amortization		160,700.00	235,700.00
Reserve for Payment of Bonds		60,000.00	60,000.00
Reserve for Insurance Reimbursement		71,505.06	71,505.06
Capital Improvement Fund		64,575.77	44,575.77
Fund Balance		34,616.39	34,616.39
		<u>41,941,905.27</u>	<u>40,524,325.72</u>
Total Capital Fund			
	\$	<u>43,617,029.80</u>	<u>42,062,512.87</u>

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

2017	1,005,643.95
2018	3,244,643.95

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, 2018**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized			
Fund Balance	\$	419,779.10	320,513.00
Water & Sewer Rents		3,868,004.61	3,604,984.09
Fire Hydrant Service		2,850.00	2,850.00
Miscellaneous Unanticipated Revenue		258,344.66	228,386.76
Miscellaneous Revenue		108,940.57	129,151.86
Other Credits to Income:			
Unexpended Balance of Appropriation Res.		143,511.24	210,614.73
Total Income		<u>4,801,430.18</u>	<u>4,496,500.44</u>
Expenditures			
Operations			
Salaries and Wages		407,500.00	407,500.00
Other Expenses		577,400.00	521,200.00
Interlocal Agreement - CFO		18,465.10	18,103.00
Cape May County MUA		1,555,000.00	1,654,960.00
Capital Improvements		80,000.00	20,000.00
Debt Service		1,479,855.32	1,269,470.32
Statutory & Deferred Charges		33,200.00	33,200.00
Total Expenditures		<u>4,151,420.42</u>	<u>3,924,433.32</u>
Excess/(Deficit) in Revenue		<u>650,009.76</u>	<u>572,067.12</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>650,009.76</u>	<u>572,067.12</u>
Fund Balance January 1		<u>942,281.07</u>	<u>690,726.95</u>
		1,592,290.83	1,262,794.07
Decreased by:			
Utilization as Anticipated Revenue		<u>419,779.10</u>	<u>320,513.00</u>
Fund Balance December 31	\$	<u><u>1,172,511.73</u></u>	<u><u>942,281.07</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>2018</u>	<u>2017</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, 2018**

	Anticipated Budget	Realized	Excess or (Deficit)
Surplus Anticipated	\$ 419,779.10	419,779.10	-
Rents - Water & Sewer	3,520,000.00	3,868,004.61	348,004.61
Fire Hydrant Service	2,850.00	2,850.00	-
Miscellaneous	250,000.00	258,344.66	8,344.66
Miscellaneous Not Anticipated		108,940.57	108,940.57
	<u>\$ 4,192,629.10</u>	<u>4,657,918.94</u>	<u>465,289.84</u>

Analysis of Realized Revenue:

Consumer Accounts Receivable:

Water and Sewer Rents

Current Collections	4,023,152.83
Prepayments & Overpayments Applied	106,046.44
Fire Hydrant Service	(2,850.00)
Miscellaneous below	(258,344.66)

3,868,004.61

Miscellaneous

Meter Boxes & Fittings	110,298.71
Meter Rental	3,977.50
Meter Test	145.00
Penalties on Delinquent Accounts	6,885.38
Permanent Disconnect	3,675.00
Infrastructure Maintenance Fees	30,831.95
NSF Fee	120.00
Sewer Vent Penalty	425.00
Sewer Service	9,860.40
Final Meter Reading	4,950.00
Miscellaneous	80.00
Miscellaneous Parts	4,385.94
Miscellaneous Water Use	83.25
Street Openings	49,470.00
Turn off/on	17,999.50
Private Fire Protection	15,157.03

258,344.66

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, 2018

	Appropriations		Expended			(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 407,500.00	407,500.00	352,274.48		55,225.52	
Other Expenses	577,400.00	577,400.00	504,139.08	56,247.47	17,013.45	
Cape May County MUA	1,555,000.00	1,555,000.00	1,507,634.00		47,366.00	
Interlocal Agreement - CFO	18,465.10	18,465.10	18,344.80		120.30	
	<u>2,558,365.10</u>	<u>2,558,365.10</u>	<u>2,382,392.36</u>	<u>56,247.47</u>	<u>119,725.27</u>	<u>-</u>
Capital Improvements:						
Capital Improvement Fund	20,000.00	20,000.00	20,000.00			
Capital Outlay	60,000.00	60,000.00	17,692.05	350.00	41,957.95	
	<u>80,000.00</u>	<u>80,000.00</u>	<u>37,692.05</u>	<u>350.00</u>	<u>41,957.95</u>	<u>-</u>
Debt Service:						
Payment of Bond Principal	1,053,504.00	1,053,504.00	1,053,503.97			0.03
Interest on Bonds	192,560.00	192,560.00	184,476.38			8,083.62
Interest on Notes	275,000.00	275,000.00	241,874.97			33,125.03
	<u>1,521,064.00</u>	<u>1,521,064.00</u>	<u>1,479,855.32</u>	<u>-</u>	<u>-</u>	<u>41,208.68</u>
Deferred Charges and Statutory Expenditures:						
Social Security System	31,200.00	31,200.00	25,179.53		6,020.47	
Unemployment	2,000.00	2,000.00	1,603.91		396.09	
	<u>33,200.00</u>	<u>33,200.00</u>	<u>26,783.44</u>	<u>-</u>	<u>6,416.56</u>	<u>-</u>
	<u>\$ 4,192,629.10</u>	<u>4,192,629.10</u>	<u>3,926,723.17</u>	<u>56,597.47</u>	<u>168,099.78</u>	<u>41,208.68</u>

EXHIBIT E - GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENT OF GENERAL FIXED ASSETS
DECEMBER 31,
REGULATORY BASIS

	<u>2018</u>	<u>2017</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	9,439,209.95	9,123,650.57
	<u>92,338,471.14</u>	<u>92,022,911.76</u>
Investment in General Fixed Assets	\$ <u>92,338,471.14</u>	<u>92,022,911.76</u>

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

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NOTES TO FINANCIAL STATEMENTS

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

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, 2018 AND 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – 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, 2018 AND 2017
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Recent Accounting Pronouncements Not Yet Effective

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

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

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

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

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$465,000 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 2018 and 2017 statutory budgets was \$1,560,843.47 and \$1,495,463.96, 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 2018 and 2017 statutory budgets was \$419,779.10 and \$320,513.00.

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

NOTE 2: BUDGETARY INFORMATION - Continued

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.

The following significant budget transfers were approved in the 2018 and 2017 calendar years:

<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
<u>Current Fund:</u>		
Police Department		
Salaries and Wages		(58,075.00)
Electricity		
Other Expenses	20,000.00	
Gasoline		
Other Expenses	(10,000.00)	
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 2018 and 2017, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2018</u>	<u>2017</u>
ACE - Reconstruction of 95th Street	\$ 175,000.00	\$ 158,000.00
NJ DOT -95th Street		
NJ DOT -92nd Street	180,000.00	
ADMJIF Wellness Grant	1,000.00	
Sustainable NJ	2,000.00	
NJ DOT - Dump Station Grant		3,025.00
CMC Tourism Grant	1,500.00	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	7,000.00	2,433.08
Clean Communities Program	14,581.08	15,237.40
	<u>\$ 381,081.08</u>	<u>\$ 186,291.22</u>

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

NOTE 2: BUDGETARY INFORMATION - Continued

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 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, 2017 was \$250,250.00. The Borough also approved an emergency appropriation of \$35,000 in 2018. The emergency was for a Return of a Prior Year Overpayment to FEMA.

NOTE 3: INVESTMENTS

As of December 31, 2018 and 2017, 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, 2018 and 2017, \$1,998,809.06 and 1,651,412.99 of the municipality's bank balance of \$18,319,272.49 and \$17,171,645.54 was exposed to custodial credit risk.

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

	Balance 12/31/2017	Additions	Retirements	Balance 12/31/2018
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	9,123,649.65	799,919.41	(484,360.03)	9,439,209.03
	<u>\$ 92,022,911.76</u>	<u>799,919.41</u>	<u>(484,360.03)</u>	<u>92,338,471.14</u>

	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>

Note 6: SHORT-TERM OBLIGATIONS

At December 31, 2018, the Borough has a bond anticipation outstanding in the amount of \$9,597,000.00, due November 2, 2019 with interest at 3.00%.

	Balance 12/31/17	Issued	Retired	Balance 12/31/18
Bond Anticipation				
Notes payable:				
General	\$ 19,500,000.00		19,500,000.00	-
Water & Sewer	9,675,000.00	9,597,000.00	9,675,000.00	9,597,000.00
	<u>\$ 29,175,000.00</u>	<u>9,597,000.00</u>	<u>29,175,000.00</u>	<u>9,597,000.00</u>

At December 31, 2018, the Borough has bond anticipation notes outstanding in the amount of \$29,175,000.00, due November 2, 2018 with interest at 2.50%.

	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>

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

NOTE 7: LONG TERM DEBT

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

	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	<u>\$ 26,029,679.68</u>	<u>-</u>	<u>3,879,363.54</u>	<u>22,150,316.14</u>	<u>3,967,018.86</u>
	Balance 12/31/17	Issued	Retired	Balance 12/31/18	Amounts Due Within One Year
Bonds payable:					
General	\$ 8,810,000.00	27,455,000.00	2,685,000.00	33,580,000.00	2,430,000.00
Utility	2,075,000.00		500,000.00	1,575,000.00	525,000.00
Total	10,885,000.00	27,455,000.00	3,185,000.00	35,155,000.00	2,955,000.00
Other liabilities:					
Loans Payable:					
General	3,808,611.79		248,623.43	3,559,988.36	252,561.85
Utility	7,456,704.35		553,503.97	6,903,200.38	544,981.60
Total long-term liabilities	<u>\$ 22,150,316.14</u>	<u>27,455,000.00</u>	<u>3,987,127.40</u>	<u>45,618,188.74</u>	<u>3,752,543.45</u>

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, 2018 is \$6,125,000.00.

\$27,455,000.00 General Improvement Bonds dated November 1, 2018, due in annual installments through November 1, 2032, bearing interest at a varying rate ranging from 3.250% to 5.00%. The balance remaining as of December 31, 2018 is \$27,455,000.00.

\$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, 2018 is \$836,877.50.

\$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, 2018 is \$132,471.27.

\$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, 2018 is \$115,619.15.

\$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, 2017 is \$35,177.56.

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

NOTE 7: LONG TERM DEBT - 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, 2018 is \$868,843.12.

\$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, 2018 is \$153,126.71.

\$346,667.00 N.J. Environmental Fund Loan Bond dated May 21, 2015, due in annual installments beginning August 1, 2017 through August 1, bearing interest ranging from 4.00% to 5.00%. The balance remaining at December 31, 2018 is \$304,544.00.

\$1,123,006.00 N.J. Environmental Fund Loan Bond dated May 21, 2015, due in annual installments beginning August 1, 2017 through August 1, bearing no interest. The balance remaining at December 31, 2018 is \$919,088.00.

\$161,181.00 N.J. Environmental Fund Loan Bond dated May 21, 2015, due in annual installments beginning August 1, 2017 through August 1, bearing interest ranging from 4.00% to 5.00%. The balance remaining at December 31, 2018 is \$146,160.73.

\$69,115.00 N.J. Environmental Fund Loan Bond dated May 21, 2015, due in annual installments beginning August 1, 2017 through August 1, bearing no interest. The balance remaining at December 31, 2018 is \$48,080.32.

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, 2018 is \$835,000.00

\$1,445,000.00 Refunding Bonds dated March 31, 2017, due in annual installments through August 15, 2020, bearing interest at 4.0%. The balance remaining as of December 31, 2018 is \$740,000.00.

\$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, 2018 is \$459,000.00

\$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, 2018 is \$415,265.21.

\$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, 2018 is \$530,000.00.

\$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, 2018 is \$977,886.82.

\$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, 2018 is \$225,574.41.

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

NOTE 7: LONG TERM DEBT - Continued

\$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, 2018 is \$35,706.69.

\$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, 2018 is \$446,289.75.

\$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, 2018 is \$135,785.54.

\$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, 2018 is \$715,793.08.

\$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, 2018 is \$126,152.89.

\$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, 2018 is \$1,838,176.00

\$1,522,720.00 N.J. Environmental Fund Loan Bond dated May 21, 2017, due in semi-annual installments through September 1, 2034, bearing no interest. The balance remaining at December 31, 2018 is \$609,088.00.

\$326,362.00 N.J. Environmental Fund Loan Bond dated May 21, 2017, due in semi-annual installments through September 1, 2034, bearing interest ranging from 4.00% to 5.00%. The balance as of December 31, 2018 is \$292,321.35.

\$354,593.00 N.J. Environmental Fund Loan Bond dated May 21, 2017, due in semi-annual installments through September 1, 2034, bearing no interest. The balance remaining at December 31, 2018 is \$96,160.64.

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
2019	2,682,561.85	1,408,908.47	1,069,981.60	166,141.54
2020	2,736,969.97	1,305,390.05	1,081,306.31	138,959.96
2021	2,799,711.43	1,200,151.23	734,486.10	110,848.78
2022	2,860,316.53	1,092,775.35	742,137.63	97,624.86
2023	2,959,724.66	983,369.21	759,174.53	83,580.80
2024-2028	12,258,054.52	3,299,348.54	2,627,297.90	244,945.26
2029-2033	10,744,865.68	895,393.78	1,274,248.85	62,187.48
2034	97,783.72	1,266.66	189,567.46	2,533.34
	<u>\$ 37,139,988.36</u>	<u>10,186,603.29</u>	<u>8,478,200.38</u>	<u>906,822.02</u>

As of December 31, 2018, 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 \$353,388.74 and to the utility budget was \$184,476.38.

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

NOTE 7: LONG TERM DEBT - Continued

<u>Summary of Municipal Debt</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued:</u>			
General - Bonds and Notes	\$ 37,139,988.36	\$ 32,118,611.79	\$ 24,929,798.30
Water/Sewer Utility - Bonds and Notes	18,075,200.38	19,206,704.35	14,555,381.38
Total Issued	<u>55,215,188.74</u>	<u>51,325,316.14</u>	<u>39,485,179.68</u>
<u>Authorized but not issued:</u>			
General - Bonds and Notes	645,878.05	4,645,892.05	11,254,131.05
Water/Sewer Utility - Bonds and Notes	3,244,643.95	1,005,643.95	1,923,143.95
Total Authorized But Not Issued	<u>3,890,522.00</u>	<u>5,651,536.00</u>	<u>13,177,275.00</u>
Total Bonds & Notes Issued and Authorized But Not Issued	<u>\$ 59,105,710.74</u>	<u>\$ 56,976,852.14</u>	<u>\$ 52,662,454.68</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	21,319,844.33	21,319,844.33	-
General Debt	37,785,866.41	621,767.55	37,164,098.86
	<u>\$ 59,105,710.74</u>	<u>\$ 21,941,611.88</u>	<u>\$ 37,164,098.86</u>

Net Debt \$37,164,098.86 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$4,521,036,900.33 = 0.822%.

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

3 1/2 % of Equalized Valuation Basis (Municipal)	\$ 158,236,291.51
Net Debt	37,164,098.86
Remaining Borrowing Power	<u>\$ 121,072,192.65</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, 2018 AND 2017
(CONTINUED)

NOTE 8: FUND BALANCES APPROPRIATED

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

	2018	2017
Current Fund	\$ 1,653,999.01	\$ 1,560,843.47
Water/Sewer Utility	413,198.00	419,779.10

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:

	12/31/2018	12/31/2017
Balance of Tax	\$ 1,271,635.25	\$ 1,246,701.25
Deferred	921,837.60	921,837.60
Tax Payable	<u>\$ 349,797.65</u>	<u>\$ 324,863.65</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 12/31/18	Balance 12/31/17
Prepaid Taxes	\$ 791,672.91	\$ 3,342,508.03
Cash Liability for Taxes Collected in Advance	<u>\$ 791,672.91</u>	<u>\$ 3,342,508.03</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, 2018 AND 2017
(CONTINUED)

NOTE 11: PENSION FUNDS - 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 7.34% through June 30, 2018 and 7.50% thereafter of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The entity's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$369,330.36, \$342,074.00 and \$324,760.00.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The entity's contributions to PFRS for the years ended December 31, 2018, 2017, and 2016 were \$333,425.00, \$319,322.00 and \$301,136.00.

The total payroll for the year ended December 31, 2018, 2017 and 2016 was \$4,828,651.12, \$4,749,195.54 and \$4,919,371.12. Payroll covered by PFRS was \$1,123,608.00, \$1,050,537.00 and \$1,209,108.00. Payroll covered by PERS was \$2,659,621.00, \$2,674,477.00 and \$2,625,002.00.

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 1/4 of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%.
- For fiscal year 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, 2018 AND 2017
(CONTINUED)

NOTE 11: PENSION FUNDS - 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, 2018 AND 2017
(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.

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

Public Employees' Retirement System

The Municipality has a liability of \$7,669,127.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.0389503358%, which would be a decrease of 0.27% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$465,619.00. At December 31, 2018, 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	\$ 146,251.00	\$ (39,545.00)
Changes of assumptions	1,263,745.00	(2,452,179.00)
Changes in proportion	227,801.00	(110,792.00)
Net difference between projected and actual earnings on pension plan investments		(71,937.00)
Total	<u>\$ 1,637,797.00</u>	<u>\$ (2,674,453.00)</u>

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

Year ended June 30,	
2019	\$ 41,828.39
2020	(71,687.58)
2021	(459,800.57)
2022	(411,950.11)
2023	(135,046.20)
Total	<u>\$ (1,036,656.00)</u>

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

NOTE 12: PENSION LIABILITIES- Continued

Actuarial Assumptions

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

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

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

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

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

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

NOTE 12: PENSION LIABILITIES- Continued

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

Discount Rate

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

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

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

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Municipality's proportionate share of the net pension liability	\$ 9,220,230.56	7,669,127.00	6,368,632.33

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, 2018 AND 2017
(CONTINUED)

NOTE 12: PENSION LIABILITIES- Continued

Police and Firemen's Retirement System

The Municipality has a liability of \$3,928,320.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.0290306116%, which would be a decrease of 22.36% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$120,506.00. At December 31, 2018, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 39,966.00	\$ (16,256.00)
Changes of assumptions	337,193.00	(1,006,761.00)
Changes in proportion	248,591.00	(1,298,465.00)
Net difference between projected and actual earnings on pension plan investments		(21,491.00)
Total	<u>\$ 625,750.00</u>	<u>\$ (2,342,973.00)</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,	
2018	\$ 75,696.75
2019	(297,904.30)
2020	(805,553.97)
2021	(522,346.62)
2022	(167,114.87)
Total	<u>\$ (1,717,223.00)</u>

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

NOTE 12: PENSION LIABILITIES- Continued

Actuarial Assumptions

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

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

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

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

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

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

NOTE 12: PENSION LIABILITIES- Continued

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

Discount Rate

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

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

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

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
District's proportionate share of the net pension liability	\$ 5,117,192.34	3,928,320.00	2,947,913.65

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

NOTE 12: PENSION LIABILITIES- 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, 2017 State special funding situation net pension liability amount of \$1,838,050,687.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2018 State special funding situation pension expense of \$217,714,180.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

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

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.0290306116% for 2018. The net pension liability amount allocated to the Municipality was \$533,597.00. For the fiscal year ending June 30, 2018 State special funding situation pension expense of \$63,204.00 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 – OTHER POST-RETIREMENT BENEFITS

General Information about the Plan:

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

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

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

1) retired on a disability pension;

or 2) retired with 25 or more years of service credit in a State or locally administered retirement

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS - Continued

system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;

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

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

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

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

Allocation Methodology:

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

Special Funding Situation:

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

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

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS – Continued

financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net OPEB liability that is associated with the local participating employer.

Net OPEB Liability:

Components of Net OPEB Liability

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

	June 30, 2018	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 15,981,103,227	\$ 11,419,137
Plan Fiduciary Net Position	314,485,086	224,712
Net OPEB Liability	<u>\$ 15,666,618,141</u>	<u>\$ 11,194,425</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.97%

At June 30, 2018 the Borough's proportionate share of the Collective Net OPEB Liability was \$11,194,425. The State's proportionate share for the Special Funding Situation that is associated with the Borough is \$2,842,772. The Borough's proportion of the Collective Net OPEB Liability was 0.071454% which was a decrease from the prior year of 0.04%. The State's proportionate share attributable to the Borough of the Collective Net OPEB Liability for the Special Funding Situation was 0.045749% which was an increase from the prior year of 27.34%.

Borough's Proportionate Share of Collective Net OPEB Liability	\$ 11,194,425
State's proportionate share that is associated with the City	2,842,772
Total	<u>\$ 14,037,197</u>

For the Year ended June 30, 2018 the Borough's Total OPEB Expense was \$146,522 and the State of New Jersey realized Total OPEB Expense in the amount of \$86,054 for its proportionate share of Total OPEB Expense that is associated with the Borough.

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

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

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS – Continued

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

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

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

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

Health Care Trend Assumptions

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

Discount Rate

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

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

		1% Decrease (2.87%)		Discount Rate (3.87%)		1% Increase (4.87%)
<hr/>						
Collective						
Net OPEB Liability	\$	18,381,085,096	\$	15,666,618,141	\$	13,498,373,388
Proportionate Share						
Net OPEB Liability	\$	13,134,020	\$	11,194,425	\$	9,645,127

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

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS - Continued

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

		<u>1% Decrease</u>		<u>Healthcare Cost Trend Rate</u>		<u>1% Increase</u>
Collective						
Net OPEB Liability	\$	13,068,471,450	\$	15,666,618,141	\$	19,029,006,023
Proportionate Share						
Net OPEB Liability	\$	9,337,945	\$	11,194,425	\$	13,596,986

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

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

	<u>Collective Totals</u>		<u>Proportionate Share</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ (3,180,882,321)	\$	\$ (2,272,867)
Changes of assumptions		(3,974,042,874)		(2,839,613)
Net difference between projected and actual earnings on OPEB plan investments	8,279,239		5,915	
Changes in proportion and differences between District contributions and proportionate share of contributions	2,106,728,269	(2,106,728,269)	217,024	(1,964,502)
Total	\$ <u>2,115,007,508</u>	\$ <u>(9,261,653,464)</u>	\$ <u>222,939</u>	\$ <u>(7,076,982)</u>

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

<u>Year ended June 30,</u>		<u>Collective Totals</u>		<u>Proportionate Share</u>
2019	\$	(1,049,390,011)	\$	(1,006,425)
2020		(1,049,390,011)		(1,006,425)
2021		(1,049,390,011)		(1,006,425)
2022		(1,050,264,681)		(1,007,264)
2023		(1,051,678,489)		(1,008,620)
Thereafter		(1,896,532,753)		(1,818,884)
Total	\$	<u>(7,146,645,956)</u>	\$	<u>(6,854,043)</u>

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

Collective OPEB Expenses reported by the State of New Jersey

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS - Continued

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

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

Schedule of Borough's Share of Net OPEB Liability

	<u>2018</u>
Borough's Proportionate Share of Net OPEB Liability	0.071454%
Borough's Share of Net OPEB Liability	\$ 11,194,425
Borough's Covered Payroll	2,659,621
Borough's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	420.90%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

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, 2018 and 2017 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.

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

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.

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, 2018, 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	\$ 213.57	
Water & Sewer Operating Fund		2,930.00
Grant Fund:		
General Capital Fund		395,997.65
Animal Control Fund:		
Current Fund		213.57
General Capital Fund:		
Grant Fund	395,997.65	
Water & Sewer Capital Fund	93,711.33	
Water Sewer Operating Fund:		
Water and Sewer Capital Fund	44,882.14	
Current Fund	2,930.00	
Water and Sewer Capital Fund:		
Water and Sewer Operating Fund		44,882.14
General Capital Fund		93,711.33
	\$ <u>537,734.69</u>	<u>537,734.69</u>

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

NOTE 20: SUBSEQUENT EVENTS

The entity has evaluated subsequent events through July 23, 2019, the date which the financial statements were available to be issued and identified no events requiring disclosure.

SUPPLEMENTARY DATA



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018, and the related notes to the financial statements, which collectively comprise Borough's basic financial statements, and have issued our report thereon dated July 23 2019, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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

July 23, 2019

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		<u>Current Fund</u>
Balance December 31, 2017	\$	7,460,590.74
Increased by Receipts:		
Tax Collector	24,400,440.29	
Revenue Accounts Receivable	2,886,923.01	
Miscellaneous Revenue	167,460.20	
State of New Jersey:		
Senior Citizen and Veterans Deductions	13,000.00	
DCA Training Fees	27,820.00	
Prepaid Beach Fees	57,694.00	
Prepaid Uniform Fire Code Fees	80,920.00	
Due from Dog Trust Fund	1.20	
Federal and State Unappropriated Reserves	8,204.07	
Federal and State Receivables	423,984.67	
		<u>28,066,447.44</u>
		35,527,038.18
Decreased by Disbursements:		
Current Year Appropriation	14,684,962.95	
Prior Year Appropriations	250,820.98	
County Taxes	12,168,952.71	
DCA Training Fees	24,993.00	
Local District School Taxes	2,518,342.00	
Increase in Change Funds	750.00	
Due from Animal Control Fund	0.48	
Due to Utility Operating	2,930.00	
Reserve for TTL	9,500.00	
Reserve for Master Plan	50,000.00	
Accounts Payable	11,206.59	
Federal and State Disbursements	129,356.72	
		<u>29,851,815.43</u>
Balance December 31, 2018	\$	<u>5,675,222.75</u>
	Current Fund	5,370,052.48
	Grant Fund	305,170.27
		<u>5,675,222.75</u>

See Accompanying Auditor's Report

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

Balance December 31, 2017		\$	-
Increased by Receipts:			
Prepaid Taxes	791,672.91		
Tax Overpayments	84,054.51		
Taxes Receivable	23,470,665.58		
Revenue Accounts Receivable	54,047.29		
	<hr/>		<hr/>
			24,400,440.29
			24,400,440.29
Payments to Treasurer			<hr/>
			24,400,440.29
Balance December 31, 2018		\$	<hr/> <hr/>
			-

See Accompanying Auditor's Report

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

Year	Balance Dec. 31, 2017	Current Year Levy	Added Taxes	Overpayments Created	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2018
					2017	2018			
2017	\$ 208,829.65	-	-	-	-	201,414.68	7,367.79	47.18	0.00
	208,829.65					201,414.68	7,367.79	47.18	0.00
2018		26,651,130.71	163,052.58		3,342,508.03	23,327,043.48	13,754.54	50.23	130,827.01
\$	208,829.65	26,651,130.71	163,052.58	-	3,342,508.03	23,528,458.16	21,122.33	97.41	130,827.01
<u>Analysis of Current Year Tax Levy</u>									
Tax Yield:									
General Property Tax									
Added Taxes (54:4-63.1 et. Seq.)									
						26,651,130.71			
						163,052.58			
							26,814,183.29		
Tax Levy:									
General County Taxes									
County Library Taxes									
County Open Space Taxes									
County Added and Omitted Taxes									
Total County Taxes									
							12,190,355.84		
Local School District Tax									
							2,543,276.00		
Local Tax for Municipal Purposes									
Add: Additional Tax Levied									
						11,850,000.00			
						230,551.45			
							12,080,551.45		
							26,814,183.29		

Cash Receipts
Overpayments Applied
Senior Citizens and Veterans
23,528,458.16

Analysis of Current Year Tax Levy

Tax Yield:

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

Tax Levy:

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

Local School District Tax

Local Tax for Municipal Purposes
Add: Additional Tax Levied

See Accompanying Auditor's Report

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

Balance December 31, 2017		\$	64.96
Increased by:			
Transfers from Taxes Receivable	97.41		
Interest and Costs Accrued by 2018 Tax Sale	64.96		
	<hr/>		<hr/>
			162.37
			<hr/>
			227.33
Decreased by:			
Collections			
None			
	<hr/>		<hr/>
			-
			<hr/>
Balance December 31, 2018		\$	<u><u>227.33</u></u>

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	0.03	0.03		0.03	
Other Expenses	8,945.60	8,945.60	6,396.20	2,549.40	
Mayor and Council					
Salaries and Wages	661.47	661.47		661.47	
Other Expenses	1,926.63	1,926.63	803.63	1,123.00	
Municipal Clerk					
Salaries and Wages	0.02	0.02		0.02	
Other Expenses	4,474.16	4,474.16	4,241.74	232.42	
Financial Administration					
Salaries and Wages	-	-		-	
Other Expenses	11,872.52	11,872.52	10,557.42	1,315.10	
Elections					
Other Expenses	1,628.03	1,628.03		1,628.03	
Audit Services					
Other Expenses	11,450.00	11,450.00	11,450.00	-	
Collection of Taxes					
Salaries and Wages	66.13	66.13		66.13	
Other Expenses	2,061.52	2,061.52	1,186.41	875.11	
Assessment of Taxes					
Salaries and Wages	34.00	34.00		34.00	
Other Expenses	6,472.17	6,472.17	2,670.92	3,801.25	
Legal Services and Costs					
Other Expenses	24,026.10	24,026.10	18,990.74	5,035.36	
Engineering Services and Costs					
Other Expenses	4,599.05	4,599.05	45.00	4,554.05	

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
Insurance					
Employee Group Insurance	96,567.01	96,567.01	10,863.26	85,703.75	-
Other Insurance Premiums	33,296.38	33,296.38		33,296.38	
Health Benefit Waiver					
Salaries and Wages	971.94	971.94	971.94	-	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	-	-		-	
Other Expenses	14,771.90	14,771.90	10,798.00	3,973.90	
Zoning Board					
Salaries and Wages	654.93	654.93		654.93	
Other Expenses	1,244.84	1,244.84	597.82	647.02	
PUBLIC SAFETY					
Fire Department					
Other Expenses	20,178.08	20,178.08	18,738.66	1,439.42	
Police Department					
Salaries and Wages	121,391.12	121,391.12		121,391.12	
Other Expenses	11,952.74	11,952.74	10,046.55	1,906.19	
Office of Emergency Management					
Other Expenses	220.68	220.68		220.68	
Municipal Prosecutor					
Other Expenses	679.00	679.00		679.00	
Uniform Construction Code Official					
Salaries and Wages	1,075.04	1,075.04		1,075.04	
Other Expenses	4,590.42	4,590.42	3,129.18	1,461.24	
Municipal Court					
Salaries and Wages	5,875.50	5,875.50		5,875.50	
Other Expenses	6,938.90	6,938.90	473.32	6,465.58	

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
PUBLIC WORKS					
Public Works	-	-		-	
Salaries and Wages	67,491.68	67,491.68	27,355.07	40,136.61	
Other Expenses					
Solid Waste Collection					
Salaries and Wages	21,381.68	21,381.68		21,381.68	
Other Expenses	88,244.01	88,244.01	8,469.39	79,774.62	
Public Building and Grounds					
Other Expenses	9,847.35	9,847.35	9,519.38	327.97	
NATURAL RESOURCES					
Natural Resources Committee					
Salaries and Wages	13,432.74	13,432.74		13,432.74	
Other Expenses	6,884.38	6,884.38	4,611.00	2,273.38	
Animal Control					
Other Expenses	748.00	748.00		748.00	
HEALTH AND HUMAN SERVICES					
Safety Compliance					
Other Expenses	11,715.70	11,715.70	1,069.24	10,646.46	
RECREATION AND EDUCATION					
Docks, Bulkheads and Seawall					
Salaries and Wages	-	-		-	
Beach Patrol					
Salaries and Wages	7.08	7.08		7.08	
Other Expenses	1,312.54	1,312.54	1,279.14	33.40	
Parks and Playgrounds					
Salaries and Wages	9,610.07	9,610.07		9,610.07	
Other Expenses	2,447.85	2,447.85	746.81	1,701.04	
Tourism					
Other Expenses	9,113.27	9,113.27	697.36	8,415.91	

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
STATE UNIFORM CONSTRUCTION CODE					
Construction Official					
Salaries and Wages	44.97	44.97		44.97	
Other Expenses	1,228.75	1,228.75	989.20	239.55	
UNCLASSIFIED					
Longevity Pay for Employees	-	-		-	
UTILITIES					
Electricity	6,396.73	6,396.73	6,396.73	-	
Telephone	46,819.42	46,819.42	4,763.23	42,056.19	
Street Lighting	14,392.86	14,392.86	12,613.88	1,778.98	
Gasoline	6,364.07	6,364.07	3,609.08	2,754.99	
Natural Gas	21,540.51	21,540.51	4,696.29	16,844.22	
Contingent	1,351.62	1,351.62		1,351.62	
STATUTORY EXPENDITURES					
Contribution to					
Police and Fire Retirement System of N.J.	910.00	910.00		910.00	
Public Employees Retirement System	1,000.00	1,000.00		1,000.00	
Defined Contribution Retirement Plan	663.66	663.66		663.66	
Social Security	25,589.51	25,589.51		25,589.51	
Unemployment Compensation Insurance	976.97	976.97		976.97	
INTERLOCAL AGREEMENTS					
Borough of Avalon					
Police Dispatch Services		1.00		1.00	
Other Services	1.00				
Financial Administration-CFO	709.56	709.56		709.56	

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
CAPITAL IMPROVEMENTS					
Recreation Improvements	3,420.00	3,420.00		3,420.00	
Computers - Administrative	5,258.94	5,258.94		5,258.94	
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 Carpets	20,000.00	20,000.00	13,730.39	6,269.61	
Tax Office Printer	6,000.00	6,000.00		6,000.00	
Beach Patrol-4WD Jeep	739.33	739.33		739.33	
Police Department Computers	398.31	398.31		398.31	
Police Ballistic Vest- 8 Officers	5.80	5.80		5.80	
All Other Accounts - No Change	-	-		-	
\$	871,674.27	871,674.27	253,920.98	617,753.29	-
Transfer to Accounts Payable			3,100.00		
Cash Disbursements			250,820.98		
			<u>253,920.98</u>		

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF LOCAL DISTRICT SCHOOL TAX

Balance December 31, 2017			
School Tax Payable	\$	324,863.65	
School Tax Deferred		<u>921,837.60</u>	
			1,246,701.25
Increased by:			
Levy - School Year July 1, 2017 to June 30, 2018			<u>2,543,276.00</u>
			3,789,977.25
Decreased by:			
Payments			<u>2,518,342.00</u>
Balance December 31, 2018			
School Tax Payable		349,797.65	
School Tax Deferred		<u>921,837.60</u>	
			<u>1,271,635.25</u>
Current Year Liability for Local School District School Tax:			
Tax Paid			2,518,342.00
Tax Payable Ending			<u>349,797.65</u>
			2,868,139.65
Less: Tax Payable Beginning			<u>324,863.65</u>
Amount Charged to Current Year Operations	\$		<u><u>2,543,276.00</u></u>

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

<u>Purpose</u>	<u>Balance</u> Dec. 31, 2017	<u>Transferred</u> From Revenues	<u>Received</u>	<u>Cancelled</u>	<u>Balance</u> Dec. 31, 2018
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>2,705,804.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,705,804.00</u>
STATE GRANTS:					
DOT - Reconstruction of 95th Street	337,000.00				337,000.00
DOT - Reconstruction of 95th Street		175,000.00	175,000.00		-
DOT- Reconstruction of 92nd Street		180,000.00	135,000.00		45,000.00
DOT - Dump Station Grant	3,025.00		3,025.00		-
Clean Communities		14,581.08	14,581.08		-
NJ Cooperative Marketing Grant	1,109.75				1,109.75
Hazard Mitigation Grant	75,000.00		75,000.00		-
Total State	<u>416,134.75</u>	<u>369,581.08</u>	<u>402,606.08</u>	<u>-</u>	<u>383,109.75</u>
LOCAL GRANTS:					
County of Cape May - Streetscape	8,140.00				8,140.00
CMC Tourism Grant		1,500.00	1,500.00		-
Garden Club Grant - 96th Street		6,228.59	6,228.59		-
Stone Harbor Property Owners Association Grant		7,000.00	7,000.00		-
Sustainable NJ		2,000.00	2,000.00		-
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
JIF Wellness Grant		1,000.00	1,000.00		-
ACMJIF Safety Grant		3,650.00	3,650.00		-
Open Space-Chelsea Park	45,525.00			45,525.00	-
Total Local	<u>848,665.00</u>	<u>21,378.59</u>	<u>21,378.59</u>	<u>45,525.00</u>	<u>803,140.00</u>
	<u>\$ 3,970,603.75</u>	<u>390,959.67</u>	<u>423,984.67</u>	<u>45,525.00</u>	<u>3,892,053.75</u>

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2017		2018	Paid or Charged	Cancelled	Balance Dec. 31, 2018
	Appropriated	Reserve for Encumbrances				
FEDERAL GRANTS:						
Police Body Armor Grant	\$ 595.11		1,865.87	1,842.00		618.98
CDBG - Disaster Recovery	2,703,804.00					2,703,804.00
Flood Mitigation Grant	879.44					879.44
Cops in Shops						
Total Federal	2,705,278.55	-	1,865.87	1,842.00	-	2,705,302.42
STATE GRANTS:						
Drunk Driving Enforcement Fund	241.29		4,826.74	3,480.88		1,587.15
Municipal Court Alcohol Grant - Revolving	759.26					759.26
Clean Communities Program	11,605.82	380.00	14,581.08	13,312.62		13,254.28
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	4,034.18	310.00	12,852.39	3,727.16		13,469.41
DOT - Reconstruction of 95th Street			175,000.00	175,000.00		-
DOT- Reconstruction of 92nd Street			180,000.00			180,000.00
ADA Improvements - 82nd St	83,090.26			75,000.00		83,090.26
Hazard Mitigation Grant	75,000.00			351.47		-
Green Communities		351.47				-
NJDOT- Reconstruction of 95th Street	337,000.00			337,000.00		-
Total State	520,832.95	4,066.47	387,260.21	610,897.13	-	301,262.50

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2017		2018	Paid or Charged	Cancelled	Balance Dec. 31, 2018
	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		-
Garden Club Grant - 96th Street			6,228.59	6,190.33		38.26
Stone Harbor Property Owners Association Grant	36.03		7,000.00	3,533.45		3,502.58
CMC Open Space Grant-Bikeway	195,000.00			13,000.00		182,000.00
AMCJIF Safety Grant	186.65		3,650.00	3,036.65		800.00
JIF Wellness Grant			1,000.00	1,000.00		-
Sustainable NJ			2,000.00	2,000.00		-
Comcast Technology Grant - Revolving	5,305.00			2,400.00		2,905.00
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	83,395.29			37,870.29	(45,525.00)	-
Total Local	327,220.38	-	21,378.59	98,215.14	(45,525.00)	204,858.83
\$	3,553,331.88	4,066.47	410,504.67	710,954.27	(45,525.00)	3,211,423.75
			Cash Disbursed	129,356.72		
			Encumbered	581,597.55		
				<u>710,954.27</u>		

See Accompanying Auditor's Report

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	Balance Dec. 31, 2017	Transferred To 2018 Appropriations	Received	Balance Dec. 31, 2018
STATE GRANTS:				
Recycling Tonnage Grant	\$ 12,852.39	12,852.39	8,119.07	8,119.07
Drunk Driving Enforcement	4,826.74	4,826.74	-	-
Police Body Armor Grant	1,865.87	1,865.87	-	-
Supplemental Fire Services Grant	1.00			1.00
Garden Club Grant - 96th Street			85.00	85.00
Grand Total	<u>\$ 19,546.00</u>	<u>19,545.00</u>	<u>8,204.07</u>	<u>8,205.07</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Animal Control</u>	<u>Other</u>
Balance December 31, 2017	\$ 699.62	2,176,033.87
Increased By:		
State Dog License Fees	38.40	
Municipal Dog License Fees	66.60	
Due to Current Fund		
Cat License Fees	8.40	
Due to Current Fund	0.48	
Other Reserves		<u>668,798.22</u>
	<u>113.88</u>	<u>668,798.22</u>
	813.50	2,844,832.09

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

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Sheet 2

	<u>Animal Control</u>	<u>Other</u>
Decreased By:		
Paid to State of NJ	34.80	
Dog Fund Expenditures	-	
Current Fund	1.20	50,000.00
Other Reserves		<u>272,388.11</u>
	<u>36.00</u>	<u>322,388.11</u>
Balance December 31, 2018	\$ <u><u>777.50</u></u>	<u><u>2,522,443.98</u></u>

Analysis of December 31, 2018 Balance

Trust - Other	\$	2,400,982.35
COAH		3,567.84
Public Defender		
Police Forfeiture Fund		3,505.19
Preservation Trust Account		114,388.60
Parking Offense Adjudication Account		<u> </u>
	\$	<u><u>2,522,443.98</u></u>

See Accompanying Auditor's Report

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL
FUND EXPENDITURES

Balance December 31, 2017	\$	485.33
Increased by:		
Dog License Fees Collected	66.60	
Cat License Fees Collected	8.40	
		<u>75.00</u>
		560.33
Decreased by:		
Statutory Excess Due to Current Fund	-	
Expenditures under N.J.S.A. 4:19-15.11:		
Cash		<u>-</u>
Balance December 31, 2018	\$	<u><u>560.33</u></u>

License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	63.90
2016	142.40
	<u>206.30</u>

See Accompanying Auditor's Report

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

Balance December 31, 2017	\$	-
Increased By:		
Collected in 2018	<u>38.40</u>	<u>38.40</u>
		38.40
Decreased By:		
Payments	<u>34.80</u>	<u>34.80</u>
Balance December 31, 2018	\$	<u><u>3.60</u></u>

See Accompanying Auditor's Report

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

<u>Reserve</u>	<u>Increased by</u>		<u>Decreased by</u>		<u>Balance Dec. 31, 2018</u>
	<u>Balance Dec. 31, 2017</u>	<u>Receipts</u>	<u>Other</u>	<u>Disbursements</u>	<u>Payments made by Current Fund</u>
Preservation Trust	\$ 114,318.22	70.38			114,388.60
Parking Offenses Adjudication Act	3,217.77	350.07			3,567.84
Developer's Escrow	29,411.26	14,843.75		10,109.41	34,145.60
Developer's Escrow - DVM	4,639.63			533.16	4,106.47
Street Opening Deposits	155,214.74	237,271.36		218,156.19	174,329.91
Premiums Received at Tax Sale	20.00				20.00
Off-Duty Police	7,728.71	15,850.00		12,690.00	10,888.71
Health Flex Account	-				-
Forefeited Property	425.00				425.00
Public Defender Fees	1,804.06	1.11			1,805.17
Contributions - Bird Sanctuary	8,585.31	2,875.00		659.40	10,800.91
Council on Affordable Housing	1,778,351.56	370,904.39		21,132.45	2,128,123.50
Uniform Fire Code - Penalties	1,400.00				1,400.00
Bequests - Memorial Benches	3,390.00	8,380.00			11,770.00
Bequests - Police Equipment	2,060.00	2,000.00			4,060.00
Bequests - 911 Memorial	2,083.37				2,083.37
Bulkhead Escrow		14,250.00		7,107.50	7,142.50
Accumulated Leave					-
100th Anniversary	7,666.71				7,666.71
Recreation Donations	2,214.50	2,000.00		2,000.00	2,214.50
Police Forefeiture of Funds	3,503.03	2.16			3,505.19
	<u>\$ 2,126,033.87</u>	<u>668,798.22</u>	<u>-</u>	<u>272,388.11</u>	<u>2,522,443.98</u>

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2017		\$ 2,739,717.33
Increased by:		
Budget Appropriations:		
Capital Improvement Fund	350,000.00	
Payment of Notes	320,900.00	
Bonds Issued	28,974,000.00	
Grants Received	133,750.00	
	<hr/>	<hr/>
		29,778,650.00
		32,518,367.33
Decreased by:		
Improvement Authorizations	(304,737.81)	
Encumbrances Payable	6,069,281.36	
Payment of Bond Anticipation Notes	19,500,000.00	
Reserve for Preliminary Expenses	7,988.77	
Anticipated as a Revenue in Current Fund Budget;		
Reserve for Payment of Bonds	65,842.00	
	<hr/>	<hr/>
		25,338,374.32
Balance December 31, 2018		\$ <u><u>7,179,993.01</u></u>

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2017	Receipts		Disbursements		Transfers		Balance Dec. 31, 2018	
		Miscellaneous	Debit Issued	Improvement Authorizations	Miscellaneous	From			To
\$	119.76							119.76	
Fund Balance									
Capital Improvement Fund	92,236.00	350,000.00				404,994.00		37,242.00	
Contracts Payable	6,069,281.36				6,069,281.36			2,992,161.20	
Reserve for Payment of Bonds	293,466.43	133,750.00			65,842.00			361,374.43	
Reserve for Payment of NJEIT Loan	260,393.12							260,393.12	
Reserve for Preliminary Expenses	8,830.46				7,988.77			841.69	
Reserve for Arbitrage Liability	1,699.33							1,699.33	
Due from NJ Environmental Infrastructure Trust	(450,644.26)				144,737.14			(595,381.40)	
Due from Water and Sewer Capital Fund	(93,711.33)							(93,711.33)	
Due from Grant Fund	(395,997.65)							(395,997.65)	
Improvement Authorizations:									
1208 Improve Lagoons and Basins	150.00				(507.53)	1,662.71		150.00	
1228 Various Improvements	1,155.18							-	
1249 Various Improvements	53,394.25							53,394.25	
1293 Various Improvements	7,464.50				6,972.50	492.00		-	
1308 Various Improvements	58,475.92				(6,000.00)	12,852.82		51,623.10	
1332 Various Improvements	16,062.79				2,021.88	5,875.35		8,165.56	
1356 Various Improvements	(220,090.34)				8,006.25			(228,096.59)	
1390 Various Improvements	(103,085.49)				(43,911.57)	58,244.45		(117,418.37)	
1398 Various Improvements	(589,689.17)	66,500.41	551,498.00		15,098.58	3,400.00		9,810.66	
1417 Various Improvements	(243,689.07)	53,900.15	194,907.00		4,310.93	478.28		328.87	
1436 Various Improvements	(514,715.84)	50,499.44	477,498.00		906.35	100.00		12,275.25	
1449 Various Improvements	(298,031.00)	150,000.00	-					(148,031.00)	
1455 Various Improvements	(1,486,249.16)		1,390,111.00		(40,011.91)	67,035.50		(123,161.75)	
1463 Improvement of Recreational Facilities	8,835.17				(6.65)	8,835.17		6.65	
1465 Improvement of Beach Property					(285,450.89)	269,450.89		16,000.00	
1477 Various Improvements	10,864.70				(39,135.30)	50,000.00		-	
1478 Various Improvements	(366,089.56)		590,100.00		(301,741.50)	346,810.84		178,941.10	
1486 Beach and Bay Improvements					(6,692.68)	6,692.68		-	
1495 Various Improvements	1,064,377.67				210,498.24	660,508.01		193,371.42	
1499 Public Safety Building- Supp #1					(215,014.61)	215,014.61		-	
1509 Public Safety Building- Supp #2	(445,096.44)		475,000.00		(467,173.17)	497,076.73		-	
1517 Various Improvements			5,794,886.00		708,356.13	787,631.16	404,994.00	4,703,892.71	
\$	2,739,717.33	804,650.00	9,474,000.00	(449,474.95)	6,287,849.27	3,397,155.20	3,397,155.20	7,179,993.01	

See Accompanying Auditor's Report

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

Balance December 31, 2017		\$	92,236.00
Increased by:			
Current Fund Budget Appropriation	350,000.00		
Special Emergency Appropriation			
	<hr/>		<hr/>
			350,000.00
			442,236.00
Decreased by:			
Appropriation to Finance Improvement Authorization	404,994.00		
	<hr/>		<hr/>
			404,994.00
Balance December 31, 2018		\$	<u><u>37,242.00</u></u>

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2017		\$ 12,618,611.79
Increased by:		
Serial Bonds	27,455,000.00	
	<hr/>	<hr/>
		27,455,000.00
		40,073,611.79
Decreased by:		
Serial Bonds Paid by Operating Budget	2,685,000.00	
NJEIT Loans Paid by Operating Budget	248,623.43	
	<hr/>	<hr/>
		2,933,623.43
Balance December 31, 2018		\$ <u><u>37,139,988.36</u></u>

See Accompanying Auditor's Report

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

Ord #	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Bonds Issued	Other	Balance Dec. 31, 2018	Analysis of Balance	
							Expenditures	Unexpended Improvement Authorizations
1356	Various Improvements: d. Improve Streets and Locations	\$ 230,231.68				230,231.68	228,096.59	2,135.09
1390	Improvement to Water and Sewerage System - General Capital Portion	117,418.37				117,418.37	117,418.37	-
1398	Various Improvements	1,544,471.00		1,477,969.00	66,500.41	1.59		1.59
1417	Various Improvements	918,094.00		864,001.00	53,900.15	192.85		192.85
1436	Various Improvements	1,326,785.00		1,276,283.00	50,499.44	2.56		2.56
1449	Various Improvements	298,031.00		-	150,000.00	148,031.00	148,031.00	-
1455	Various Improvements	8,068,350.00		7,918,350.00		150,000.00	123,161.75	26,838.25
1463	Improvement of Recreational Facilities	133,000.00		133,000.00		-		-
1465	Improvement of Beach Property	4,750,000.00		4,750,000.00		-		-
1478	Various Improvements	1,670,100.00		1,670,100.00		-		-
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		-		-
1517	Various Improvements		5,794,886.00	5,794,886.00		-		-
		\$ 24,145,892.05	5,794,886.00	28,974,000.00	320,900.00	645,878.05	616,707.71	29,170.34
							Improvement Authorizations Unfunded	
							Less:	
							Unexpended Proceeds of Bond	
							Anticipation Notes Issued:	
							Ord. Number	29,170.34
							None	-
								\$ 29,170.34

See Accompanying Auditor's Report

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Balance December 31, 2017		Authorizations		Paid or Charged	Balance December 31, 2018	
				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	1,155.18				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	53,394.25					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	58,475.92				6,852.82	51,623.10	
1356	Various Improvements a. Vehicular Equipment for Borough Departments	3/16/2010	2,400,000	16,062.79				7,897.23	8,165.56	
1390	Improvement to Water and Sewer System - General Capital Portion	10/18/2011	2,600,000	-	10,141.34			8,006.25		2,135.09
1398	Various Improvements	3/6/2012	1,700,000		14,332.88			14,332.88		-
1417	Various Improvements	3/19/2013	1,050,000		28,310.83			18,498.58	9,810.66	1.59
1436	Various Improvements				5,310.93			4,789.21	328.87	192.85
1455	Various Improvements	3/3/2015	8,493,000		13,284.16			1,006.35	12,275.25	2.56
1463	Improvement of Recreational Facilities				53,861.84			27,023.59		26,838.25
1465	Back Bay Dredging	5/15/2015	140,000		8,835.17			8,828.52	6.65	
1477	Various Improvements	5/15/2015	5,000,000	10,864.70				(16,000.00)	16,000.00	
1478	Various Improvements a. New Recycling/Trash Truck b. ADA Improvements/Flood Mitigation c. Purchase equipment/Flag Pole e. Road Improvements	2/23/2016	1,758,000					10,864.70	-	
					12,289.87			12,289.87	-	
					157,393.99			59,883.17	97,510.82	
					12,977.13			(34,705.10)	5,375.73	
					41,349.45				76,054.55	
1495	Various Improvements	3/17/2017	1,857,275		1,064,377.67			871,006.25	193,371.42	
1509	Public Safety Building- Supp #2	2017	500,000		29,903.56			29,903.56		
1517	Various Improvements	2018	6,199,880			404,994.00	5,794,886.00	1,495,987.29	4,703,892.71	
			\$	147,567.34	1,452,368.82	404,994.00	5,794,886.00	2,542,686.25	5,227,959.57	29,170.34

See Accompanying Auditor's Report

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2018				Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			December 31, 2018								
			Date	Amount							
General Bonds of 2011	11/1/2011	12,750,000	11/01/19	1,125,000.00	3.000%	\$ 7,200,000.00			1,075,000.00	6,125,000.00	
			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			4.000%	1,610,000.00			1,610,000.00	-	
General Bonds of 2018	11/1/2018	27,455,000	11/01/19	1,305,000.00	5.000%		27,455,000.00			27,455,000.00	
			11/01/20	1,305,000.00	5.000%						
			11/01/21	1,315,000.00	5.000%						
			11/01/22	1,320,000.00	5.000%						
			11/01/23	1,365,000.00	5.000%						
			11/01/24	2,015,000.00	5.000%						
			11/01/25	2,100,000.00	5.000%						
			11/01/26	2,195,000.00	4.000%						
			11/01/27	2,260,000.00	4.000%						
			11/01/28	2,315,000.00	4.000%						
			11/01/29	2,380,000.00	4.000%						
			11/01/30	2,455,000.00	3.250%						
			11/01/31	2,525,000.00	3.250%						
			11/01/32	2,600,000.00	3.375%						
						\$ 8,810,000.00	27,455,000.00	2,685,000.00	33,580,000.00		

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 Outstanding					Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018	
			Balance December 31, 2018		Amount	Date	Amount					
NJEIT 2010B Trust Loan CW - General Capital Portion	12/2/2010	1,013,511			2019	68,822.31		Var.	\$	901,761.39	64,883.89	836,877.50
					2020	68,822.31						
					2021	68,822.31						
					2022	72,760.74						
					2023	72,760.74						
					2024	76,699.16						
					2025	80,637.59						
					2026	80,637.59						
					2027	65,747.19						
					2028	59,076.38						
					2029	59,076.38						
					2030	63,014.80						
NJEIT 2010B Fund Loan CW - General Capital Portion	12/2/2010	358,462			2019	14,719.03		0.000%		147,190.30	14,719.03	132,471.27
					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						
NJEIT Spring 2012ABC Trust Loan DW-General Capital	5/3/2012	141,786			2027	14,719.03						
					2019	9,482.35		Var.		125,101.50	9,482.35	115,619.15
					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						

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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, 2017	Decreased	Balance Dec. 31, 2018
			Outstanding		Amount	Date	Balance December 31, 2018				
NJEIT Spring 2012ABC Trust Loan DW-General Capital	5/3/2012	105,536			3,197.96	2019	3,197.96	0.000%	38,375.52	3,197.96	35,177.56
					3,197.96	2020	3,197.96				
					3,197.96	2021	3,197.96				
					3,197.96	2022	3,197.96				
					3,197.96	2023	3,197.96				
					3,197.96	2024	3,197.96				
					3,197.96	2025	3,197.96				
					3,197.96	2026	3,197.96				
					3,197.96	2027	3,197.96				
					3,197.96	2028	3,197.96				
NJEIT 2012A Trust Loan CW-General Capital	5/3/2012	1,070,575			3,197.96	2029	3,197.96				
					61,114.60	2019	61,114.60	Var.	929,957.72	61,114.60	868,843.12
					63,856.05	2020	63,856.05				
					66,597.51	2021	66,597.51				
					66,597.51	2022	66,597.51				
					69,338.97	2023	69,338.97				
					72,080.43	2024	72,080.43				
					72,080.43	2025	72,080.43				
					74,821.89	2026	74,821.89				
					77,563.35	2027	77,563.35				
NJEIT 2012A Fund Loan CW-General Capital	5/3/2012	493,799			80,304.81	2028	80,304.81				
					52,087.73	2029	52,087.73				
					54,829.19	2030	54,829.19				
					57,570.65	2031	57,570.65				
					14,108.54	2019	14,108.54	0.000%	167,235.25	14,108.54	153,126.71
					14,108.54	2020	14,108.54				
					14,108.54	2021	14,108.54				
					14,108.54	2022	14,108.54				
					14,108.54	2023	14,108.54				
					14,108.54	2024	14,108.54				
					14,108.54	2025	14,108.54				
					14,108.54	2026	14,108.54				
					14,108.54	2027	14,108.54				
					14,108.54	2028	14,108.54				
		12,041.31	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						
			Outstanding		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018	
			Balance December 31, 2018	Amount					
NJEIT 2015 Trust Loan CW-Water/Sewer	5/21/2015	346,667							
			2019	19,034.00	0.000%	323,578.00	19,034.00	304,544.00	
			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			Var	970,489.33	51,401.33	919,088.00	
			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						

See Accompanying Auditor's Report

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

Maturities of Bonds									
Purpose	Date of Issue	Amount of Original Issue	Outstanding			Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Balance	Date	Amount				
NJEIT 2015 Trust Loan DW-Water/Sewer	5/21/2015	163,181		2019	7,676.71	Var.	153,837.44	7,676.71	146,160.73
				2020	7,676.71				
				2021	7,676.71				
				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	9,343.38				
				2034	11,010.04				
NJEIT 2015 Fund Loan DW-Water/Sewer	5/21/2015	69,115		2019	3,005.02	0.000%	51,085.34	3,005.02	48,080.32
				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	3,005.02				
							\$ 3,808,611.79	248,623.43	3,559,988.36

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, 2017	Increased	Decreased	Balance Dec. 31, 2018
Various Improvements	1398	11/7/2014	11/2/2017	11/2/2018	2.500% \$	926,471.00		926,471.00	-
Various Improvements	1417	11/7/2014	11/2/2017	11/2/2018	2.500%	669,094.00		669,094.00	-
Various Improvements	1436	11/7/2014	11/2/2017	11/2/2018	2.500%	798,785.00		798,785.00	-
Various Improvements	1455	11/5/2015	11/2/2017	11/2/2018	2.500%	6,528,239.00		6,528,239.00	-
Improvement of Recreational Facilities	1463	11/3/2016	11/2/2017	11/2/2018	2.500%	133,000.00		133,000.00	-
Improvement of Beach Property	1465	11/3/2016	11/2/2017	11/2/2018	2.500%	4,750,000.00		4,750,000.00	-
Various Improvements	1478	11/3/2016	11/2/2017	11/2/2018	2.500%	1,080,000.00		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	-
Various Improvements	1495	11/3/2016	11/2/2017	11/2/2018	2.500%	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	-
						<u>\$ 19,500,000.00</u>	<u>-</u>	<u>19,500,000.00</u>	<u>-</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Debt Issued	Balance Dec. 31, 2018
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		617,998.41	1.59
1417	Various Improvements	249,000.00		248,807.15	192.85
1436	Various Improvements	528,000.00		527,997.44	2.56
1449	Various Improvements	298,031.00		150,000.00	148,031.00
1455	Various Improvements	1,540,111.00		1,390,111.00	150,000.00
1478	Various Improvements	590,100.00		590,100.00	-
1509	Public Safety Building- Supp #2	475,000.00		475,000.00	-
1517	Various Improvements		5,794,886.00	5,794,886.00	-
		<u>\$ 4,645,892.05</u>	<u>5,794,886.00</u>	<u>9,794,900.00</u>	<u>645,878.05</u>

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2017	\$ 1,454,730.00	4,485,012.68
Increased by Receipts:		
Collector	4,210,598.30	
Due to Utility Capital		
Due from Utility Operating		44,882.14
Due to General Capital		-
FEMA Grant		(75,000.00)
Budget Appropriation		20,000.00
	<u>4,210,598.30</u>	<u>(10,117.86)</u>
	5,665,328.30	4,474,894.82
Decreased by Disbursements:		
Current Year Appropriation	3,500,371.82	
Prior Year Appropriations	153,195.59	
Accrued Interest on Bonds and Notes	406,328.72	
Refund of Prior Year's Revenue		
Miscellaneous Receivables		
Due to Current Fund	2,930.00	
Due to Utility Capital	44,882.14	
Improvement Authorizations		736,302.59
	<u>4,107,708.27</u>	<u>736,302.59</u>
Balance December 31, 2018	\$ <u>1,557,620.03</u>	<u>3,738,592.23</u>

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2017	Receipts		Improvement Authorizations	Disbursements		Transfers	Balance Dec. 31, 2018
		Miscellaneous	Debt Issued		Miscellaneous			
\$								
Fund Balance	34,616.39							34,616.39
Capital Improvement Fund	44,575.77							64,575.77
Encumbrances Payable	681,866.14	20,000.00						1,430,555.23
Reserve for Payment of Bonds	60,000.00							60,000.00
Reserve for Insurance Reimbursement	71,505.06							71,505.06
Due to General Capital Fund	93,711.33							93,711.33
Due to Utility Operating	-	44,882.14						44,882.14
Due from N.J. Environ. Infrastructure Trust	(1,217,364.17)	-						(1,217,364.17)
Improvement Authorizations:								
1342 Improvement of the Water and Sewerage System	(50,467.92)							(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)			700.00				(1,267.00)
1391 Improvement of the Water and Sewerage System	(1,811.63)							(1,811.63)
1399 Various Improvements b. Water/Sewer Equipment	23,110.67			700.00				22,410.67
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	(116,490.88)			135,379.17		159,103.37	293,782.54	(117,190.88)
1437 Various Improvements a. Purchase Vehicles b. Purchase Equipment c. Upgrade Dewatering Equipment d. Purchase of Computer Equipment	(1,568.78) 21,450.87 70,801.62 861.81			363.78 8,487.35 29,870.57 -				(1,932.56) 12,963.52 45,472.18 861.81
1450 Improvement of Water and Sewerage System	109,800.19			121,684.83			130,946.14	119,061.50
1456 Various Improvements	29,679.00	(75,000.00)		(48,785.33)			1,941.49	5,405.82
1479 Various Improvements a. Acquisition of new equipment b. Water/Sewer Improvements c. Acquisition of new computer equip	2,719.10 383,713.41 748.45			16,607.04 77,252.66 -		360,000.00 708.75		(13,887.94) 9,700.65 39.70
1480 Various Improvements	485,965.80			2,666.18		485,330.57	2,030.95	(0.00)
1492-17 Various Improvements	1,336,922.32			110,297.49		35,448.63	111,746.12	1,302,922.32
1496-17 Various Improvements	2,421,235.13			95,445.55		324,541.50	93,144.30	2,094,392.38
1517-18 Various Improvements				185,633.30		84,928.84		(270,562.14)
\$	4,485,012.68	(10,117.86)		736,302.59	-	2,151,434.23	2,151,434.23	3,738,592.23

See Accompanying Auditor's Report

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

	<u>Ref.</u>	
Balance December 31, 2017		\$ -
Increased by Receipts:		
Consumer Accounts Receivable:		
Water & Sewer Rents Collected	4,023,152.83	
Prepaid Rents	60,750.13	
Overpaid Rents	17,754.77	
Miscellaneous	25,349.57	
Premium on Sale of BANS	<u>83,591.00</u>	
		<u>4,210,598.30</u>
		4,210,598.30
Payments to Treasurer		<u>4,210,598.30</u>
Balance December 31, 2018		\$ <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, 2017		\$ 83,407.15
Increased by Receipts:		
Water & Sewer Rents Rents Levied	4,115,434.48	
		<u>4,115,434.48</u>
		4,198,841.63
Decreased by Disbursements:		
Collections	4,023,152.83	
Prepayments & Overpayments Applied	106,046.44	
		<u>4,129,199.27</u>
Balance December 31, 2018		\$ <u><u>69,642.36</u></u>

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

	<u>Ref.</u>	
Balance December 31, 2017		\$
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, 2018		\$ <u><u>-</u></u>

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charges	Balance Lapsed	Over- Expended
Operating:					
Salaries and Wages	51,419.65	51,419.65	-	51,419.65	-
Other Expenses	114,499.60	114,499.60	32,163.59	82,336.01	-
Cape May County MUA	126,293.00	126,293.00	121,032.00	5,261.00	-
Interlocal Agreement - CFO	177.40	177.40		177.40	-
Statutory Expenditures					
Contribution to:					
Social Security System (O.A.S.I.)	4,056.30	4,056.30		4,056.30	-
Unemployment	260.88	260.88		260.88	-
	<u>296,706.83</u>	<u>296,706.83</u>	<u>153,195.59</u>	<u>143,511.24</u>	<u>-</u>
\$					

**WATER AND SEWER UTILITY OPERATING FUND
SCHEDULE OF ACCRUED INTEREST ON BONDS AND NOTES
AND ANALYSIS OF BALANCE**

	<u>Ref.</u>	
Balance December 31, 2017		\$ 109,745.66
Increased by:		
Budget Appropriations:		
Interest on Bonds	184,476.38	
Interest on NJEIT Loans	241,874.97	
		<u>426,351.35</u>
		536,097.01
Decreased By:		
Payments of Debt Service Interest		406,328.72
		<u>406,328.72</u>
Balance December 31, 2018		<u>\$ 129,768.29</u>

Analysis of Accrued Interest December 31, 2018

Principal Outstanding December 31, 2018	Interest Rate	From	To	Days	Amount
<u>Serial Bonds and Loans</u>					
740,000.00	4.00%	8/16/2017	12/31/2018	502	40,954.45
835,000.00	Var.	11/10/2018	12/31/2018	52	3,618.33
415,265.21	0.00%	8/1/2018	12/31/2018	153	-
459,000.00	5.00%	8/1/2018	12/31/2018	153	9,753.75
977,886.82	0.00%	8/1/2018	12/31/2018	153	-
530,000.00	Var.	8/1/2018	12/31/2018	153	9,190.20
35,706.69	0.00%	8/1/2018	12/31/2018	153	-
225,574.41	Var.	8/1/2018	12/31/2018	153	3,280.64
126,152.89	0.00%	8/1/2018	12/31/2018	153	-
715,793.08	Var.	8/1/2018	12/31/2018	153	8,344.25
135,785.54	0.00%	8/1/2018	12/31/2018	153	-
446,289.75	Var.	8/1/2018	12/31/2018	153	3,034.77
609,088.00	0.00%	8/1/2018	12/31/2018	153	-
1,838,176.00	Var.	8/1/2018	12/31/2018	153	11,437.13
96,160.64	0.00%	8/1/2018	12/31/2018	153	-
292,321.35	Var.	8/1/2018	12/31/2018	153	1,833.73
9,597,000.00	2.50%	11/3/2018	12/31/2018	59	38,321.04
<u>18,075,200.38</u>					<u>129,768.29</u>

See Accompanying Auditor's Report

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

Ord #	Improvement Description	Amount	Authorizations			Prior Encumbrances Cancelled	Paid or Charged	Balance December 31, 2018	
			Balance December 31, 2017	Other Funding	Deferred Charges to Future Revenue			Funded	Unfunded
			Funded						
1342	Improvement of the Water and Sewerage System	3,000,000 \$	26,797.40				700.00		26,097.40
1399	Various Improvements b. Water/Sewer Equipment	750,000	23,110.67				700.00		22,410.67
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	7,009.12			(293,782.54)	294,482.54		6,309.12
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	431.22 21,450.87 72,801.62 861.81			(113.78) (4,427.35)	363.78 8,487.35 29,870.57		181.22 17,390.87 42,931.05 861.81
1450	Improvement of Water and Sewerage System	4,000,000	109,800.19			(130,946.14)	121,684.83		119,061.50
1456	Various Improvements	366,000	51,679.00			(1,941.49)	(48,785.33)		102,405.82
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	2,719.10 406,713.41 748.45			(15,161.40) (48,078.50)	16,607.04 437,252.66 708.75		1,273.46 17,539.25 39.70
1480	Various Improvements	1,300,000.00	485,965.80			(2,030.95)	487,996.75		-
1492-17	Various Improvements	1,500,000.00	1,336,922.32			(111,746.12)	145,746.12		1,302,922.32
1496-17	Various Improvements	3,310,000.00	3,174,735.13			(93,144.30)	419,987.05		2,847,892.38
1518-18	Various Improvements	2,164,000			2,164,000.00		270,562.14		1,893,437.86
		\$	-	-	2,164,000.00	(701,372.57)	2,186,364.25	-	6,400,754.43

**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, 2017	Decreased	Balance Dec. 31, 2018
			Date	Amount				
Water & Sewer Utility Bonds of 2011	11/1/2011	1,620,000	11/01/19	150,000.00	3.000% \$	975,000.00	140,000.00	835,000.00
			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	08/15/19	375,000.00	4.000%	1,100,000.00	360,000.00	740,000.00
			08/15/20	365,000.00	4.000%			
					\$	<u>2,075,000.00</u>	<u>500,000.00</u>	<u>1,575,000.00</u>

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 Outstanding		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	December 31, 2018 Amount				
NJEIT 2007A Trust Loan	11/8/2007	920,000.00	2019	50,000.00	4.00% \$	509,000.00	50,000.00	459,000.00
			2020	50,000.00	4.00%			
			2021	55,000.00	5.00%			
			2022	55,000.00	5.00%			
			2023	60,000.00	4.25%			
			2024	60,000.00	4.50%			
			2025	70,000.00	4.50%			
			2026	70,000.00	4.25%			
NJEIT 2007A Fund Loan	11/8/2007	901,733.00	2019	46,621.42		463,470.58	48,205.37	415,265.21
			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 Outstanding		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	Amount				
NJEIT 2010A Trust Loan DW & CW	3/10/2010	707,506.00	2019	40,000.00	Var.	570,000.00	40,000.00	530,000.00
			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	2019	120,689.79	0.000%	1,098,576.61	120,689.79	977,886.82
			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				

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 Outstanding December 31, 2018		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	Amount				
NJ/EIT 2010B Trust Loan CW - Water/Sewer Portion 21.2314924%	12/2/2010	273,203.37	2019	18,550.57	Var.	243,063.40	17,488.99	225,574.41
			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				
NJ/EIT 2010B Fund Loan CW - Water/Sewer Portion 21.2314924%	12/2/2010	111,087.48	2019	3,967.41	0.00%	39,674.10	3,967.41	35,706.69
			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 Outstanding December 31, 2018		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	Amount				
NJ/EIT Spring 2012ABC Trust Loan DW-Water/Sewer 79.4238650%	5/3/2012	728,304.13	2019	36,601.85	Var.	482,891.60	36,601.85	446,289.75
			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				
NJ/EIT Spring 2012ABC Trust Loan DW-Water/Sewer 79.4238650%	5/3/2012	226,358.02	2030	19,855.97	0.000%	148,129.68	12,344.14	135,785.54
			2031	19,855.97				
			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				

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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 Outstanding		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	Amount				
NJ/EIT 2012A Trust Loan CW-Water/Sewer 45.1708140%	5/3/2012	906,832.75	2019	50,349.02	Var.	766,142.10	50,349.02	715,793.08
			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				
NJ/EIT 2012A Fund Loan CW-Water/Sewer 45.1708140%	5/3/2012	406,814.50	2019	11,623.27	0.000%	137,776.16	11,623.27	126,152.89
			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				

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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 Outstanding		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	Amount				
NJ/EIT 2015 Trust Loan CW-Water/Sewer 66.66666667%	5/21/2015	2,063,781	2019	102,802.67	Var.	1,940,978.67	102,802.67	1,838,176.00
			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				

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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 Outstanding		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	Amount				
NJ/EIT 2015 Fund Loan CW-Water/Sewer 66.66666600%	5/21/2015	1,522,720	2019	38,068.00	0.000%	647,156.00	38,068.00	609,088.00
			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	38,068.00				

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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 Outstanding		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			Date	December 31, 2018 Amount				
NJ/EIT 2015 Trust Loan DW-Water/Sewer 66.66666667%	5/21/2015	326,362	2019	15,353.42	Var.	307,674.77	15,353.42	292,321.35
			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				

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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 Outstanding		Interest Rate	Balance Dec. 31, 2017	Decreased	Balance Dec. 31, 2018
			December 31, 2018					
			Date	Amount				
NJ/EIT 2015 Fund Loan DW-Water/Sewer 66.66666667%	5/21/2015	354,593	2019	6,010.04	0.000%	102,170.68	6,010.04	96,160.64
			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				
					\$	7,456,704.35	553,503.97	6,903,200.38

See Accompanying Auditor's Report

**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, 2017	Increased	Decreased	Balance Dec. 31, 2018
Improvement of the Water and Sewerage System	1342	11/5/2015	11/2/2017	11/2/2018	2.500% \$	148,827.00	146,827.00	148,827.00	-
Improvement of the Water and Sewerage System	1391	11/5/2015	11/2/2018	11/2/2019	3.000%		146,827.00		146,827.00
Various Improvements	1399	11/5/2015	11/2/2017	11/2/2018	2.500%	498,480.00	491,980.00	498,480.00	-
a. Water Tower Rehabilitation		11/5/2015	11/2/2017	11/2/2018	3.000%		491,980.00		491,980.00
b. Water/Sewer Equipment		11/5/2015	11/2/2017	11/2/2018	2.500%	539,000.00		539,000.00	-
c. Wells Reconstruction		11/5/2015	11/2/2017	11/2/2018	2.500%	97,000.00		97,000.00	-
a. Water Tower Rehabilitation		11/5/2015	11/2/2018	11/2/2019	2.500%	61,500.00		61,500.00	-
b. Water/Sewer Equipment		11/5/2015	11/2/2018	11/2/2019	3.000%		524,000.00		524,000.00
c. Wells Reconstruction		11/5/2015	11/2/2018	11/2/2019	3.000%		94,000.00		94,000.00
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		11/5/2015	11/2/2018	11/2/2019	3.000%		60,000.00		60,000.00
	1418	11/5/2015	11/2/2017	11/2/2018	2.500%	1,500,000.00	1,481,000.00	1,500,000.00	-
		11/5/2015	11/2/2018	11/2/2019	3.000%				1,481,000.00
Various Improvements	1437	11/5/2015	11/2/2017	11/2/2018	2.500%				-
a. Purchase Vehicles		11/5/2015	11/2/2017	11/2/2018	2.500%	240,000.00		240,000.00	-
b. Various Equipment		11/5/2015	11/2/2017	11/2/2018	2.500%	120,000.00		120,000.00	-
c. Upgrade Dewatering System		11/5/2015	11/2/2017	11/2/2018	2.500%	240,000.00		240,000.00	-
d. Purchase of Computer Equipment		11/5/2015	11/2/2017	11/2/2018	2.500%	16,000.00		16,000.00	-
a. Purchase Vehicles		11/5/2015	11/2/2018	11/2/2019	3.000%		228,000.00		228,000.00
b. Various Equipment		11/5/2015	11/2/2018	11/2/2019	3.000%		115,000.00		115,000.00
c. Upgrade Dewatering System		11/5/2015	11/2/2018	11/2/2019	3.000%		228,000.00		228,000.00
d. Purchase of Computer Equipment		11/5/2015	11/2/2018	11/2/2019	3.000%		15,000.00		15,000.00
Various Improvements	1450	11/5/2015	11/2/2017	11/2/2018	2.500%	77,693.00		77,693.00	-
		11/5/2015	11/2/2018	11/2/2019	3.000%				76,693.00
Various Improvements	1480	11/3/2016	11/2/2017	11/2/2018	2.500%	1,300,000.00		1,300,000.00	-
		11/3/2016	11/2/2018	11/2/2019	3.000%		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	-
		11/2/2017	11/2/2018	11/2/2019	3.000%		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	3.000%		31,500.00		31,500.00
		11/2/2017	11/2/2018	11/2/2019	3.000%		495,200.00		495,200.00
		11/2/2017	11/2/2018	11/2/2019	3.000%		3,300.00		3,300.00
Various Improvements	1492-17	11/2/2017	11/2/2017	11/2/2018	2.500%	1,500,000.00		1,500,000.00	-
		11/2/2017	11/2/2018	11/2/2019	3.000%		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	-
		11/2/2017	11/2/2018	11/2/2019	3.000%		2,556,500.00		2,556,500.00
						\$ 9,675,000.00	9,597,000.00	9,675,000.00	9,597,000.00

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Debt Issued	Grants Received	Balance Dec. 31, 2018
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
1399	Various Improvements					-
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 -				2,000.00 2,000.00 -
1450	Various Improvements					-
1456	Various Improvements	22,000.00			(75,000.00)	97,000.00
1479	Various Improvements a. Acquisition of new equipment b. Water/Sewer Improvements c. Acquisition of new computer equip	- 23,000.00 -				- 23,000.00 -
1480	Various Improvements	-				-
1492-17	Various Improvements	-				-
1496-17	Various Improvements	753,500.00				753,500.00
1518-18	Various Improvements		2,164,000.00			2,164,000.00
		<u>\$ 1,005,643.95</u>	<u>2,164,000.00</u>	<u>-</u>	<u>(75,000.00)</u>	<u>3,244,643.95</u>

See Accompanying Auditor's Report

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BOROUGH OF STONE HARBOR

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

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:

- Beach Concession
- 95th Street Bathroom Renovations
- 95th Street Reconstruction
- 82nd Street Recreation Facility Tennis Court Building
- Maintenance Trailer
- 2017 Utility & Road Program

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 2018.

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 12 ,2018 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>
2018	1
2017	1
2016	-

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payment of 2018 and 2019 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>Tax Levy</u>	<u>Cash Collections</u>	<u>Percent of Collections</u>
2018	\$ 26,814,183	26,669,552	99.46%
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%

Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	0.552	0.555	0.535	0.525	0.518
Apportionment of Tax Rate:					
Municipal	0.246	0.245	0.239	0.239	0.232
County	0.253	0.254	0.240	0.231	0.230
Local School	0.053	0.056	0.056	0.055	0.056
Assessed Valuation	4,828,103,400	4,454,313,088	4,454,313,088	4,433,947,230	4,418,454,825

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>
2018	\$	227	130,827	131,054	0.49%
2017		65	208,830	208,895	0.84%
2016		-	186,736	186,736	0.78%
2015		-	142,721	142,721	0.61%
2015		-	225,626	225,626	0.98%
2014		-	210,881	210,881	0.93%

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.

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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

July 23, 2019