

BOROUGH OF AVALON
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2019

BOROUGH OF AVALON
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
	<u>PART I</u>	
	Independent Auditor's Report	1 - 3
	<u>CURRENT FUND</u>	
A	Comparative Balance Sheet - Regulatory Basis	4 - 5
A - 1	Comparative Statement of Operations and Change in Fund Balance - Regulatory Basis	6 - 7
A - 2	Statement of Revenues - Regulatory Basis	8 - 11
A - 3	Statement of Expenditures - Regulatory Basis	12 - 19
	<u>TRUST FUND</u>	
B	Comparative Balance Sheet - Regulatory Basis	20
	<u>GENERAL CAPITAL FUND</u>	
C	Comparative Balance Sheet - Regulatory Basis	21
C - 1	Statement of Fund Balance - Regulatory Basis	22
	<u>WATER AND SEWER UTILITY FUND</u>	
D	Comparative Balance Sheet - Regulatory Basis	23 - 24
D - 1	Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis	25
D - 2	Statement of Capital Fund Balance - Regulatory Basis	26
D - 3	Statement of Revenues - Regulatory Basis	27
D - 4	Statement of Expenditures - Regulatory Basis	28
	<u>BEACH UTILITY FUND</u>	
E	Comparative Balance Sheet - Regulatory Basis	29
E - 1	Comparative Statement of Operations and Changes in Fund Balance -	30
E - 2	Statement of Revenues - Regulatory Basis	31
E - 3	Statement of Expenditures - Regulatory Basis	32
	<u>GENERAL FIXED ASSETS ACCOUNT GROUP</u>	
F	Comparative Balance Sheet - Regulatory Basis	33
	NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS	34 - 60
	<u>SUPPLEMENTARY INFORMATION</u>	
	Independent Auditor's Report - Government Auditing Standards	61 - 62

BOROUGH OF AVALON
TABLE OF CONTENTS

Exhibit

Page No.

SUPPLEMENTARY INFORMATION (Continued)

CURRENT FUND

A - 4	Schedule of Cash - Treasurer	63
A - 5	Schedule of Cash - Collector	n/a
A - 6	Schedule of Taxes Receivable and Analysis of Property Tax Levy	64
A - 7	Schedule of Tax Title Liens	65
A - 8	Schedule of Revenue Accounts Receivable	66
A - 9	Schedule of Appropriation Reserves - Prior Year	67 - 71
A - 10	Schedule of Reserves for Federal and State Grants - Unappropriated	72
A - 11	Schedule of Federal and State Grants Receivable	73
A - 12	Schedule of Appropriated Reserves for Federal and State Grants	74

TRUST FUND

B - 1	Schedule of Animal Control Cash - Treasurer	75
B - 2	Schedule of Other Trust Cash - Treasurer	76
B - 3	Schedule of Reserve for Animal Control Expenditures	77
B - 4	Schedule of Due to Current Fund - Animal Control Fund	78
B - 5	Schedule of Amount Due to State of New Jersey	78
B - 6	Schedule of Reserve for Unemployment Compensation	79
B - 7	Schedule Of Miscellaneous Reserves	80

GENERAL CAPITAL FUND

C - 2	Schedule of Cash - Treasurer	81
C - 3	Analysis of Cash	82
C - 4	Schedule of Capital Improvement Fund	83
C - 5	Schedule of Deferred Charges to Future Taxation - Funded	84
C - 6	Schedule of Deferred Charges to Future Taxation - Unfunded	85
C - 7	Schedule of Improvement Authorizations	86
C - 8	Schedule of General Serial Bonds	87
C - 9	Schedule of Green Acres Loans Payable	88 - 89
C - 10	Schedule of Bond Anticipation Notes	90
C - 11	Schedule of Bonds and Notes Authorized But Not Issued	91

WATER AND SEWER UTILITY FUND

D - 5	Schedule of Cash - Treasurer	92
D - 6	Analysis of Cash	93
D - 7	Schedule of Cash - Collector	n/a
D - 8	Schedule of Consumer Accounts Receivable	94
D - 9	Schedule of Utility Liens	n/a
D - 10	Schedule of Appropriation Reserves - Prior Year	95
D - 11	Schedule of Accrued Interest on Bonds and Notes and Analysis of Balance	96
D - 12	Schedule of Improvement Authorizations	97
D - 13	Schedule of Serial Bonds	98
D - 13a	Schedule of New Jersey Environmental Infrastructure Trust Loan Payable	99
D - 14	Schedule of Bond Anticipation Notes	n/a
D - 15	Schedule of Bonds and Notes Authorized But Not Issued	100

SUPPLEMENTARY INFORMATION (Continued)

BOROUGH OF AVALON
TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page No.</u>
	<u>BEACH UTILITY FUND</u>	
E - 4	Schedule of Cash - Treasurer	101
E - 5	Analysis of Cash	102
E - 6	Schedule of Appropriation Reserves - Prior Year	103
E - 7	Schedule of Utility Capital Improvement Fund	104
	 <u>PART II</u>	
	General Comments	105 - 107
	Findings and Recommendations	108

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

BOROUGH OF AVALON

PART 1

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2019



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • PO BOX 538 • OCEAN CITY, NJ • 08226-0538
PHONE 609.399.6333 • FAX 609.399.3710
www.ford-scott.com

Independent Auditor's Report

To the Honorable Mayor and
Members of Borough Council
Borough of Avalon
County of Cape May, 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 Avalon, as of December 31, 2019 and 2018, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the 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 Avalon 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 Avalon as of December 31, 2019 and 2018 or changes in financial position for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2019 and 2018, the regulatory basis statements of operations for the year then ended and the regulatory basis statements of revenues and expenditures for the years ended December 31, 2019 and 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 Avalon's basic financial statements. The supplementary information listed in the table of contents and the general comments and findings 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 recommendations 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 2, 2020 on our consideration of the Borough of Avalon'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 Avalon's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.

**FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS**

Michael S. Garcia

**Michael S. Garcia
Certified Public Accountant
Registered Municipal Accountant
No. 472**

July 2, 2020

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

EXHIBIT A - CURRENT FUND

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

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Regular Fund:		
Cash:		
Cash Treasurer	\$ 12,242,818.61	11,031,451.07
Cash - Change	1,325.00	1,500.00
Total Cash	<u>12,244,143.61</u>	<u>11,032,951.07</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	302,922.68	297,752.98
Tax Title and Other Liens	368.87	361.16
Property Acquired for Taxes - at Assessed Valuation	137,480.20	137,480.20
Due from Avalon Library	68,565.49	70,647.94
Protested Checks Receivable	33,290.57	1,758.13
Revenue Accounts Receivable	2,854.86	-
Interfund Receivable:		
Federal & State Grant Fund	2,237.10	-
Animal Control Fund	171.95	171.95
Trust-Other	108.81	6,103.45
Water & Sewer Operating Fund	-	941,742.59
Beach Utility Fund	169,554.33	20.52
Total Receivables and Other Assets	<u>717,554.86</u>	<u>1,456,038.92</u>
Deferred Charges:		
Emergency Appropriation	45,000.00	-
Special Emergency Appropriation	50,000.00	75,000.00
Total Deferred Charges	<u>95,000.00</u>	<u>75,000.00</u>
Total Regular Fund	<u>13,056,698.47</u>	<u>12,563,989.99</u>
Federal and State Grant Fund:		
Cash	-	-
Due from Water and Sewer Operating	22,932.34	22,932.34
Federal and State Grants Receivable	2,011,326.96	2,039,258.99
Total Federal and State Grant Fund	<u>2,034,259.30</u>	<u>2,062,191.33</u>
Total Current Fund	<u>\$ 15,090,957.77</u>	<u>14,626,181.32</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>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2019</u>	<u>2018</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 1,339,508.02	1,109,875.19
Reserve for Encumbrances/Accounts Payable	557,335.19	664,205.45
Accounts Payable	154,395.68	132,133.32
Prepaid Taxes	1,335,201.74	1,306,106.45
Overpaid Taxes	54,573.95	189,353.44
Due County - Added Taxes Payable	187,167.71	117,638.72
Due to General Capital Fund	-	42,825.88
Due to Water Sewer Capital Fund	-	2,631.81
Due to Payroll Trust	274.08	-
Due to Fire Safety Trust	50.00	-
Prepaid Rental Licenses	269,100.00	260,100.00
Prepaid Fire Inspection Fees	73,087.00	77,075.00
Bid Bond	328.00	328.00
Due to State of New Jersey:		
State Training Fee for New Construction	12,853.00	14,032.00
Veterans and Senior Citizens Deductions	3,840.62	3,340.62
Sales Tax	-	26.76
Marriage Licenses	200.00	200.00
Rental License Bond	14,000.00	14,000.00
Reserve for Master Plan	6,892.50	6,892.50
Reserve for Revaluation	18,019.51	18,019.51
Reserve for Benches - Downtown	12,559.77	9,709.77
Reserve for Animal Protection Fund	2,329.82	3,265.55
Reserve for 911 Memorial Maintenance	13,623.11	13,423.11
Reserve for Beach Access Mitigation	17,708.95	17,708.95
Reserve for Backbay Dredging	12,080.00	12,080.00
Reserve for Library Surplus Transfer	131,711.00	204,603.00
	<u>4,216,839.65</u>	<u>4,219,575.03</u>
Reserve for Receivables and Other Assets	717,554.86	1,456,038.92
Fund Balance	<u>8,122,303.96</u>	<u>6,888,376.04</u>
Total Regular Fund	<u>13,056,698.47</u>	<u>12,563,989.99</u>
Federal and State Grant Fund:		
Unappropriated Reserves	39,643.17	25,591.34
Appropriated Reserves	166,708.22	176,020.96
Encumbrances Payable	175,614.79	202,828.25
Due to Water Sewer Capital Fund	1,650,056.02	1,657,750.78
Due to Current Fund	2,237.10	-
	<u>2,034,259.30</u>	<u>2,062,191.33</u>
Total Current Fund	<u>\$ 15,090,957.77</u>	<u>14,626,181.32</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,**

	2019	2018
Revenue and Other Income Realized		
Fund Balance	\$ 3,532,174.35	4,046,907.86
Miscellaneous Revenue Anticipated	3,476,252.37	3,664,279.51
Receipts from Delinquent Taxes	297,752.98	277,419.51
Receipts from Current Taxes	46,277,044.06	43,552,831.41
Non Budget Revenue	589,533.18	524,441.52
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,105,466.15	895,122.55
Interfunds Returned	703,690.45	-
Total Income	<u>55,981,913.54</u>	<u>52,961,002.36</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	6,533,491.81	6,511,921.00
Other Expenses	7,294,409.00	7,594,242.00
Deferred Charges & Statutory Expenditures	1,872,910.67	1,754,273.80
Appropriations Excluded from "CAPS"		
Operations:		
Salaries and Wages	6,160.00	3,000.00
Other Expenses	3,268,836.41	3,158,309.06
Capital Improvements	2,170,600.00	1,271,700.00
Debt Service	4,718,936.33	5,756,344.08
Deferred Charges & Statutory Expenditures	380,752.00	25,000.00
Local District School Tax	3,078,694.00	3,078,694.00
County Tax	21,748,103.34	19,766,657.70
County Share of Added Tax	187,167.71	117,638.72
Interfund Created	-	315,071.57
Other:		
Senior Citizen Deduction Disallowed Prior Year	750.00	-
Total Expenditures	<u>51,260,811.27</u>	<u>49,352,851.93</u>
Excess/(Deficit) in Revenue	<u>4,721,102.27</u>	<u>3,608,150.43</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>2019</u>	<u>2018</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year	45,000.00	-
Total Adjustments	<u>45,000.00</u>	<u>-</u>
Statutory Excess to Fund Balance	<u>4,766,102.27</u>	<u>3,608,150.43</u>
Fund Balance January 1	<u>6,888,376.04</u>	<u>7,327,133.47</u>
	11,654,478.31	10,935,283.90
Decreased by:		
Utilization as Anticipated Revenue	<u>3,532,174.35</u>	<u>4,046,907.86</u>
Fund Balance December 31	<u>\$ 8,122,303.96</u>	<u>6,888,376.04</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, 2019**

	Anticipated		
	Budget	N.J.S. 40A:4-87	
			Realized
			Excess or (Deficit)
Fund Balance Anticipated	\$ 3,532,174.35		3,532,174.35
			-
Total Fund Balance Anticipated	3,532,174.35	-	3,532,174.35
			-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Alcoholic Beverages	20,000.00		22,930.00
Other	250.00		2,241.00
Fees and Permits	425,000.00		419,479.82
Fines and Costs:			
Municipal Court	125,000.00		109,710.46
Interest and Costs on Taxes	80,000.00		94,794.38
Interest Earned on Investments	75,000.00		186,527.91
Fees from Fire Inspections	132,000.00		145,071.00
Fees from Rental Registrations and Licenses	335,000.00		341,700.00
Television Cable Fees	52,977.12		52,977.12
Library - Rent & Administration/Bldgs & Grounds	157,470.00		157,470.00
			-
			-
Total Section A: Local Revenues	1,402,697.12	-	1,532,901.69
			130,204.57
Section B: State Aid Without Offsetting Appropriations			
Garden State Preservation Trust Fund	-		3,877.00
Energy Receipts Tax	435,714.00		435,714.00
			-
Total Section B: State Aid Without Offsetting Appropriations	435,714.00	-	439,591.00
			3,877.00

The accompanying Notes to the Financial Statements are an integral part of this statement

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

	Anticipated			
	Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	500,000.00		604,713.00	104,713.00
Total Section C: Uniform Construction Code Fees	500,000.00	-	604,713.00	104,713.00
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
Recycling Tonnage Grant	7,941.42		7,941.42	-
Clean Communities Program		27,373.37	27,373.37	-
Cops in Shops - Summer	3,520.00		3,520.00	-
Cops in Shops - Fall	2,640.00		2,640.00	-
NJ DOT 68th Street		150,000.00	150,000.00	-
CMC Police Body Worn Camera Grant	2,410.97		2,410.97	-
Total Section F: Special Items - Public and Private Programs	16,512.39	177,373.37	193,885.76	-
Section G: Other Special Items				
Uniform Fire Safety Act	12,000.00		16,321.51	4,321.51
Interlocal Agreement Police Dispatch Stone Harbor	303,622.99		290,972.06	(12,650.93)
Interlocal Agreement CFO-Stone Harbor	92,000.00		93,560.00	1,560.00
County of Cape May Fleet Maintenance	99,704.35		99,704.35	-
Transfer of Excess Library Surplus	204,603.00		204,603.00	-
Total Section G: Other Special Items	711,930.34	-	705,160.92	(6,769.42)
Total Miscellaneous Revenues:	3,066,853.85	177,373.37	3,476,252.37	232,025.15
Receipts from Delinquent Taxes	250,000.00		297,752.98	47,752.98

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, 2019

	Anticipated		Realized	Excess or (Deficit)
	Budget	N.J.S. 40A:4-87		
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	18,000,000.00		19,916,968.36	1,916,968.36
Library Tax	3,006,110.65		3,006,110.65	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	21,006,110.65	-	22,923,079.01	1,916,968.36
Budget Totals	27,855,138.85	177,373.37	30,229,258.71	2,196,746.49
Non- Budget Revenues:				
Other Non- Budget Revenues:			589,533.18	589,533.18
	27,855,138.85	177,373.37	30,818,791.89	2,786,279.67

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

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$ 46,277,044.06
--------------------------	------------------

Less: Reserve for Tax Appeals Pending	-
---------------------------------------	---

Net Revenue from Collections	46,277,044.06
------------------------------	---------------

Allocated to:

School, County and Other Taxes	25,013,965.05
--------------------------------	---------------

Balance for Support of Municipal Budget Appropriations	21,263,079.01
--	---------------

Increased by:

Appropriation "Reserved for Uncollected Taxes"	1,660,000.00
--	--------------

Amount for Support of Municipal Budget Appropriations	22,923,079.01
---	---------------

Receipts from Delinquent Taxes:

Delinquent Tax Collection	\$ 297,752.98
---------------------------	---------------

Tax Title Lien Collections	-
----------------------------	---

Total Receipts from Delinquent Taxes	297,752.98
--------------------------------------	------------

Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Joint Insurance Fund Reimbursements	14,264.06
-------------------------------------	-----------

Refunds	42,916.11
---------	-----------

Recycling	5,785.40
-----------	----------

Administration Fee - Veterans & Seniors	545.00
---	--------

Library Health Insurance	99,214.39
--------------------------	-----------

Charging Station	1,027.91
------------------	----------

Homestead Rebate Mail Reimbursement	170.40
-------------------------------------	--------

Miscellaneous	10,121.60
---------------	-----------

County Fleet Reimbursement	29,411.50
----------------------------	-----------

Library Refund	105,595.23
----------------	------------

Borough of Woodbine Shared Services	16,666.64
-------------------------------------	-----------

FEMA	101,350.30
------	------------

Premium on Notes	143,991.14
------------------	------------

Sale of Assets	18,473.50
----------------	-----------

Total Miscellaneous Revenue Not Anticipated:	589,533.18
--	------------

Cash Receipts	589,533.18
---------------	------------

	589,533.18
--	------------

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"						
GENERAL GOVERNMENT:						
Business Administration						
Salaries and Wages	\$ 197,722.00	197,722.00	190,113.25		7,608.75	-
Other Expenses	49,000.00	49,000.00	43,205.29	1,943.75	3,850.96	-
Other Expenses - Employee Awards Program	500.00	500.00			500.00	-
Council						
Salaries and Wages	62,705.00	62,705.00	62,705.00		-	-
Other Expenses	43,750.00	43,750.00	19,310.56	19,672.68	4,766.76	-
Office of the Mayor						
Salaries and Wages	111,057.00	111,057.00	108,164.95		2,892.05	-
Other Expenses	134,000.00	134,000.00	128,215.90	5,627.90	156.20	-
Borough Clerk's Office						
Salaries and Wages	118,988.00	118,988.00	111,651.36		7,336.64	-
Other Expenses	26,650.00	26,650.00	22,838.76	3,377.75	433.49	-
Treasurer's Office						
Salaries and Wages	239,528.00	239,528.00	239,528.00		-	-
Other Expenses	51,250.00	51,250.00	47,728.49	2,666.79	854.72	-
Audit Services						
Other Expenses	27,800.00	27,800.00	27,150.00		650.00	-
Election						
Other Expenses	21,000.00	21,000.00	19,515.17		1,484.83	-
Municipal Court						
Salaries and Wages	70,525.00	70,525.00	70,525.00		-	-
Other Expenses	77,534.00	77,534.00	13,308.80	1,691.26	62,533.94	-
Public Defender						
Salaries and Wages	4,000.00	4,000.00	4,000.00		-	-
Revenue Administration (Tax Collector)						
Salaries and Wages	74,784.00	74,784.00	64,282.78		10,501.22	-
Other Expenses	39,600.00	39,600.00	37,139.06	536.67	1,924.27	-
Tax Assessment Administration						
Salaries and Wages	152,449.00	152,449.00	116,388.67		36,060.33	-
Other Expenses	11,150.00	11,150.00	8,692.50	1,047.68	1,409.82	-
Legal Services						
Other Expenses	185,000.00	185,000.00	90,935.04	25,423.76	68,641.20	-

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, 2019

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Engineering Services and Costs						
Other Expenses	200,000.00	200,000.00	178,600.78		21,399.22	-
Licensing						
Salaries and Wages	34,250.75	34,250.75	26,389.20		7,861.55	-
Other Expenses	6,000.00	6,000.00	5,218.04	74.99	706.97	-
Worker and Community Right to Know Act						
Salaries and Wages	34,328.00	34,328.00	28,442.01		5,885.99	-
Other Expenses	17,000.00	17,000.00	10,590.51	2,065.71	4,343.78	-
LAND USE ADMINISTRATION						
Planning and Zoning						
Salaries and Wages	15,644.39	15,644.39	15,223.74		420.65	-
Other Expenses	61,200.00	61,200.00	37,587.02	9,181.54	14,431.44	-
Environmental Commission						
Salaries and Wages	5,169.00	5,169.00	4,956.00		213.00	-
Other Expenses	2,100.00	2,100.00	1,028.38		1,071.62	-
INSURANCE						
General Liability	65,000.00	65,000.00	64,984.27		15.73	-
Other Insurance	120,000.00	120,000.00	67,603.87	228.00	52,168.13	-
Workers Compensation Insurance	200,000.00	200,000.00	199,402.63		597.37	-
Health Benefits Waiver						
Salaries and Wages	25,000.00	25,000.00	5,000.00		20,000.00	-
Employee Group Health	2,500,000.00	2,500,000.00	2,259,988.78	8,817.10	231,194.12	-
PUBLIC SAFETY						
Fire Department						
Other Expenses	228,400.00	228,400.00	203,187.74	25,184.12	28.14	-
Police Department						
Salaries and Wages	2,382,905.00	2,382,905.00	2,185,615.75		197,289.25	-
Other Expenses:						
Municipal Alliance Program	5,000.00	5,000.00	5,000.00		-	-
Miscellaneous Other Expenses	200,500.00	200,500.00	160,483.08	39,930.31	86.61	-
Office of Emergency Management						
Salaries and Wages	43,413.00	43,413.00	14,795.14		28,617.86	-
Other Expenses	10,200.00	10,200.00	9,894.52	178.16	127.32	-

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, 2019

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Uniform Fire Safety Act:					
Fire Official					
Salaries and Wages	126,219.05	126,219.05	122,182.29		4,036.76
Other Expenses	7,000.00	7,000.00	6,694.35	288.13	17.52
Rescue Squad					
Salaries and Wages	438,240.00	438,240.00	423,114.94		15,125.06
Other Expenses	25,860.00	25,860.00	14,545.91	11,313.69	0.40
Municipal Prosecutor					
Salaries and Wages	15,000.00	15,000.00	14,736.13		263.87
PUBLIC WORKS					
Division of Public Works					
Salaries and Wages	1,440,529.00	1,440,529.00	1,434,245.73		6,283.27
Other Expenses:					
Landscape/Lawn Care - Contractual	490,250.00	490,250.00	457,848.64	32,391.84	9.52
Miscellaneous Other Expenses	280,000.00	280,000.00	197,033.93	35,582.53	47,383.54
Garbage and Trash Removal					
Contractual	330,000.00	330,000.00	293,601.11	25,672.63	10,726.26
Garbage and Trash Licenses					
Other Expenses	1,000.00	1,000.00	95.00		905.00
Recycling					
Contractual	360,000.00	360,000.00	327,018.03	29,965.23	3,016.74
Sanitary Landfill Closure Act					
Other Expenses	250,000.00	250,000.00	184,991.64	19,254.46	45,753.90
Vehicle Maintenance					
Salaries and Wages	207,383.00	207,383.00	186,006.38		21,376.62
Other Expenses	160,000.00	160,000.00	150,952.88	4,309.37	4,737.75
HEALTH AND HUMAN SERVICES:					
Animal Control					
Other Expenses	33,600.00	33,600.00	22,351.96	666.68	10,581.36
PARKS AND RECREATION FUNCTIONS:					
Recreation					
Salaries and Wages	293,963.00	293,963.00	286,883.90		7,079.10
Other Expenses	253,695.00	253,695.00	250,090.69	2,792.61	811.70

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, 2019

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	228,727.62	228,727.62	211,405.80		17,321.82	-
Other Expenses	12,750.00	12,750.00	12,735.67		14.33	-
Sub-Code Official						
Zoning Official						
Salaries and Wages	23,902.00	23,902.00	8,006.45		15,895.55	-
Other Expenses	1,500.00	1,500.00	1,327.78	125.00	47.22	-
Code Enforcement						
Salaries and Wages	52,060.00	52,060.00	52,060.00		-	-
Other Expenses	6,120.00	6,120.00	5,605.10	482.18	32.72	-
UTILITY EXPENSES AND BULK PURCHASES						
Salary Adjustments	35,000.00	35,000.00	33,960.70		1,039.30	-
Accumulated Leave	100,000.00	100,000.00	100,000.00		-	-
Utilities:						
Electric, Natural Gas	480,000.00	480,000.00	326,454.77	102,766.71	50,778.52	-
Telephone	83,000.00	83,000.00	76,584.96	4,483.39	1,931.65	-
Gasoline	190,000.00	190,000.00	154,409.61	28,420.22	7,170.17	-
TOTAL OPERATIONS WITHIN "CAPS"	13,780,900.81	13,780,900.81	12,264,334.39	446,162.84	1,070,403.58	-
Contingent	47,000.00	47,000.00	42,561.98	4,427.33	10.69	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	13,827,900.81	13,827,900.81	12,306,896.37	450,590.17	1,070,414.27	-
Detail:						
Salaries and Wages	6,533,491.81	6,533,491.81	6,120,383.17	-	413,108.64	-
Other Expenses	7,294,409.00	7,294,409.00	6,186,513.20	450,590.17	657,305.63	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						

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, 2019**

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Deferred Charges:						
Anticipated Deficit in Beach Utility Fund	414,708.00	414,708.00	245,153.67	-	-	169,554.33
Statutory Expenditures:						
Contributions to:						
Police and Fire Retirement System of N.J.	480,684.00	480,684.00	480,684.00	-	-	-
Public Employees Retirement System	611,073.00	611,073.00	611,073.00	-	-	-
Unemployment Compensation Insurance	30,000.00	30,000.00	30,000.00	-	-	-
Social Security System (O.A.S.I.)	500,000.00	500,000.00	458,002.10	-	41,997.90	-
Defined Contribution Retirement Program	6,000.00	6,000.00	4,564.49	-	1,435.51	-
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,042,465.00	2,042,465.00	1,829,477.26	-	43,433.41	169,554.33
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	15,870,365.81	15,870,365.81	14,136,373.63	450,590.17	1,113,847.68	169,554.33
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Emergency Service Volunteer Length of Service Award Program	60,000.00	60,000.00	58,523.25	-	1,476.75	-
Other Expenses						
Aid to Free Public Library (NJSA 40:54-8)	3,006,110.65	3,006,110.65	3,006,110.65	-	-	-
Other Expenses	3,066,110.65	3,066,110.65	3,064,633.90	-	1,476.75	-
(A) Public and Private Programs Off-Set by Revenues						
Recycling Tonnage Grant	7,941.42	7,941.42	7,941.42	-	-	-
Clean Communities Program		27,373.37	27,373.37	-	-	-
Cops in Shops - Summer	3,520.00	3,520.00	3,520.00	-	-	-
Cops in Shops - Fall	2,640.00	2,640.00	2,640.00	-	-	-
Matching Funds for Grants	15,000.00	15,000.00	-	-	15,000.00	-
NJ DOT 68th Street		150,000.00	150,000.00	-	-	-
CMC Police Body Worn Camera Grant	2,410.97	2,410.97	2,410.97	-	-	-
Total Public and Private Programs Off-Set by Revenues	31,512.39	208,885.76	193,885.76	-	15,000.00	-

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

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Total Operations - Excluded from "CAPS"	3,097,623.04	3,274,996.41	3,258,519.66	-	-
Detail:					
Salaries and Wages	6,160.00	6,160.00	6,160.00	-	-
Other Expenses	3,091,463.04	3,268,836.41	3,252,359.66	-	-
				16,476.75	-
(C) Capital Improvements					
Capital Improvement Fund	400,000.00	445,000.00	445,000.00	-	-
Boom Lift	30,000.00	30,000.00		30,000.00	-
Butterfly Garden	15,000.00	15,000.00	894.00	14,106.00	-
22nd & 6th Street Pier	40,000.00	40,000.00	14,466.89	10,378.11	-
HVAC History Center / PW / Chamber	30,000.00	30,000.00			-
Live Scan System - PD	26,500.00	26,500.00	26,500.00	-	-
Fire Respiratory System / Lift	155,000.00	155,000.00	142,230.25		-
Police Vehicles - 4x4	35,000.00	35,000.00	34,914.51		-
Radar Speed Trailers	17,000.00	17,000.00	13,608.00		-
Pennsylvania Harbor Dredging	290,000.00	290,000.00	181,317.54	23,520.00	-
Surfsude Park / CDF Access Road	575,000.00	575,000.00	575,000.00		-
Various Capital Repairs to Bridges	116,000.00	116,000.00	55,823.55		-
VFW Improvements	5,000.00	5,000.00	5,000.00	53,514.91	-
Radios-Fire Department	8,000.00	8,000.00			-
Recreation - Windows/ Doors/ Building Improvements	61,100.00	61,100.00	51,210.90	5,226.00	-
Public Works Vehicles - 4x4 Pickups	142,000.00	142,000.00	140,245.33		-
New Loader	160,000.00	160,000.00	158,820.05		-
Breath Test Machine-Police Department	20,000.00	20,000.00	9,640.37		-
				10,359.63	-
Total Capital Improvements	2,125,600.00	2,170,600.00	1,854,671.39	106,745.02	-

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, 2019

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(D) Debt Service						
Payment of Bond Principal	3,650,000.00	3,650,000.00	3,650,000.00			-
Interest on Bonds	205,400.00	205,400.00	205,400.00			-
Interest on Notes	281,000.00	281,000.00	279,320.69			1,679.31
Green Acres Trust Loan Program						
Loan Repayments for Principal and Interest	75,000.00	75,000.00	74,817.64			182.36
Payment of BAN's Ord. 717-15	224,139.00	224,139.00	224,139.00			-
Payment of BAN's Ord. 705-14	30,790.00	30,790.00	30,790.00			-
Payment of BAN's Ord. 702-14	27,932.00	27,932.00	27,932.00			-
Payment of BAN's Ord. 677-13	211,641.00	211,641.00	211,641.00			-
Payment of BAN's Ord. 721-15	14,896.00	14,896.00	14,896.00			-
Total Debt Service	4,720,798.00	4,720,798.00	4,718,936.33	-	-	1,861.67
(E) Deferred Charges						
Deferred Charges to Future Taxation Unfunded						
Ordinance 692-14	207,502.00	207,502.00	207,502.00		-	-
Ordinance 707-15	39,500.00	39,500.00	39,500.00		-	-
Ordinance 677-13	108,750.00	108,750.00	108,750.00		-	-
Special Emergency Authorization - (N.J.S. 40A: 4-55)	25,000.00	25,000.00	25,000.00		-	-
Total Deferred Charges	380,752.00	380,752.00	380,752.00	-	-	-

The accompanying Notes to the Financial Statements are an integral part of this statement

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

	Appropriations		Expended		(Over expended)
	Budget	Budget After Modifications	Paid or Charged	Encumbered	Unexpended Balance Cancelled
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	10,324,773.04	10,547,146.41	10,212,879.38	106,745.02	1,861.67
SUBTOTAL GENERAL APPROPRIATIONS	26,195,138.85	26,417,512.22	24,349,253.01	557,335.19	171,416.00
(M) Reserve for Uncollected Taxes	1,660,000.00	1,660,000.00	1,660,000.00	-	-
TOTAL GENERAL APPROPRIATIONS	\$ 27,855,138.85	28,077,512.22	26,009,253.01	557,335.19	171,416.00
Budget	\$ 27,855,138.85				
Appropriations by 40A:4-87	177,373.37				
Emergency Appropriations	45,000.00				
	<u>28,077,512.22</u>				
Reserve for Uncollected Taxes	\$	1,660,000.00			
Federal and State Grants		193,885.76			
Deferred Charge - Special Emergency		25,000.00			
Disbursements		24,130,367.25			
		<u>26,009,253.01</u>			
			Cancelled	Overexpended	
			\$		171,416.00
					-
					<u>171,416.00</u>

EXHIBIT B - TRUST FUND

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

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>Animal Control Fund</u>		
Cash	\$ 515.24	439.30
	<u>515.24</u>	<u>439.30</u>
<u>Other Funds</u>		
Cash - Treasurer	776,402.67	901,843.12
Due from Current Fund - Payroll Trust	274.08	-
Due from Current Fund - Fire Safety	50.00	-
	<u>776,726.75</u>	<u>901,843.12</u>
	<u>777,241.99</u>	<u>902,282.42</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	343.29	267.35
Interfunds:		
Due to Current Fund	171.95	171.95
	<u>515.24</u>	<u>439.30</u>
<u>Other Funds</u>		
Reserve for:		
Payroll Deductions Payable	65,207.68	55,325.10
Due to Current Fund - Other Trust	25.65	6,103.45
Due to Current Fund - TTL	54.87	-
Due to Current Fund - Escrow	28.29	-
Reserve for Unemployment Compensation	83,753.63	49,014.47
Reserve for Parking Offenses Adjudication Act	4,488.05	4,266.05
Reserve for Small Cities Grant	44,270.50	44,270.50
Reserve for Planning Board Escrow	362,934.65	483,614.82
Reserve for Law Enforcement Trust Fund	4,284.87	3,168.01
Reserve for Accumulated Absences	107,263.04	206,395.20
Reserve for Dedicated Fire Penalties	3,309.12	1,659.12
Reserve for Off Duty Police	54,050.75	47,070.75
Reserve for Tax Title Lien Redemption	47,055.65	955.65
	<u>776,726.75</u>	<u>901,843.12</u>
	<u>\$ 777,241.99</u>	<u>902,282.42</u>

The accompanying Notes to the Financial Statements are an integral part of this statement

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

EXHIBIT C - CAPITAL FUND

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

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ -	164,143.77
Deferred Charges to Future Taxation -		
Funded	3,314,481.21	7,028,546.62
Unfunded	27,836,130.00	24,065,080.00
Due from Current Fund	-	42,825.88
	<u>31,150,611.21</u>	<u>31,300,596.27</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Serial Bonds Payable	2,825,000.00	6,475,000.00
NJEIT Loan Payable	489,481.21	553,546.62
Bond Anticipation Notes Payable	13,814,750.00	11,203,950.00
Improvement Authorizations:		
Funded	782,482.33	283,996.09
Unfunded	6,397,435.14	6,911,034.17
Reserve for Encumbrances	5,285,489.93	5,507,694.21
Reserve for Payment of BAN's	153,148.60	108,093.74
Due to Water & Sewer Capital Fund	1,278,342.56	-
Capital Improvement Fund	3,670.80	136,470.80
Fund Balance	120,810.64	120,810.64
	<u>\$ 31,150,611.21</u>	<u>31,300,596.27</u>

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

2018	12,861,130.00
2019	14,021,380.00

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>2019</u>	<u>2018</u>
Beginning Balance January 1	\$ 120,810.64	120,810.64
Increased by:		
Funded Improvement Authorizations Canceled	<u>-</u>	<u> </u>
	120,810.64	120,810.64
Decreased by:		
Appropriation to Finance Improvement Authorizations	<u>-</u>	<u> </u>
Ending Balance December 31	\$ <u>120,810.64</u>	<u>120,810.64</u>

The accompanying Notes to the Financial Statements are an integral part of this statement

EXHIBIT D - WATER AND SEWER UTILITY FUND

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

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 1,699,674.12	1,624,595.31
Due from Middlesex Water Company	25,979.96	20,422.75
	<u>1,725,654.08</u>	<u>1,645,018.06</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	92,971.55	94,390.33
	<u>92,971.55</u>	<u>94,390.33</u>
Deferred Charges:		
Deferred Charge - Emergency Appropriation	-	250,000.00
	<u>-</u>	<u>250,000.00</u>
Total Operating Fund	<u>1,818,625.63</u>	<u>1,989,408.39</u>
Capital Fund:		
Cash - Treasurer	-	2,224,648.10
Fixed Capital	32,040,205.49	32,040,205.49
Fixed Capital - Authorized and Uncompleted	21,113,597.76	18,631,097.76
Due from Grant Fund	1,650,056.02	1,657,750.78
Due from General Capital Fund	1,278,342.56	-
Due from Current Fund	-	2,631.81
Total Capital Fund	<u>56,082,201.83</u>	<u>54,556,333.94</u>
	<u>\$ 57,900,827.46</u>	<u>56,545,742.33</u>

The accompanying Notes to the Financial Statements are an integral part of this statement

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

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 733,617.34	71,691.46
Reserve for Encumbrances	162,774.05	218,608.33
Accounts Payable	20,183.54	20,183.54
Prepaid Rents	161,770.74	101,399.83
Accrued Interest on Bonds and Notes	85,356.53	142,475.00
Interfunds:		
Due to Current Fund	-	941,742.59
Due to Grant Fund	22,932.34	22,932.34
	<u>1,186,634.54</u>	<u>1,519,033.09</u>
Reserve for Receivables	92,971.55	94,390.33
Fund Balance	539,019.54	375,984.97
Total Operating Fund	<u>1,818,625.63</u>	<u>1,989,408.39</u>
Capital Fund:		
Encumbrances Payable	1,000,323.29	1,101,665.45
Serial Bonds Payable	11,935,000.00	12,500,000.00
N.J. Environmental Infrastructure Trust Loans	508,598.30	588,364.65
Improvement Authorizations:		
Funded	2,402,923.51	2,827,223.97
Unfunded	2,015,954.95	89,444.44
Reserve for Amortization	37,650,819.53	36,881,928.18
Deferred Reserve for Amortization	396,375.00	396,375.00
Capital Improvement Fund	875.00	-
Downpayment on Improvements	4,268.00	4,268.00
Fund Balance	167,064.25	167,064.25
Total Capital Fund	<u>56,082,201.83</u>	<u>54,556,333.94</u>
	<u>\$ 57,900,827.46</u>	<u>56,545,742.33</u>

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

2018	304,635.42
2019	2,663,010.42

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, 2019**

	<u>2019</u>	<u>2018</u>
Revenue and Other Income Realized		
Fund Balance	\$ 271,320.00	100,000.00
Rents	6,380,416.12	6,249,609.46
Miscellaneous Revenue	492,015.16	536,147.10
Non-Budget Revenue	44,933.79	106,953.00
Other Credits to Income:		
Appropriation Reserves Lapsed	133,445.88	-
Total Income	<u>7,322,130.95</u>	<u>6,992,709.56</u>
Expenditures		
Operations		
Salaries and Wages	212,620.00	208,267.00
Other Expenses	4,887,650.00	5,210,060.00
Capital Improvements	450,000.00	350,000.00
Debt Service	1,071,206.38	1,102,504.83
Deferred Charges & Statutory Expenditures	266,300.00	15,900.00
Total Expenditures	<u>6,887,776.38</u>	<u>6,886,731.83</u>
Excess/(Deficit) in Revenue	<u>434,354.57</u>	<u>105,977.73</u>
Adjustments to Income before Fund Balance:		
Deferred Charges - Emergency Appropriation	<u>-</u>	<u>250,000.00</u>
Fund Balance January 1	<u>375,984.97</u>	<u>120,007.24</u>
	810,339.54	475,984.97
Decreased by:		
Utilization as Anticipated Revenue	<u>271,320.00</u>	<u>100,000.00</u>
Fund Balance December 31	<u>\$ 539,019.54</u>	<u>375,984.97</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>2019</u>	<u>2018</u>
Beginning Balance January 1	\$ 167,064.25	167,064.25
Increased by:		
No Activity	<u> </u>	<u> </u>
	-	-
	167,064.25	167,064.25
Decreased by:		
No Activity	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
	-	-
Ending Balance December 31	\$ <u>167,064.25</u>	<u>167,064.25</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, 2019**

	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 271,320.00	271,320.00	-
Rents	6,225,000.00	6,380,416.12	155,416.12
Miscellaneous	450,000.00	492,015.16	42,015.16
Unanticipated	-	44,933.79	44,933.79
	<u>\$ 6,946,320.00</u>	<u>7,188,685.07</u>	<u>242,365.07</u>

Analysis of Realized Revenue:

Consumer Accounts Receivable:

Rents

Accounts Receivable	6,273,459.08
Due (to) - from MWC	5,557.21
Prepayments/Overpayments Applied	101,399.83

6,380,416.12

Miscellaneous

Water Installation	143,256.05
Sewer Installation	42,524.61
Water Application Fees	7,300.00
Cell Tower Rents	298,934.50
Miscellaneous	4,935.96

Total Miscellaneous - Collector 496,951.12

Interest on Investments 39,997.83

536,948.95

**WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Operations:					
Salaries and Wages	\$ 212,620.00	212,620.00	212,620.00		
Other Expenses	4,887,650.00	4,887,650.00	4,018,894.67	162,774.05	705,981.28
	<u>5,100,270.00</u>	<u>5,100,270.00</u>	<u>4,231,514.67</u>	<u>162,774.05</u>	<u>705,981.28</u>
					-
Capital Improvements:					
Capital Improvement Fund	125,000.00	125,000.00	125,000.00		
Capital Outlay	325,000.00	325,000.00	297,631.07		27,368.93
	<u>450,000.00</u>	<u>450,000.00</u>	<u>422,631.07</u>	<u>-</u>	<u>27,368.93</u>
					-
Debt Service:					
Payment of Bond Principal	644,750.00	644,750.00	644,750.00		-
Interest on Bonds	485,000.00	485,000.00	426,456.38		58,543.62
	<u>1,129,750.00</u>	<u>1,129,750.00</u>	<u>1,071,206.38</u>	<u>-</u>	<u>58,543.62</u>
Deferred Charges and Statutory Expenditures:					
Emergency Authorizations	250,000.00	250,000.00	250,000.00		
Social Security System	16,300.00	16,300.00	16,032.87		267.13
	<u>266,300.00</u>	<u>266,300.00</u>	<u>266,032.87</u>	<u>-</u>	<u>267.13</u>
					-
Deficits in Operations in Prior Years		-			-
	<u>\$ 6,946,320.00</u>	<u>6,946,320.00</u>	<u>5,991,384.99</u>	<u>162,774.05</u>	<u>733,617.34</u>
		Accrued Interest			58,543.62
		Deferred Charges	426,456.38		
		Cash Disbursed	250,000.00		
			5,314,928.61		
			<u>5,991,384.99</u>		

The accompanying Notes to the Financial Statements are an integral part of this statement

EXHIBIT E- BEACH UTILITY FUND

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

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 637,361.30	270,838.64
	<u>637,361.30</u>	<u>270,838.64</u>
Total Operating Fund	<u>637,361.30</u>	<u>270,838.64</u>
Capital Fund:		
Cash	2,250.00	2,250.00
Fixed Capital - Completed	510,411.94	510,411.94
	<u>512,661.94</u>	<u>512,661.94</u>
Total Capital Fund	<u>512,661.94</u>	<u>512,661.94</u>
	<u>1,150,023.24</u>	<u>783,500.58</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	322,032.28	169,087.68
Encumbrances Payable	46,755.81	39,447.00
Accounts Payable	64,512.88	29,140.44
Prepaid Beach Fees	34,506.00	33,143.00
Due to Current Fund	169,554.33	20.52
	<u>637,361.30</u>	<u>270,838.64</u>
Fund Balance	-	-
Total Operating Fund	<u>637,361.30</u>	<u>270,838.64</u>
Capital Fund:		
Reserve for Amortization	510,411.94	510,411.94
Capital Improvement Fund	2,250.00	2,250.00
	<u>512,661.94</u>	<u>512,661.94</u>
Total Capital Fund	<u>512,661.94</u>	<u>512,661.94</u>
	<u>\$ 1,150,023.24</u>	<u>783,500.58</u>

BEACH UTILITY FUND
COMPARATIVE STATEMENT OF OPERATIONS AND CHANGES
IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Revenue and Other Income Realized		
Beach Fees	\$ 1,209,267.60	1,179,581.00
Fees and Permits	13,960.00	11,400.00
Other Credits to Income:		
Miscellaneous Revenue not Anticipated	4,170.89	150.26
Appropriation Reserves Lapsed	166,155.84	213,836.38
Total Income	<u>1,393,554.33</u>	<u>1,404,967.64</u>
Expenditures		
Operations:		
Salaries and Wages	1,210,608.00	1,181,079.00
Other Expenses	323,600.00	304,400.00
Deferred Charges and Statutory Expenditures	104,500.00	102,300.00
Total Expenditures	<u>1,638,708.00</u>	<u>1,587,779.00</u>
Excess/(Deficit) in Revenue	<u>(245,153.67)</u>	<u>(182,811.36)</u>
Adjustments to Income before Fund Balance:		
Realized from General Budget for		
Anticipated Deficit in Revenue	245,153.67	182,811.36
Total Adjustments	<u>245,153.67</u>	<u>182,811.36</u>
Excess in Operations	<u>-</u>	<u>-</u>
Fund Balance January 1	<u>-</u>	<u>-</u>
Decreased by:		
Utilization as Anticipated Revenue	<u>-</u>	<u>-</u>
Fund Balance December 31	<u>\$ -</u>	<u>-</u>

BEACH UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Anticipated Budget	Realized	Excess or (Deficit)
Anticipated Revenue:			
Beach Fees	\$ 1,214,000.00	1,209,267.60	(4,732.40)
Fees and Permits	10,000.00	13,960.00	3,960.00
Deficit (General Budget)	414,708.00	245,153.67	(169,554.33)
Non-Budget Revenue:		4,170.89	4,170.89
	<u>\$ 1,638,708.00</u>	<u>1,472,552.16</u>	<u>(166,155.84)</u>

Analysis of Realized Revenue:

Beach Fees		
Collections	1,176,124.60	
Prepaid Beach Fees Applied	33,143.00	
Total Beach Fees	<u>1,209,267.60</u>	
Fees and Permits		
Beach Vehicle Permits		13,960.00
Non-Budget Revenue:		
Interest Earned	4,170.89	
Total Non-Budget Revenue	<u>4,170.89</u>	<u>4,170.89</u>

BEACH UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered	
Operations:					
Salaries and Wages	\$ 1,210,608.00	1,210,608.00	941,382.55		269,225.45
Other Expenses	323,600.00	323,600.00	247,815.60	46,755.81	29,028.59
	<u>1,534,208.00</u>	<u>1,534,208.00</u>	<u>1,189,198.15</u>	<u>46,755.81</u>	<u>-</u>
Deferred Charges and Statutory Expenditures:					
Unemployment	15,000.00	15,000.00	15,000.00		-
Social Security System	89,500.00	89,500.00	65,721.76		23,778.24
	<u>104,500.00</u>	<u>104,500.00</u>	<u>80,721.76</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,638,708.00</u>	<u>1,638,708.00</u>	<u>1,269,919.91</u>	<u>46,755.81</u>	<u>-</u>
		Cash Disbursed	\$ 1,269,919.91		

EXHIBIT F - GENERAL FIXED ASSETS ACCOUNT GROUP

STATEMENT OF GENERAL FIXED ASSETS
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
AS OF DECEMBER 31,

	<u>2019</u>	<u>2018</u>
General Fixed Assets:		
Buildings	\$ 8,014,993.87	7,989,359.87
Land and Improvements	7,529,641.83	7,529,641.83
Machinery and Equipment	4,147,041.22	3,991,488.65
Vehicles & Watercraft	<u>5,486,137.51</u>	<u>4,865,591.93</u>
	<u>25,177,814.43</u>	<u>24,376,082.28</u>
 Investment in General Fixed Assets	 \$ <u>25,177,814.43</u>	 <u>24,376,082.28</u>

The accompanying Notes to the Financial Statements are an integral part of this statement

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Except as noted below, the financial statements of the Borough of Avalon include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough of Avalon, as required by N.J.S. 40A:5-5. The Borough of Avalon is a seashore community located on the Atlantic Ocean in the County of Cape May, State of New Jersey. The population according to the 2010 census is 1,334. The Borough was incorporated in 1892 and operates under a Mayor and Council form of government. The mayor is the chief executive officer of the Borough and is elected by the voters.

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 Avalon 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 Avalon 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 Utility Operating and Capital Funds

The Water and Sewer Utility Operating and Capital Funds account for the operations and acquisition of capital facilities of the municipally owned Water and Sewer Utility.

Beach Utility Operating and Capital Funds

The Beach Utility Operating and Capital Funds account for the operations and acquisition of capital facilities related to the Borough's beaches.

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 are capitalized.

No depreciation has been provided for in the financial statements.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

Utility Fixed Assets

Property and equipment purchased by a utility fund are recorded in the utility capital account at cost, and are adjusted for disposition and abandonment. The amounts shown do not represent replacement cost or current value. Contributions in aid of construction are not capitalized. The Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the cost of acquisition of property, equipment and improvements. GAAP does not require the establishment of a reserve for amortization of fixed capital, whereas it does require the recognition of depreciation of property and equipment by the utility fund.

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 Avalon 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 does not operate a sewer utility fund. However, sewer rents are levied and collected in the Current Fund. Rates are determined by ordinance and changed as necessary. 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 Avalon 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 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

F. Recent Accounting Pronouncements Not Yet Effective

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, 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, 2020, 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 Borough's financial reporting.

In January 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 92, "Omnibus". This statement is effective for fiscal periods beginning after June 15, 2020, will not have any effect on the Borough's financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 93, "Replacement of Interbank Offered Rates". This statement is effective for fiscal periods beginning after June 15, 2020, will not have any effect on the Borough's financial reporting.

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

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

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

NOTE 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2019 and 2018 statutory budgets included a reserve for uncollected taxes in the amount of \$1,660,000 and \$1,655,000. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2019 and 2018 statutory budgets was \$3,532,174.35 and \$4,046,907.86.

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 2019 and 2018 calendar years:

<u>Budget Category</u>	<u>2019</u>	<u>2018</u>
<u>Current Fund:</u>		
Legal Services	\$	
Other Expenses		45,000
Other Expenses-Settlemet		(45,000)

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 2019 and 2018, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2019</u>	<u>2018</u>
Clean Communities	\$ 27,373.37	\$ 24,498.25
Click it or Ticket		5,500.00
NJ DOT 68th Street	150,000.00	
NJ DOT Reconstruction of 95th Street		160,000.00
Sustainable Jersey		20,000.00
NJ DEP Southern Pine Beetle Suppression Grant		30,000.00
NJ DOT 2017 Municipal Aid for Reconstruction 39th St.		180,343.00

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. In 2019, the Borough did not authorize any special emergencies.

NOTE 3: INVESTMENTS

N.J.S.A. 40A:5-15.1 provides specific guidance for the allowable investment of public funds. The Borough did not have any investments as of year end.

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.

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

NOTE 3: INVESTMENTS - Continued

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 fund that may pass to the municipality relative to the happening of a future condition. As of December 31, 2019 and 2018, \$366,073.73 and \$505,181.81 respectively of the municipality's bank balance of \$15,644,268.07 and \$16,332,693.76 was exposed to custodial credit risk.

NOTE 5: FIXED ASSETS

The following schedules are a summarization of the changes in general fixed assets for the calendar years ended December 31, 2019 and 2018:

	Balance 12/31/2017	Additions	Retirements	Balance 12/31/2018
Land and Improvements	\$ 7,525,211	334,281	-	7,859,492
Building and Improvements	7,655,079	4,430	-	7,659,509
Equipment and Machinery	3,926,019	126,204	(60,734)	3,991,489
Vehicles	4,951,114	222,421	(307,942)	4,865,592
	<u>\$ 24,057,423</u>	<u>687,335</u>	<u>(368,676)</u>	<u>24,376,082</u>

	Balance 12/31/2018	Additions	Retirements	Balance 12/31/2019
Land and Improvements	\$ 7,859,492	25,634		7,885,126
Building and Improvements	7,659,509			7,659,509
Equipment and Machinery	3,991,489	163,783	(8,230)	4,147,042
Vehicles	4,865,592	955,181	(334,635)	5,486,138
	<u>\$ 24,376,082</u>	<u>1,144,597</u>	<u>(342,865)</u>	<u>25,177,814</u>

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

NOTE 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/17	Issued	Retired	Balance 12/31/18
Bond Anticipation Notes payable:				
General Capital	\$ 11,489,975	11,203,950	11,489,975	11,203,950
Utility Capital	6,620,000	11,463,195	18,083,195	-
	<u>\$ 18,109,975</u>	<u>22,667,145</u>	<u>29,573,170</u>	<u>11,203,950</u>
	Balance 12/31/18	Issued	Retired	Balance 12/31/19
Bond Anticipation Notes payable:				
General Capital	\$ 11,203,950	13,814,750	11,203,950	13,814,750
Utility Capital				-
	<u>\$ 11,203,950</u>	<u>13,814,750</u>	<u>11,203,950</u>	<u>13,814,750</u>

The 2019 General Capital note was issued on 2/15/19 and was due and payable on 2/14/20 with interest at 3.00%. As of December 31, 2019, the Borough has authorized but not issued bonds in the amount of \$14,021,380.00 in the General Capital Fund and \$2,663,010.42 in the Water and Sewer Utility Capital Fund.

NOTE 7: LONG TERM DEBT

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

	Balance 12/31/17	Issued	Adjustment/ Retired	Balance 12/31/18	Amounts Due Within One Year
Bonds payable:					
General Capital Fund	\$ 9,995,000		3,520,000	6,475,000	3,650,000
Utility Capital Fund	932,000	11,900,000	332,000	12,500,000	565,000
Total	<u>\$ 10,927,000</u>	<u>11,900,000</u>	<u>3,852,000</u>	<u>18,975,000</u>	<u>4,215,000</u>
Other liabilities:					
Loans Payable:					
General Capital Fund	616,349		62,802	553,547	64,065
Utility Capital Fund	663,132		74,767	588,365	79,766
Compensated Absences Payable	1,343,065		124,655	1,218,410	
	<u>2,622,546</u>	<u>-</u>	<u>262,224</u>	<u>2,360,322</u>	<u>143,832</u>
Total long-term liabilities	<u>\$ 13,549,546</u>	<u>11,900,000</u>	<u>4,114,224</u>	<u>21,335,322</u>	<u>4,358,832</u>

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

NOTE 7: LONG TERM DEBT - Continued

	Balance 12/31/18	Issued	Adjustment/ Retired	Balance 12/31/19	Amounts Due Within One Year
Bonds payable:					
General Capital Fund	\$ 6,475,000		3,650,000	2,825,000	2,825,000
Utility Capital Fund	12,500,000		565,000	11,935,000	565,000
Total	\$ 18,975,000	-	4,215,000	14,760,000	3,390,000
Other liabilities:					
Loans Payable:					
General Capital Fund	553,547		64,065	489,482	65,354
Utility Capital Fund	588,365		79,766	508,599	79,766
Compensated Absences Payable	1,218,410			1,218,410	
	2,360,322	-	143,832	2,216,490	145,120
Total long-term liabilities	\$ 21,335,322	-	4,358,832	16,976,490	3,535,120

Outstanding Bonds Whose Principal and Interest are paid from the Current Fund Budget of the Entity:

At December 31, 2019, bonds and loans payable in the General Capital Fund consisted of the following individual issues:

\$4,870,000 Refunding Bonds dated October 4, 2012, due in annual installments beginning on November 1, 2012 through November 1, 2019, bearing interest at variable rates ranging from 2.00% to 4.00% per annum. The purpose of this issue is to refund a portion of the principal amount of \$4,820,000 of the General Bonds of 2004 and pay issuance costs. The balance remaining as of December 31, 2019, is \$0.

\$5,505,000 Refunding Bonds dated August 23, 2017, due in annual installments beginning on May 15, 2019 through May 15, 2020, bearing interest at 4.00% per annum. The balance remaining as of December 31, 2019, is \$2,825,000.

\$149,950 Loan dated October 15, 2013 with New Jersey Green Acres Program for Park Improvements to 8th Street Recreation Area, due in semi-annual installments through May 6, 2023, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2019, is \$32,044.

\$150,000 Loan dated May 19, 2005 with New Jersey Green Acres Program for 8th Street Recreation Refunding Issue – Part I, due in semi-annual installments through January 19, 2025, bearing interest at 2.00% per annum. This loan advance refunded principal due on the General Improvement Bonds of 2001 due on July 15, 2015 which is callable on July 13, 2013. The balance remaining as of December 31, 2019, is \$48,362.

\$500,000 Loan dated November 3, 2007 with New Jersey Green Acres Program for 8th Street Recreation Refunding Issue – Part II, due in semi-annual installments through May 3, 2027, bearing interest at 2.00% per annum. This loan advance refunded principal due on the General Improvement Bonds of 2001 due on July 15, 2015 which is callable on July 15, 2013. The balance remaining as of December 31, 2019, is \$215,543.

\$400,000 Loan dated June 18, 2008 with New Jersey Green Acres Program for Multi-Park Improvements, due in semi-annual installments through June 18, 2028, bearing interest at 2.00% per annum. The balance remaining as of December 31, 2019, is \$193,542.

At December 31, 2019, bonds payable in the Water and Sewer Utility Fund consisted of the following individual issues:

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

NOTE 7: LONG TERM DEBT - Continued

\$600,000 Water and Sewer Improvement Refunding Bonds dated November 23, 2018, due in annual installments beginning on May 15, 2019 through May 15, 2023, bearing interest at 4.00% per annum. The balance remaining as of December 31, 2019, is \$465,000.

\$11,900,000 Water and Sewer Improvement Refunding Bonds dated August 23, 2017, due in annual installments beginning on November 1, 2019 through November 1, 2035, bearing interest at various rates from 3.00% to 5.00% per annum. The balance remaining as of December 31, 2019, is \$11,470,000.

\$535,000 N.J. Environmental Trust Loan Bond Series B dated December 2, 2010, due in annual installments beginning August 1, 2012 through August 1, 2025, bearing interest at 5.00%. The balance remaining as of December 31, 2019 is \$270,000.

\$583,240 N.J. Environmental Fund Loan Bond dated December 2, 2010, due in semi-annual installments through August 1, 2025, bearing no interest. The balance remaining at December 31, 2019 is \$238,598.

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

Year Ending December 31	General Capital Fund		Utility Capital Fund	
	Principal	Interest	Principal	Interest
2020	\$ 2,890,353.15	65,964.49	644,766.35	471,243.76
2021	66,666.73	8,150.89	664,766.35	442,343.76
2022	68,006.73	6,810.88	694,766.35	412,443.76
2023	64,611.06	5,443.94	709,766.35	382,543.76
2024	61,099.47	4,192.88	729,766.35	350,843.76
2025-2029	163,744.07	5,705.13	3,864,766.55	1,265,418.80
2030-2034			4,275,000.00	587,243.76
2035			860,000.00	30,100.00
	<u>\$ 3,314,481.21</u>	<u>\$ 96,268.21</u>	<u>\$ 12,443,598.30</u>	<u>\$ 3,942,181.36</u>

As of December 31, 2018 the carrying value of the above bonds and notes approximates the fair value of the bonds. No interest was charged to capital projects during the year. The total interest charged to the current budget was \$373,565.00 and \$47,729.32 was charged to the water sewer utility fund budget.

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

NOTE 7: LONG TERM DEBT - Continued

Summary of Municipal Debt

	Year 2019	Year 2018	Year 2017
Issued:			
General:			
Bonds and Notes	\$ 16,639,750	17,678,950	21,484,975
Loans	489,481	553,547	616,350
Water/Sewer Utility:			
Bonds and Notes	11,935,000	12,500,000	7,552,000
Loans	508,598	588,365	663,131
Total Issued	<u>29,572,830</u>	<u>31,320,861</u>	<u>30,316,456</u>
Less:			
Funds Temporarily			
Held to Pay Bonds and Notes:			
General	<u>153,149</u>	<u>108,094</u>	<u>79,520</u>
Net Debt Issued	<u>29,419,681</u>	<u>31,212,768</u>	<u>30,236,936</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	14,021,380	12,861,130	8,575,250
Water/Sewer Utility:			
Bonds and Notes	<u>2,663,010</u>	<u>304,635</u>	<u>5,232,539</u>
Total Authorized But Not Issued	<u>16,684,390</u>	<u>13,165,765</u>	<u>13,807,789</u>
Net Bonds and Notes Issued and			
Authorized But Not Issued	<u>\$ 46,104,071</u>	<u>44,378,533</u>	<u>44,044,725</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 .335%:

	Gross Debt	Deductions	Net Debt
Local School Purposes	\$ 315,000	\$ 315,000	\$ -
Water & Sewer Utility Debt	15,106,609	15,106,609	-
General Debt	30,455,611	153,149	30,302,463
	<u>\$ 45,877,220</u>	<u>\$ 15,574,757</u>	<u>\$ 30,302,463</u>

Net debt \$30,302,463 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$9,043,125,322 = 0.335%.

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

3-1/2% of Equalized Valuation Basis	\$ 316,509,383
Net Debt	<u>30,302,463</u>
	<u>\$ 286,206,921</u>

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

NOTE 7: LONG TERM DEBT - Continued

The Borough of Avalon School District, as a K-8 school district, is permitted to borrow up to 3.0% 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.

NOTE 8: FUND BALANCES APPROPRIATED

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

		<u>2019</u>	<u>2020</u>
Current Fund	\$	3,532,174	3,458,979
Water Sewer Utility		271,230	271,585
Beach Utility		0	0

NOTE 9: 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:

	<u>Balance</u> <u>12/31/18</u>	<u>Balance</u> <u>12/31/19</u>
Prepaid Taxes	\$ 1,306,106	\$ 1,335,202
Cash Liability for Taxes Collected in Advance	<u>\$ 1,306,106</u>	<u>\$ 1,335,202</u>

NOTE 10: PENSION FUNDS

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

The following represents the municipality's pension liabilities as June 30, 2019:

Public Employees' Retirement System

The Municipality has a liability of \$11,005,884 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to June 30, 2019. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Municipality's proportion would be 0.06108108150%, which would be a decrease of 0.22% from its proportion measured as of June 30, 2018.

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

NOTE 10: PENSION FUNDS - Continued

For the year ended December 31, 2019, the Municipality would have recognized pension expense of \$599,322. At December 31, 2019, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 197,541	\$ (48,619)
Changes of assumptions	1,098,978	(3,820,108)
Changes in proportion	287,634	(92,583)
Net difference between projected and actual earnings on pension plan investments		(173,732)
Total	<u>\$ 1,584,153</u>	<u>\$ (4,135,042)</u>

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

Year ended June 30,	
2020	\$ (295,226)
2021	(957,707)
2022	(855,176)
2023	(401,549)
2024	(41,231)
Total	<u>\$ (2,550,889)</u>

Actuarial Assumptions

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

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

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

NOTE 10: PENSION FUNDS - Continued

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

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

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that

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

NOTE 10: PENSION FUNDS - Continued

contributions from employers will be made based on 70% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Municipality's proportionate share of the net pension liability calculated using the discount rate of 6.28%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.28%) or 1-percentage point higher (7.28%) than the current rate:

	1% Decrease (5.28%)	Current Discount Rate (6.28%)	1% Increase (7.28%)
Municipality's proportionate share of the net pension liability	\$ 13,208,886	\$ 11,005,884	\$ 9,151,700

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Municipality has a liability of \$5,053,460 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2018 that was rolled forward to June 30, 2019. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Municipality's proportion would be 0.04129379510%, which would be a decrease of 16.01% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Municipality would have recognized pension expense of \$289,116. At December 31, 2019, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 42,658	\$ (31,994)
Changes of assumptions	173,159	(1,633,232)
Changes in proportion	576,313	(1,178,509)
Net difference between projected and actual earnings on pension plan investments		(68,473)
Total	<u>\$ 792,130</u>	<u>\$ (2,912,208)</u>

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

NOTE 10: PENSION FUNDS - Continued

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

Year ended June 30,		
2020	\$	(370,038)
2021		(776,768)
2022		(550,115)
2023		(271,169)
2024		(151,988)
Total	\$	<u>(2,120,078)</u>

Actuarial Assumptions

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

Inflation rate

Price 2.75%

Wage 3.25%

Salary increases:

Through all future years 3.25% - 15.25% (based on years of service)

Investment rate of return: 7.00%

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

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

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

NOTE 10: PENSION FUNDS - Continued

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2019 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 6.85% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based 70% of the actuarially determine contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2076. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2076, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

NOTE 10: PENSION FUNDS - Continued

The following presents the collective net pension liability of the participating employers as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (5.74%)	Current Discount Rate (6.85%)	1% Increase (7.85%)
District's proportionate share of the net pension liability	6,620,074.41	5,053,460	3,756,984.53

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2019 State special funding situation net pension liability amount of \$1,932,374,825.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2019 State special funding situation pension expense of \$224,526,138.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2019. The pension expense is deemed to be a State administrative expense due to the special funding situation.

The contribution policy for PFRS is set by N.J.S.A. 43:16A and required contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. For fiscal year 2019, the State contributed an amount less than the actuarially determined amount.

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.04129379510% for 2019. The net pension liability amount allocated to the Municipality was \$92,715. For the fiscal year ending June 30, 2019 State special funding situation pension expense of \$797,951 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 12: POST-RETIREMENT BENEFITS

Plan Description The Borough of Avalon contributes to the State Health Benefits Program (SHBP) a cost-sharing, multi-employer defined benefit post-employment healthcare plan in accordance with GASB Statement 75 "Accounting and Financial Reporting for Post-employment Benefits Other than Pensions" ("OPEB"). The SHBP is administered by the State of New Jersey, Department of Treasury, Division of Pension and Benefits. The SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents.

Under the SHBP, retirees may continue the health benefits programs in which they are enrolled at the time of retirement, provided the retiree pays the costs of the benefits (at group rates) for themselves and their eligible dependents. The OPEB Liability associated with the SHBP is further discussed in Note 13.

In addition to the OPEB benefits through the SHBP described in Note 13, the Borough also offers a local plan that provides Vision and Life Insurance Benefits to certain retirees.

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

NOTE 12: POST-RETIREMENT BENEFITS - Continued

Plan Coverage The entity currently has 5 collective bargaining units as well as unaffiliated non-union employees. The employee's post employment benefits are dependent upon the collective bargaining unit to which they are a member as well as the year of retirement. The benefits by collective bargaining unit are as follows:

Policemen Benevolent Association Local 59 – Individuals below the rank of Lieutenant who retire with at least 25 years of service in the Police and Fireman's Retirement System receive hospitalization, major medical, dental, prescription, vision and life insurance for the employee and spouse in effect at the time of retirement. Spousal benefits continue upon retiree's death.

Policemen Benevolent Association Local 59 (Superior Officers) – Individuals above the rank of Lieutenant who retire with at least 25 years of service in the Police and Fireman's Retirement System receive hospitalization, major medical, dental, prescription, vision and life insurance for the employee and spouse in effect at the time of retirement. Spousal benefits continue upon retiree's death.

All Other Bargaining Units and Non Affiliated Employees - Individuals who retired with at least 25 years of service or after attainment of age 62 and completion of 15 years of service in the Public Employees' Retirement System receive hospitalization, major medical, dental, prescription, vision and life insurance for the employee and spouse in effect at the time of retirement.

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

The Borough utilizes the New Jersey State Health Benefits Plan for Health Insurance, however, they also provide post-retirement benefits for vision, dental, and life insurance that are not included as a part of the State Health Benefits Plan. These benefits are budgeted by the Borough annually on a "pay as you go basis" and included in group insurance.

In accordance with GASB 75 and the State of New Jersey, the Borough is required to obtain an actuarial valuation of the liability for providing these benefits. This is the second valuation and the actuary is using the entry age normal funding method. The actuarial valuation report was based on 131 total participants including 44 retirees. The actuarial determined valuation of these benefits has been reviewed and will be reviewed bi-annually for the purpose of estimating the present value of future benefits for active and retired employees and their dependents as required by GASB 75.

Due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized

Net OPEB Liability:

Components of Net OPEB Liability

The components of the Net OPEB liability in the Plan as of December 31, 2019 is as follows:

	<u>December 31, 2019</u>
Total OPEB Liability	\$ 3,998,068
Plan Fiduciary Net Position	-
Net OPEB Liability	<u>\$ 3,998,068</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%

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

NOTE 12: POST-RETIREMENT BENEFITS - Continued

For the Year ended December 31, 2019 the Borough's Total OPEB Expense was \$164,177.

The total OPEB liability as of December 31, 2019 was determined by an actuarial valuation as of January 1, 2019, which was rolled forward to December 31, 2019.

The following actuarial assumptions, applied to all periods in the measurement:

Discount rate: 2.92%

Health Care Trend Assumptions

Pre-65

Year 1 trend	7.00%
Ultimate Trend	4.50%
Grading per Year	0.25%

Post-65

Year 1 trend	7.00%
Ultimate Trend	4.50%
Grading per Year	0.25%

Mortality:

Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of December 31, 2019, calculated using the discount rate as disclosed above as well as what the Net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (1.92%)	Discount Rate (2.92%)	1% Increase (3.92%)
Net OPEB Liability \$	5,036,366 \$	3,998,068 \$	3,277,616

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

The following presents the net OPEB liability as of December 31, 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability \$	3,274,594 \$	3,998,068 \$	4,999,012

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

NOTE 12: POST-RETIREMENT BENEFITS - Continued

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

At December 31, 2019, the deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 890,142	
Total	\$ 890,142	\$ -

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

Year ended June 30,	
2020	\$ 80,922
2021	80,922
2022	80,922
2023	80,922
2024	80,922
Thereafter	485,532
Total	\$ 890,142

The components of OPEB Expense for the year ending December 31, 2019 is as follows:

Service cost	\$ 41,276
Interest on Total OPEB Liability	108,584
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:	
Changes in Assumptions	14,317
Total Collective OPEB Expense	\$ 164,177

Schedule of Borough's Net OPEB Liability

	<u>2019</u>	<u>2018</u>
Borough's Net OPEB Liability	\$ 3,998,068	\$ 3,833,891
Borough's Covered Payroll	5,814,283	5,826,417
Borough's Net OPEB Liability as a Percentage of its Covered-Employee Payroll	68.76%	65.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%

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

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. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at:

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

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

1) retired on a disability pension;

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

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.

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, where applicable, and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2019 were \$5,637,151,775 and \$8,182,092,807, respectively.

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS - Continued

The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2018 through June 30, 2019. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Net OPEB Liability:

Components of Net OPEB Liability

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2019 is as follows:

	June 30, 2019	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 13,819,244,582	\$ 16,064,457
Plan Fiduciary Net Position	273,173,482	317,556
Net OPEB Liability	<u>\$ 13,546,071,100</u>	<u>\$ 15,746,901</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.98%

At June 30, 2019 the Borough's proportionate share of the Collective Net OPEB Liability was \$15,746,901. The Borough's proportion of the Collective Net OPEB Liability was 0.116247% which was a decrease from the prior year of 2.12%.

For the Year ended June 30, 2019 the Borough's Total OPEB Expense was (\$393.707). The total OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*:	
PERS Initial fiscal year applied	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
PFRS	
Rate for all future years	3.25% to 15.25%

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

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS - Continued

Mortality:

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

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

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

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

Health Care Trend Assumptions

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

Discount Rate

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of June 30, 2019, calculated using the discount rate as disclosed above as well as what the Net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

		1% Decrease (2.50%)		Discount Rate (3.50%)		1% Increase (4.50%)
Collective						
Net OPEB Liability	\$	15,662,704,137	\$	13,546,071,100	\$	11,826,026,995
Proportionate Share						
Net OPEB Liability	\$	18,207,423	\$	15,746,901	\$	13,747,401

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS - Continued

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

The following presents the net OPEB liability as of June 30, 2019, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Collective				
Net OPEB Liability	\$	11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531
Proportionate Share				
Net OPEB Liability	\$	13,288,444	\$ 15,746,901	\$ 18,883,077

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	\$	\$ (3,961,399,180)	\$	\$ (4,605,008)
Changes of assumptions		(4,800,426,301)		(5,580,352)
Net difference between projected and actual earnings on OPEB plan investments	11,158,226		12,971	
Changes in proportion and differences between contributions and proportionate share of contributions			425,089	(1,737,100)
Total	\$ 11,158,226	\$ (8,761,825,481)	\$ 438,060	\$ (11,922,460)

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	\$ (1,425,201,517)	\$ (1,870,438)
2020	(1,425,201,517)	(1,870,438)
2021	(1,426,076,187)	(1,871,586)
2022	(1,427,489,995)	(1,873,442)
2023	(1,428,781,861)	(1,875,137)
Thereafter	(1,617,916,178)	(2,123,358)
Total	\$ (8,750,667,255)	\$ (11,484,400)

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

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

NOTE 13 – OTHER POST-RETIREMENT BENEFITS - Continued

Collective OPEB Expenses reported by the State of New Jersey

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2019 are as follows:

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

Schedule of Borough's Share of Net OPEB Liability

	<u>2019</u>	<u>2018</u>
Borough's Proportionate Share of Net OPEB Liability	0.116247%	0.118768%
Borough's Share of Net OPEB Liability	\$ 15,746,901	18,606,929
Borough's Covered Payroll	5,814,283	5,826,417
Borough's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	270.83%	319.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.97%

NOTE 14: ACCRUED SICK AND VACATION BENEFITS

The Borough has permitted employees to accrue unused vacation, personal and sick time, which may be taken as time off, or paid at a later date at an agreed upon rate. The monetary value of these earned and unused employee benefits has not been accrued by either charges to operations or to budgets of prior years, although in some cases they might be material, since the realization of this liability may be affected by conditions which preclude an employee from receiving full payment of the accrual. At December 31, 2019, the Borough estimates this liability to approximate \$1,130,049 based on 2019 pay rates and compensated absence balances. The Borough has \$107,263 reserved at December 31st to partially fund this liability.

NOTE 15: 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.

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

NOTE 16: RISK MANAGEMENT

The Borough 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 Borough 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.

The Borough 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.

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

Calendar Year	Borough Contribution	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2019	45,000.00	7,313.62	427.06	18,001.52	83,753.63
2018	45,000.00	15,672.82	17.97	34,832.02	49,014.47
2017	32,000.00	14,188.76	11.97	56,389.06	23,155.70

NOTE 17: DEFERRED COMPENSATION

Employees of the Borough of Avalon 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.

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

NOTE 18: INTERFUND BALANCES

As of December 31, 2019, the following interfunds were included on the balance sheets of the various funds of the Borough of Avalon and are expected to be returned within one year:

	Due From	Due To
Current Fund:		
Animal Control Fund	\$ 171.95	\$
Beach Utility Fund	169,554.33	
Other Trust Fund		165.27
Grant Fund	2,237.10	
Trust Fund:		
Current - Animal Control Fund		171.95
Current - Other Trust Fund	165.27	
General Capital Fund		
Water & Sewer Capital Fund		1,278,342.56
Water & Sewer Operating Fund		
Grant Fund		22,932.34
Federal and State Grant Fund		
Current Fund		2,237.10
Water & Sewer Operating Fund	22,932.34	
Water & Sewer Capital Fund		1,650,056.02
Water & Sewer Capital Fund		
General Capital Fund	1,278,342.56	
Federal & State Grant Fund	1,650,056.02	
Beach Utility Fund		
Current Fund		169,554.33
	\$ <u>3,123,459.57</u>	<u>3,123,459.57</u>

The amounts due to the Current fund from the Animal Control fund, General Capital fund and the Other Trust fund are due to interest and other cash activity not transferred by year end.

NOTE 19: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through July 2, 2020, the date which the financial statements were available to be issued and identified no events requiring disclosure.

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

SUPPLEMENTARY INFORMATION



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of Borough Council
Borough of Avalon, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated July 2, 2020 which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

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

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

Michael S. Garcia
Michael S. Garcia
Certified Public Accountant
Registered Municipal Accountant
No. 472

July 2, 2020

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Regular Fund	Grant Fund
Balance December 31, 2018	\$ 11,031,451.07	-
Increased by Receipts:		
Taxes Receivable	44,996,336.31	
Homestead Rebates Received	56,250.84	
Miscellaneous Revenue Not Anticipated	589,533.18	
Revenue Accounts Receivable	2,740,588.61	
Prepaid Taxes	1,335,201.74	
Tax Overpayments	75,591.69	
Due from State - Senior and Veterans	26,500.00	
State Training Fees for New Construction	36,005.00	
State Fee for Marriage Licenses	1,975.00	
Sales Tax Collected	42.21	
Prepaid Rental Licenses	269,100.00	
Prepaid Fire Inspection Fees	73,087.00	
Reserve for Benches - Downtown	9,600.00	
Reserve for Animal Protection Fund	2,520.00	
Reserve for 911 Memorial Maintenance	200.00	
Due from Water Sewer Operating Fund	941,742.59	
Due from Avalon Library	2,082.45	
Due from Current Fund		2,237.10
Due to Water & Sewer Capital Fund		1,650,056.02
Due from Trust Other	5,994.64	
Due to Payroll Trust	274.08	
Due to Fire Safety Trust	50.00	
Change Funds Returned	175.00	
Reserve for Library Surplus Transfer	131,711.00	
Federal and State Grant Receivables		213,876.37
Federal and State Grants Unappropriated		21,993.25
	<u>51,294,561.34</u>	<u>1,888,162.74</u>
	62,326,012.41	1,888,162.74
Decreased by Disbursements:		
Current Year Appropriation	24,130,367.25	
Prior Year Appropriations	645,379.88	
Accounts Payable	972.25	
County Taxes	21,748,103.34	
Due County - Added Taxes	117,638.72	
Local District School Taxes	3,078,694.00	
Due to State:		
State Training Fees for New Construction	37,184.00	
State Fee for Marriage Licenses	1,975.00	
Protested Checks	31,532.44	
Sales Tax Remitted to State of NJ	68.97	
Refund of Tax Overpayments	21,017.74	
Reserve for Benches - Downtown	6,750.00	
Reserve for Animal Protection Fund	3,455.73	
Due from General Capital Fund	85,651.76	
Due from Water Sewer Capital Fund	2,631.81	1,657,750.78
Due from Beach Utility Operating Fund	169,533.81	
Due to Federal and State Grant Fund	2,237.10	
Federal and State Disbursements		230,411.96
	<u>50,083,193.80</u>	<u>1,888,162.74</u>
Balance December 31, 2019	\$ <u><u>12,242,818.61</u></u>	<u><u>-</u></u>

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

Year	Balance Dec. 31, 2018	Current Year Levy	Added Taxes	2018	2019	Adjustments	Transferred To Tax Title Lien	Balance Dec. 31, 2019
2018	\$ 297,752.98				297,752.98			(0.00)
	297,752.98	-	-	-	297,752.98	-	-	(0.00)
2019		46,168,601.33	395,219.64	1,306,106.45	44,970,937.61	(16,153.48)	7.71	302,922.68
\$	297,752.98	46,168,601.33	395,219.64	1,306,106.45	45,268,690.59	(16,153.48)	7.71	302,922.68
					44,996,336.31	Cash Receipts		
					56,250.84	Homestead Rebates		
					189,353.44	Overpayments Applied		
					26,750.00	Senior Citizens and Veterans		
					45,268,690.59			

Analysis of Current Year Tax Levy

Tax Yield:

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

46,168,601.33
 395,219.64
46,563,820.97

Tax Levy:

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

20,833,073.34
 915,030.00
 187,167.71
21,935,271.05

Local School District Tax

3,078,694.00

Local Tax for Municipal Purposes
 Add: Additional Tax Levied

21,006,110.65
 543,745.27
21,549,855.92
46,563,820.97

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

Balance December 31, 2018		\$	361.16
Increased by:			
Transfers from Taxes Receivable	\$	7.71	
		<hr/>	<hr/>
			7.71
			368.87
Decreased by:			
Collections		<hr/>	<hr/>
			-
Balance December 31, 2019		\$	<u><u>368.87</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2018	Accrued in 2018	Collected by Treasurer	Balance Dec. 31, 2019
Licenses:				
Alcoholic Beverages	\$	22,930.00	22,930.00	-
Other		2,241.00	2,241.00	-
Fees and Permits		419,479.82	419,479.82	-
Fines and Costs:				
Municipal Court		112,565.32	109,710.46	2,854.86
Interest and Costs on Taxes		94,794.38	94,794.38	-
Interest on Investments		186,527.91	186,527.91	-
Fees from Fire Inspections		145,071.00	145,071.00	-
Fees from Rental Registrations and Licenses		341,700.00	341,700.00	-
Television Cable Fees		52,977.12	52,977.12	-
Library - Rent & Administration/Bldgs & Grounds		157,470.00	157,470.00	-
Energy Receipts Tax		435,714.00	435,714.00	-
Garden State Preservation Trust Fund		3,877.00	3,877.00	-
Construction Code Official:				
Fees and Permits		604,713.00	604,713.00	-
Uniform Fire Safety Act		16,321.51	16,321.51	-
County of Cape May - Fleet Maintenance		99,704.35	99,704.35	-
Interlocal Agreement Police Dispatch Stone Harbor		290,972.06	290,972.06	-
Interlocal Agreement CFO-Stone Harbor		93,560.00	93,560.00	-
Transfer of Excess Library Surplus		204,603.00	204,603.00	-
	\$	3,285,221.47	3,282,366.61	2,854.86
Cash Receipts			2,740,588.61	
Prior Year's Prepaids applied:				
Transfer of Excess Library Surplus			204,603.00	
Rental Licenses			260,100.00	
Fire Inspection Fees			77,075.00	
			3,282,366.61	

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

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charges	Balance Lapsed
Business Administration				
Salaries and Wages	\$ 869.53	869.53		869.53
Other Expenses	5,753.42	5,753.42	1,502.46	4,250.96
Other Expenses- Employee Awards Program	500.00	500.00		500.00
Council				
Salaries and Wages	332.76	332.76		332.76
Other Expenses	29,200.74	29,200.74	27,603.30	1,597.44
Office of the Mayor				
Salaries and Wages	22,796.88	22,796.88		22,796.88
Other Expenses	23,789.08	23,789.08	12,807.64	10,981.44
Borough Clerk's Office				
Salaries and Wages	-	-		-
Other Expenses	10,189.03	10,189.03	7,136.82	3,052.21
Treasurer's Office				
Salaries and Wages				
Other Expenses	7,659.00	7,659.00	6,746.14	912.86
Audit Services				
Other Expenses	450.00	450.00		450.00
Election				
Other Expenses	16,290.95	16,290.95		16,290.95
Municipal Court				
Salaries and Wages	-	-		-
Other Expenses	9,292.63	9,292.63	122.00	9,170.63
Revenue Administration (Tax Collector)				
Salaries and Wages	1,498.45	1,498.45		1,498.45
Other Expenses	2,759.14	2,759.14	2,666.90	92.24
Tax Assessment Administration				
Salaries and Wages	9,342.17	9,342.17		9,342.17
Other Expenses	2,983.69	2,983.69	2,693.27	290.42

CURRENT FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charges	Balance Lapsed
Legal Services				
Other Expenses	96,356.44	66,356.44	18,546.91	47,809.53
Other Expenses-Settlement	2,987.00	2,987.00		2,987.00
Engineering Services and Costs				
Other Expenses	19,029.96	49,029.96	49,029.96	-
Licensing				
Salaries and Wages	343.42	343.42		343.42
Other Expenses	2,759.07	2,759.07	250.00	2,509.07
Worker and Community Right to Know Act				
Salaries and Wages	8,481.12	8,481.12		8,481.12
Other Expenses	6,499.51	6,499.51	2,027.24	4,472.27
Planning and Zoning				
Salaries and Wages	1,143.44	1,143.44		1,143.44
Other Expenses	8,857.98	8,857.98	7,156.86	1,701.12
Environmental Commission				
Salaries and Wages	-	-		-
Other Expenses	895.82	895.82	7.56	888.26
General Liability	5,966.62	5,966.62		5,966.62
Workers Compensation	51,356.10	51,356.10		51,356.10
Health Benefit Waiver				
Salaries and Wages	13,998.02	13,998.02		13,998.02
Employee Group Health	54,050.25	54,050.25	6,249.40	47,800.85
Fire Department				
Other Expenses	52,539.42	52,539.42	41,201.23	11,338.19
Police Department				
Salaries and Wages	240,653.53	240,653.53		240,653.53
Other Expenses:				
Municipal Alliance Program	405.02	405.02	65.94	339.08
Miscellaneous Other Expenses	37,741.68	37,741.68	37,086.16	655.52

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

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charges	Balance Lapsed
Office of Emergency Management				
Salaries and Wages	5,813.54	5,813.54		5,813.54
Other Expenses	2,027.52	2,027.52	1,150.69	876.83
Fire Official				
Salaries and Wages		-		-
Other Expenses	3,483.29	3,483.29		3,483.29
Rescue Squad				
Salaries and Wages	45,543.39	45,543.39		45,543.39
Other Expenses	7,227.46	7,227.46	6,003.98	1,223.48
Division of Public Works				
Salaries and Wages		-		-
Other Expenses:				
Landscaping/Lawn Care - Contractual	34,661.92	34,661.92	31,978.03	2,683.89
Miscellaneous Other Expenses	90,152.80	90,152.80	18,644.72	71,508.08
Garbage and Trash Removal				
Contractual	61,868.02	61,868.02	40,997.55	20,870.47
Garbage and Trash Licenses				
Other Expenses	1,000.00	1,000.00		1,000.00
Recycling				
Contractual	83,311.67	83,311.67	29,433.33	53,878.34
Sanitary Landfill Closure Act				
Other Expenses	84,824.24	84,824.24	21,195.56	63,628.68
Vehicle Maintenance				
Salaries and Wages		-		-
Other Expenses	6,030.52	6,030.52	5,888.41	142.11
Animal Control				
Other Expenses	13,412.08	13,412.08		13,412.08
Recreation				
Salaries and Wages	26,614.65	26,614.65		26,614.65
Other Expenses	6,673.82	6,673.82	6,275.69	398.13

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

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charges	Balance Lapsed
Construction Official				
Salaries and Wages	18,800.49	18,800.49	210.00	18,590.49
Other Expenses	122.74	122.74	80.50	42.24
Zoning Official				
Other Expenses	1,342.50	1,342.50		1,342.50
Code Enforcement				
Salaries and Wages	14,431.08	14,431.08		14,431.08
Other Expenses	481.78	481.78	476.95	4.83
Salary Adjustments	17,567.79	17,567.79		17,567.79
Electric, Natural Gas	173,088.43	173,088.43	99,063.16	74,025.27
Telephone	11,805.02	11,805.02	3,706.87	8,098.15
Gasoline	13,325.35	13,325.35	6,543.09	6,782.26
Contingent	15,845.31	15,845.31	15,058.31	787.00
Unpaid Prior Year Bills:				
Ocean City/ Archer	0.03	0.03		0.03
Police and Fire Retirement System of N.J.	2,000.00	2,000.00		2,000.00
Public Employees Retirement System	1,999.79	1,999.79		1,999.79
Social Security System	36,384.24	36,384.24		36,384.24
Defined Contribution Retirement Program	2,626.48	2,626.48		2,626.48

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

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charges	Balance Lapsed
Award Program:				
Other Expenses	3,166.52	3,166.52	2,340.93	825.59
Matching Funds for Grants	15,000.00	15,000.00		15,000.00
57th Street Pier/ 14th Street Marina	11,479.37	11,479.37	2,670.00	8,809.37
Christmas Light LED Conversion	5,000.00	5,000.00		5,000.00
Diesel Tank Maintenance	5,700.00	5,700.00	4,088.50	1,611.50
New Copier - Public Works	1,577.28	1,577.28	45.72	1,531.56
Various Improvements to Senior Center	35,000.00	35,000.00	29,055.15	5,944.85
Electric Car Charging Station	5,000.00	5,000.00	3,148.00	1,852.00
Fire Department Equipment	73,414.10	73,414.10	71,785.78	1,628.32
Radios - Fire Department	408.00	408.00		408.00
CDF Management	7,000.00	7,000.00	6,927.20	72.80
Jet Ski - Fire Department	16,000.00	16,000.00	15,999.99	0.01
Various Capital Repairs to Buildings	57,201.55	57,201.55	22,946.59	34,254.96
Breath Test Machine - Police Department	7,896.00	7,896.00		7,896.00
	<u>\$ 1,774,080.64</u>	<u>1,774,080.64</u>	<u>668,614.49</u>	<u>1,105,466.15</u>
	Cash Disbursements		\$ 645,379.88	
	Transfer to Accounts Payable		23,234.61	
			<u>\$ 668,614.49</u>	

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	<u>Balance Dec. 31, 2018</u>	<u>Transferred To 2019 Appropriations</u>	<u>Received</u>	<u>Balance Dec. 31, 2019</u>
FEDERAL GRANTS:				
Body Armor Replacement Fund	\$		2,410.97	2,410.97
Total Federal	-	-	2,410.97	2,410.97
STATE GRANTS:				
Drunk Driving Enforcement Fund	3,000.00		3,000.00	6,000.00
Recycling Tonnage	13,591.34	7,941.42	16,582.28	22,232.20
Total State	16,591.34	7,941.42	19,582.28	28,232.20
LOCAL GRANTS:				
Stone Harbor / Sea Isle Communications Grant	9,000.00			9,000.00
	9,000.00	-	-	9,000.00
\$	25,591.34	7,941.42	21,993.25	39,643.17

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

<u>Purpose</u>	<u>Balance Dec. 31, 2018</u>	<u>Transferred From 2019 Revenues</u>	<u>Received</u>	<u>Balance Dec. 31, 2019</u>
FEDERAL GRANTS:				
COPS in Shops	\$ 1,108.56	6,160.00	6,160.00	1,108.56
Total Federal	<u>1,108.56</u>	<u>6,160.00</u>	<u>6,160.00</u>	<u>1,108.56</u>
STATE GRANTS:				
NJ DOT Dredging Grant	1,649,164.30			1,649,164.30
NJ DOT 2017 Municipal Aid for Reconstruction 39th St.	180,343.00		180,343.00	-
NJ DOT 68th Street		150,000.00		150,000.00
Clean Communities		27,373.37	27,373.37	-
NJ DEP Pine Beetle Grant	2,598.13			2,598.13
NJ DEP Electric Vehicle Workplace Charging Grant	5,000.00			5,000.00
NJ DEP Community Stewardship Incentive Program	30,000.00			30,000.00
NJ Trans Trust Fund Act- 2018 35th St	160,000.00			160,000.00
Click it or Ticket	1,045.00			1,045.00
CMC Police Body Worn Camera Grant		2,410.97		2,410.97
Sustainable Jersey Grant	10,000.00			10,000.00
Total State	<u>2,038,150.43</u>	<u>179,784.34</u>	<u>207,716.37</u>	<u>2,010,218.40</u>
\$	<u>2,039,258.99</u>	<u>185,944.34</u>	<u>213,876.37</u>	<u>2,011,326.96</u>

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

	Balance December 31, 2018		2019	Disbursed	Encumbrances	Balance Dec. 31, 2019
	Appropriated	Reserve for Encumbrances				
FEDERAL GRANTS:						
COPS in Shops	\$ 1,331.22		6,160.00			7,491.22
Police Body Armor Replacement Fund	33.96					33.96
Emergency Management Assistance	7,000.00					7,000.00
Total Federal	<u>8,365.18</u>	<u>-</u>	<u>6,160.00</u>	<u>-</u>	<u>-</u>	<u>14,525.18</u>
STATE GRANTS:						
Clean Communities Program - 2018	1,619.54	386.72		2,006.26		-
Clean Communities Program - 2019			27,373.37	27,321.46		51.91
Green Communities	675.91					675.91
Drunk Driving Enforcement Fund - 2015	6,835.60			4,789.09		2,046.51
Drunk Driving Enforcement Fund - 2013	634.78			634.78		0.00
Drunk Driving Enforcement Fund - 2018	3,000.00					3,000.00
Recycling Tonnage Grant - 2018			7,941.42	7,567.28		374.14
Recycling Tonnage Grant - 2016	249.72			249.72		-
Recycling Tonnage Grant - 2015	3.39					3.39
Municipal Court Alcohol Grant - 2012	1,000.48					1,000.48
Municipal Court Alcohol Grant - 2013	1,952.66					1,952.66
Municipal Court Alcohol Grant - 2014	708.96					708.96
CMC Police Body Worn Camera Grant			2,410.97			-
Sustainable Jersey	20,000.00					20,000.00
NJ DEP Electric Vehicle Workplace Charging Grant	5,000.00			5,000.00		-
NJ DEP Community Stewardship Incentive Program	7,858.00	14,803.00		11,914.36		10,746.64
NJ DOT Dredge Project 2014	44,504.67	27,638.53		2,198.04	25,030.79	44,914.37
NJ DOT 68th Street			150,000.00		150,000.00	-
NJ DEP Pine Beetle Grant	1,919.11					1,919.11
NJ Trans Trust Fund-95th Street		160,000.00		160,000.00		-
Municipal Stormwater Regulation	6,822.00					6,822.00
Click it or Ticket	1,162.45					1,162.45
Total State	<u>103,947.27</u>	<u>202,828.25</u>	<u>187,725.76</u>	<u>224,091.96</u>	<u>175,030.79</u>	<u>95,378.53</u>
LOCAL GRANTS:						
Recreation Grant - McElhaton	8,483.21			3,920.00	584.00	3,979.21
Comcast Technology Grant - 2009	16,275.30			2,400.00		13,875.30
Atlantic City Electric-Pole Remediation	38,950.00					38,950.00
	<u>63,708.51</u>	<u>-</u>	<u>-</u>	<u>6,320.00</u>	<u>584.00</u>	<u>56,804.51</u>
\$	<u>176,020.96</u>	<u>202,828.25</u>	<u>193,885.76</u>	<u>230,411.96</u>	<u>175,614.79</u>	<u>166,708.22</u>

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2018		\$	439.30
Increased By Receipts:			
Dog Licenses Fees	\$	69.40	
State License Fees		24.60	
Interest Earned on Investments		5.94	
			<u>99.94</u>
			539.24
Decreased By Disbursements:			
Animal Control Expenditures		24.00	
			<u>24.00</u>
Balance December 31, 2019		\$	<u><u>515.24</u></u>

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Balance December 31, 2018 - Treasurer	\$	901,843.12
Balance December 31, 2018 - Collector		-
		901,843.12

Increased By Receipts:

Due to Current Fund - TTL	\$	54.87	
Due to Current Fund - Escrow		28.29	
Payroll Deductions Payable		8,798,137.59	
Reserve for Unemployment Compensation		52,740.68	
Reserve for Parking Offenses Adjudication Act		222.00	
Reserve for Planning Board Escrow		128,833.74	
Reserve for Law Enforcement Trust Fund		1,116.86	
Reserve for Accumulated Absences		100,000.00	
Reserve for Off Duty Police		8,960.00	
Reserve for Dedicated Fire Penalties		1,800.00	
Reserve for Tax Title Lien Redemption		94,222.29	
			9,186,116.32
			10,087,959.44

Decreased By Disbursements:

Payroll Deductions Payable		8,788,255.01	
Due from Current Fund - Payroll Trust		274.08	
Due from Current Fund - Fire Safety		50.00	
Due from Current Fund - Trust Other		6,077.80	
Reserve for Unemployment Compensation		18,001.52	
Reserve for Planning Board Escrow		249,513.91	
Reserve for Accumulated Absences		199,132.16	
Reserve for Dedicated Fire Penalties		150.00	
Reserve for Off Duty Police		1,980.00	
Reserve for Tax Title Lien Redemption		48,122.29	
			9,311,556.77

Balance December 31, 2019	\$	776,402.67
---------------------------	----	------------

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2018		\$ 267.35
Increased By:		
Dog Licenses Fees Collected	\$ 94.00	
Other		
Interest Earned on Investments	5.94	
		99.94
		367.29
Decreased By Disbursements:		
Expenditures	24.00	
		24.00
Balance December 31, 2019		343.29

License Fees Collected

Year

2017	\$ 180.40
2018	169.60
	350.00

TRUST FUND
SCHEDULE OF DUE TO CURRENT FUND - ANIMAL CONTROL FUND

Balance December 31, 2018		\$ 171.95
Increased By:		
None	\$ -	-
		<u>171.95</u>
Decreased By:		
None	-	-
		<u>-</u>
Balance December 31, 2019		<u><u>171.95</u></u>

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2018		\$ -
Increased By:		
Collected in 2019	\$ 24.60	24.60
		<u>24.60</u>
Decreased By:		
Paid to State of New Jersey	24.60	24.60
		<u>24.60</u>
Balance December 31, 2019		<u><u>-</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR UNEMPLOYMENT COMPENSATION

Balance December 31, 2018		\$	49,014.47
Increased By:			
Employee Withholdings	\$	7,313.62	
Interest Earned on Deposits		427.06	
Budget Appropriations:			
Current Fund		30,000.00	
Beach Utility Fund		15,000.00	
			<u>52,740.68</u>
			101,755.15
Decreased By:			
Unemployment Compensation Payments		18,001.52	
			<u>18,001.52</u>
Balance December 31, 2019			<u><u>83,753.63</u></u>

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

<u>Reserve</u>	Balance Dec. 31, 2018	Increased by Receipts	Decreased by Disbursements	Balance Dec. 31, 2019
Payroll Deductions Payable	\$ 55,325.10	8,798,137.59	8,788,255.01	65,207.68
Reserve for Parking Offenses Adjudication Act	4,266.05	222.00		4,488.05
Reserve for Small Cities Grant	44,270.50			44,270.50
Reserve for Planning Board Escrow	483,614.82	128,833.74	249,513.91	362,934.65
Reserve for Law Enforcement Trust Fund	3,168.01	1,116.86		4,284.87
Reserve for Accumulated Absences	206,395.20	100,000.00	199,132.16	107,263.04
Reserve for Off Duty Police	47,070.75	8,960.00	1,980.00	54,050.75
Reserve for Dedicated Fire Penalties	1,659.12	1,800.00	150.00	3,309.12
Reserve for Tax Title Lien Redemption	955.65	94,222.29	48,122.29	47,055.65
	<u>\$ 846,725.20</u>	<u>9,133,292.48</u>	<u>9,287,153.37</u>	<u>692,864.31</u>

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

Balance December 31, 2018		\$ 164,143.77
Increased by:		
Budget Appropriations:		
Capital Improvement Fund	445,000.00	
Deferred Charges - Unfunded & Note Principal	865,150.00	
Open Space Grant	75,000.00	
Bond Anticipation Notes	13,814,750.00	
Received from FEMA	45,054.86	
Due to Water & Sewer Capital Fund	1,321,168.44	
	<hr/>	<hr/> 16,566,123.30
		16,730,267.07
Decreased by:		
Improvement Authorizations	5,526,317.07	
Bond Anticipation Notes	11,203,950.00	
	<hr/>	<hr/> 16,730,267.07
Balance December 31, 2019		\$ <u><u>-</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2018	Receipts		Disbursements		Transfers		Balance Dec. 31, 2019
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 120,810.64							120,810.64
Capital Improvement Fund	136,470.80	445,000.00				577,800.00		3,670.80
Contracts Payable	5,507,694.21				5,507,694.21		5,285,489.93	5,285,489.93
Reserve for Payment of Bonds	108,093.74	45,054.86						153,148.60
Due to Water & Sewer Capital	(42,825.88)	1,278,342.56						1,278,342.56
Due to Current Fund		42,825.88						-
Improvement Authorizations:								
649-11 Beachfill Backpass & Beach Protection				(4,899.55)				4,899.55
661-12 Various Capital Improvements	102,237.67			(18,627.30)		99,342.74		21,522.23
677-13 Various Improvements	16,588.00			(181,618.35)		183,408.35		14,798.00
684-13 Supplemental Reconfigure Macchia's Island	(651,250.00)		108,750.00					(542,500.00)
692-14 Various Park Improvements	(215,500.00)	207,502.00		(8,861.63)		4,640.45		(3,776.82)
693-14 Backpassing Project	18,864.41			-				18,864.41
702-14 Backbay Dredging	6,125.45			(400,204.97)		400,204.97		6,125.45
705-14 Various Road Improvements				(44,366.50)		15,855.27		28,511.23
707-14 Purchase of Generators	37,700.72	39,500.00		(9.97)				77,210.69
717-15 Beachfill Project	(1,123,200.16)			205,209.12		497,078.42		(1,825,487.70)
721-15 Various Capital Projects	(59,000.00)			(12,245.51)		11,828.18		(58,562.67)
736-16 Various Capital Projects	587,894.01			(189,608.12)		189,608.12		587,894.01
754-17 Various Capital Improvements	(1,308,000.00)	75,000.00		(11,366.92)		11,366.92		(1,233,000.00)
757-17 Various Capital Projects	452,091.44							452,091.44
771-18 Various Improvements	(3,369,924.37)		3,120,198.00	661,949.47		495,971.39		(1,407,647.23)
780-18 HVAC Library	(160,726.91)			23,273.09				(184,000.00)
786-19 Various Capital Improvements						1,076,185.12	417,800.00	(658,385.12)
792-19 8th Street Jetty Repairs						2,300,000.00	115,000.00	(2,185,000.00)
793-19 Various Beach Improvements							45,000.00	45,000.00
	<u>\$ 164,143.77</u>	<u>2,133,225.30</u>	<u>3,228,948.00</u>	<u>18,622.86</u>	<u>5,507,694.21</u>	<u>5,863,289.93</u>	<u>5,863,289.93</u>	<u>0.00</u>

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

Balance December 31, 2018		\$	136,470.80
Increased by:			
Current Fund Budget Appropriation	\$	445,000.00	
		<hr/>	<hr/>
			445,000.00
			581,470.80
Decreased by:			
Appropriation to Finance Improvement Authorization		577,800.00	
		<hr/>	<hr/>
			577,800.00
Balance December 31, 2019		\$	<u><u>3,670.80</u></u>

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

Balance December 31, 2018		\$	7,028,546.62
Increased by:			
None	\$	-	
		<hr/>	<hr/>
			-
			<hr/>
			7,028,546.62
Decreased by:			
Serial Bonds Paid by Operating Budget	3,650,000.00		
Green Acres Loans Paid by Operating Budget	64,065.41		
	<hr/>		<hr/>
			3,714,065.41
			<hr/>
Balance December 31, 2019		\$	<u><u>3,314,481.21</u></u>

85

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Authorizations			Paid/Charged or Canceled	Balance December 31, 2019	
				Balance December 31, 2018 Funded	Other Funding	Deferred Charges to Future Taxation		Balance December 31, 2019 Funded	Unfunded
649-11	Beachfill Backpass & Beach Protec	2011					(4,899.55)	4,899.55	
661-12	Various Improvements	9/26/2012	500,000	\$ 102,237.67			80,715.44	21,522.23	
677-13	Various Improvements	3/13/2013	6,273,000		16,588.00		1,790.00		14,798.00
692-14	39th St. Park Improvements	1/29/2014	490,000				(4,221.18)		4,221.18
693-14	Backpassing Project	1/29/2014	340,000	18,864.41				18,864.41	
702-14	Various Capital Improvements	4/23/2014	900,000			6,125.45			6,125.45
705-14	Various Road Improvements	2014					-		28,511.23
708-14	Generators	7/23/2014	410,000		77,200.72		(9.97)	77,210.69	
717-15	Beachfill Project	2/11/2015	12,000,000		3,911,299.84		702,287.54		3,209,012.30
721-15	Various Capital Projects	3/25/2015	590,000		40,000.00		(417.33)		40,417.33
736-16	Various Capital Projects	4/13/2016	1,172,000	162,894.01	425,000.00		-	162,894.01	425,000.00
757-17	Various Capital Projects	2017	1,635,000		452,091.44		-	452,091.44	
771-18	Various Improvements	2/23/2018	6,204,600		1,959,455.63		1,157,920.86		801,534.77
780-18	HVAC Library	6/11/2018	230,000		23,273.09		23,273.09		-
786-19	Various Capital Improvements	4/24/2019	2,089,000			417,800.00	1,076,185.12		1,012,814.88
792-19	8th Street Jetty Repairs	10/16/2019	2,300,000			115,000.00	2,300,000.00		-
793-19	Various Beach Improvements	11/13/2019	900,000			45,000.00	855,000.00	45,000.00	855,000.00
				\$ 283,996.09	6,911,034.17	577,800.00	5,304,112.79	782,482.33	6,397,435.14
				Capital Improvement Fund					
				577,800.00					
				577,800.00					
				Cash Disbursed					
				Encumbrances Payable					
				Prior Year Encumbrances Cancelled					
				5,526,317.07					
				5,285,489.93					
				(5,507,694.21)					
				5,304,112.79					

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2018	Decreased	Balance Dec. 31, 2019
			Date	Amount				
Refunding Bonds of 2012	10/4/2012	4,870,000			\$	970,000.00	970,000.00	-
General Improvement Refunding Bonds of 2017	8/23/2017	5,505,000	5/15/20	2,825,000.00	4.000%	5,505,000.00	2,680,000.00	2,825,000.00
					\$	<u>6,475,000.00</u>	<u>3,650,000.00</u>	<u>2,825,000.00</u>

GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds							
			Outstanding		Interest Rate	Balance Dec. 31, 2018	Decreased	Balance Dec. 31, 2019		
			Balance	Date						
New Jersey Green Acres Trust Program: Park Improvements to 8th Street Recreation Center	10/15/2013	\$ 149,950		5/6/20	4,442.20	2.000%	\$	40,796.85	8,752.88	32,043.97
				11/6/20	4,486.62					
				5/6/21	4,531.49					
				11/6/21	4,576.80					
				5/6/22	4,622.57					
				11/6/22	4,668.79					
				5/6/23	4,715.50					
New Jersey Green Acres Trust Program: 8th Street Recreation - Part I of Refunding	5/19/2005	150,000		1/19/20	4,180.22	2.000%		56,588.59	8,236.68	48,351.91
				7/19/20	4,222.02					
				1/19/21	4,264.24					
				7/19/21	4,306.88					
				1/19/22	4,349.95					
				7/19/22	4,393.45					
				1/19/23	4,437.39					
				7/19/23	4,481.76					
				1/19/24	4,526.58					
				7/19/24	4,571.85					
				1/19/25	4,617.57					

GENERAL CAPITAL FUND
SCHEDULE OF GREEN ACRES LOAN PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds			Interest Rate	Balance Dec. 31, 2018	Decreased	Balance Dec. 31, 2019
			Outstanding		Amount				
			Balance	Date					
New Jersey Green Acres Trust Program: 8th Street Recreation - Part II of Refunding	11/3/2007	500,000		5/3/20	13,390.37	2.000%	241,927.54	26,384.31	215,543.23
				11/3/20	13,524.57				
				5/3/21	13,659.51				
				11/3/21	13,796.11				
				5/3/22	13,934.07				
				11/3/22	14,073.41				
				5/3/23	14,214.15				
				11/3/23	14,356.29				
				5/3/24	14,499.85				
				11/3/24	14,644.85				
				5/3/25	14,791.30				
				11/3/25	14,939.21				
				5/3/26	15,088.60				
				11/3/26	15,239.49				
				5/3/27	15,391.45				
New Jersey Green Acres Trust Program: Multi-Park Improvements	6/18/2008	400,000		6/18/20	10,501.22	2.000%	214,233.64	20,691.54	193,542.10
				12/18/20	10,606.23				
				6/18/21	10,712.29				
				12/18/21	10,819.41				
				6/18/22	10,927.61				
				12/18/22	11,036.88				
				6/18/23	11,147.25				
				12/18/23	11,258.73				
				6/18/24	11,371.31				
				12/18/24	11,485.03				
				6/18/25	11,599.88				
				12/18/25	11,715.88				
				6/18/26	11,833.03				
				12/18/26	11,951.36				
				6/18/27	12,070.89				
	12/18/27	12,191.59							
	6/18/28	12,313.50							
						\$	553,546.62	64,065.41	489,481.21

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2018	Increased	Decreased	Balance Dec. 31, 2019
Various Capital Improvements	677-13	2/26/2014	2/20/2018	2/19/2019	2.50%	\$ 2,730,950.00	2,519,309.00	2,730,950.00	-
Various Capital Improvements	677-13	2/26/2014	2/15/2019	2/14/2020	3.00%				2,519,309.00
Backbay Dredging	702-14	2/25/2015	2/20/2018	2/19/2019	2.50%	648,000.00	620,068.00	648,000.00	-
Backbay Dredging	702-14	2/25/2015	2/15/2019	2/14/2020	3.00%				620,068.00
Various Road Improvements	705-14	2/25/2015	2/20/2018	2/19/2019	2.50%	468,000.00	437,210.00	468,000.00	-
Various Road Improvements	705-14	2/25/2015	2/15/2019	2/14/2020	3.00%				437,210.00
Beachfill Project	717-15	5/28/2015	2/20/2018	2/19/2019	2.50%	6,500,000.00	6,275,861.00	6,500,000.00	-
Beachfill Project	717-15	5/28/2015	2/15/2019	2/14/2020	3.00%				6,275,861.00
Various Capital Projects	721-15	2/24/2016	2/20/2018	2/19/2019	2.50%	432,000.00	417,104.00	432,000.00	-
Various Capital Projects	721-15	2/24/2016	2/15/2019	2/14/2020	3.00%				417,104.00
Various Capital Improvements	736-16	2/20/2018	2/20/2019	2/19/2020	2.50%	425,000.00	425,000.00	425,000.00	-
Various Capital Improvements	736-16	2/20/2018	2/15/2019	2/14/2020	3.00%				425,000.00
Various Improvements	771-18	2/15/2019	2/15/2019	2/14/2020	3.00%		3,120,198.00		3,120,198.00
						<u>\$ 11,203,950.00</u>	<u>13,814,750.00</u>	<u>11,203,950.00</u>	<u>13,814,750.00</u>
						Renewals	10,585,802.00		
						Paid by Budget Appropriation	618,148.00		
							<u>11,203,950.00</u>		

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Bond Antic. Notes Issued	Other/Budget Appropriation	Balance Dec. 31, 2019
684-13	Reconfigure Macchia's Island	\$ 651,250.00		108,750.00		542,500.00
692-14	Various Park Improvements	215,500.00			207,502.00	7,998.00
707-14	Generators	39,500.00			39,500.00	-
717-15	Beachfill Project	5,034,500.00				5,034,500.00
721-15	Various Capital Projects	99,000.00				99,000.00
754-17	Various Capital Improvements	1,308,000.00			75,000.00	1,233,000.00
771-18	Various Improvements	5,329,380.00		3,120,198.00		2,209,182.00
780-18	HVAC Library	184,000.00				184,000.00
786-19	Various Capital Improvements		1,671,200.00			1,671,200.00
792-19	8th Street Jetty Repairs		2,185,000.00			2,185,000.00
793-19	Various Beach Improvements		855,000.00			855,000.00
		<u>\$ 12,861,130.00</u>	<u>4,711,200.00</u>	<u>3,228,948.00</u>	<u>322,002.00</u>	<u>14,021,380.00</u>

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2018	\$ 1,624,595.31	2,224,648.10
Increased by Receipts:		
Water & Sewer Rents	6,273,459.08	
Prepaid Water & Sewer Rents	161,770.74	
Miscellaneous Revenue Anticipated	492,015.16	
Non-Budget Revenue	44,933.79	
Due to / from Grant Fund		7,694.76
Budget Appropriations:		
Capital Improvement Fund		125,000.00
Due to Current Fund		2,631.81
	<u>6,972,178.77</u>	<u>135,326.57</u>
	8,596,774.08	2,359,974.67
Decreased by Disbursements:		
Current Year Appropriation	5,314,928.61	
Prior Year Appropriations	156,853.91	
Accrued Interest on Bonds and Notes	483,574.85	
Due to Current Fund	941,742.59	
Due from General Capital Fund		1,278,342.56
Improvement Authorizations		1,081,632.11
	<u>6,897,099.96</u>	<u>2,359,974.67</u>
Balance December 31, 2019	\$ <u><u>1,699,674.12</u></u>	<u><u>-</u></u>

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

	Balance Dec. 31, 2018	Receipts		Disbursements		Transfers		Balance Dec. 31, 2019
		Miscellaneous		Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 167,064.25							
Capital Improvement Fund								167,064.25
Downpayment on Improvements	4,268.00	125,000.00				124,125.00		875.00
Due to Current Fund	(2,631.81)	2,631.81						4,268.00
Due from General Capital Fund					1,278,342.56			-
Due from Grant Fund	(1,657,750.78)	7,694.76						(1,278,342.56)
Encumbrances Payable	1,101,665.45					1,101,665.45	1,000,323.29	(1,650,056.02)
								1,000,323.29
<u>Improvement Authorizations:</u>								
571-06 Various Capital Improvements	(5,307.20)							(5,307.20)
600-08 Various Capital Improvements	(100,502.91)			19,049.77			1,154.00	(118,398.68)
629-10 Improve 38th Street Water Tower	(104,950.22)							(104,950.22)
653-12 Various Capital Improvements	(9,605.65)			2,633.80			7,194.56	(5,044.89)
678-13 Various Capital Improvements	618,547.58			106,945.08			29,093.00	540,695.50
704-14 Various Improvements	32,146.35			11,265.52			16,424.00	37,304.83
722-15 Various Water & Sewer Improvements	193,536.70			21,827.29			23,527.00	195,236.41
737-16 Various Water & Sewer Improvements	890,908.44			5,298.51		21,690.50	29,660.70	893,580.13
751-16 Ocean Drive Sanitary Sewer Project	361,655.91			50,990.07		292,549.70	390,422.45	408,538.59
755-17 Various Water & Sewer Improvements	291,502.09			483,039.03		2,395.00	481,361.74	287,429.80
770-18 Various Improvements	444,101.90			280,723.78		246,067.87	122,828.00	40,138.25
787-19 Various Water & Sewer Improvements				99,859.26		437,620.22	124,125.00	(413,354.48)
	<u>\$ 2,224,648.10</u>	<u>135,326.57</u>		<u>1,081,632.11</u>	<u>1,278,342.56</u>	<u>2,226,113.74</u>	<u>2,226,113.74</u>	<u>-</u>

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

Balance December 31, 2018		\$	94,390.33
Increased by Receipts:			
Rents Levied	<u>6,378,997.34</u>		<u>6,378,997.34</u>
			6,473,387.67
Decreased by Disbursements:			
Prepayments/Overpayments Applied	101,399.83		
Due (to) - from MWC	5,557.21		
Collections	<u>6,273,459.08</u>		<u>6,380,416.12</u>
Balance December 31, 2019		\$	<u><u>92,971.55</u></u>

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

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged	Lapsed
Operating:				
Salaries and Wages	\$ 5,862.95	5,862.95		5,862.95
Other Expenses	278,300.34	278,300.34	152,669.64	125,630.70
Capital Improvements:				
Capital Outlay	4,928.71	4,928.71	4,184.27	744.44
Statutory Expenditures				
Contribution to:				
Social Security System (O.A.S.I.)	1,207.79	1,207.79	-	1,207.79
	<u>290,299.79</u>	<u>290,299.79</u>	<u>156,853.91</u>	<u>133,445.88</u>
\$				

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

Balance December 31, 2018	\$ 142,475.00
Increased by:	
Budget Appropriations:	
Interest on Bonds and Loans	426,456.38
Interest on Notes	-
	<u>426,456.38</u>
	568,931.38
Decreased By:	
Payments of Debt Service Interest	483,574.85
	<u>483,574.85</u>
Balance December 31, 2019	\$ <u><u>85,356.53</u></u>

Analysis of Accrued Interest December 31, 2018

Principal Outstanding December 31, 2019	Interest Rate	From	To	Days	Amount
<u>Serial Bonds and Loans</u>					
465,000.00	4.00%	11/15/2019	12/31/2019	47	2,395.07
11,470,000.00	4.00%	11/1/2019	12/31/2019	61	77,223.96
270,000.00	5.00%	8/1/2019	12/31/2019	153	5,737.50
					<u>85,356.53</u>

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

Ord #	Improvement Description	Ord. Date	Amount	Authorizations			
				Balance December 31, 2018	Other Funding	Deferred Charges to Future Revenue	Paid or Charged
				Funded	Unfunded		Balance December 31, 2019 Funded
600-08	Various Capital Improvements:	8/13/2008	981,000.00	\$	69,597.09		17,895.77
653-12	Various Improvements	3/14/2012	904,000.00		3,994.35		(4,560.76)
678-13	Various Improvements	3/13/2013	1,061,500.00		613,372.58		77,852.08
704-14	Various Improvements	2014	738,000.00		32,146.35		(5,158.48)
722-15	Various Water & Sewer Improvements	5/13/2015	2,500,500.00		193,536.70		(1,699.71)
737-16	Various Water & Sewer Improvements	4/13/2016	2,639,960.00		890,908.44		(2,671.69)
751-16	Ocean Drive Sanitary Sewer Project	11/9/2016	2,400,000.00		361,655.91		(46,882.68)
755-17	Various Water & Sewer Improvements		837,600.00		291,502.09		4,072.29
770-18	Various Improvements	2/23/2018	919,050.00		444,101.90		403,963.65
787-19	Various Water & Sewer Improvements	4/24/2019	2,482,500.00			124,125.00	537,479.48
			\$	2,827,223.97	89,444.44	2,358,375.00	980,289.95
					124,125.00		2,402,923.51
							2,015,954.95
					Reserve for Encumbrances - 2018		\$ (1,101,665.45)
					Reserve for Encumbrances - 2019		1,000,323.29
					Cash Disbursed		1,081,632.11
							\$ 980,289.95

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding December 31, 2019		Interest Rate	Balance Dec. 31, 2018	Decreased	Balance Dec. 31, 2019
			Date	Amount				
Water/Sewer Improvement Refunding Bonds of Series 2008, Series 2017	8/23/2017	600,000	5/15/2020	135,000.00	4.00% \$	600,000.00	135,000.00	465,000.00
			5/15/2021	135,000.00	4.00%			
			5/15/2022	135,000.00	4.00%			
			5/15/2023	60,000.00	4.00%			
Water/Sewer Utility Bonds, Series 2018	11/23/2018	11,900,000	11/1/2020	430,000.00	5.00%	11,900,000.00	430,000.00	11,470,000.00
			11/1/2021	450,000.00	5.00%			
			11/1/2022	475,000.00	5.00%			
			11/1/2023	565,000.00	5.00%			
			11/1/2024	640,000.00	5.00%			
			11/1/2025	660,000.00	5.00%			
			11/1/2026	745,000.00	4.00%			
			11/1/2027	765,000.00	4.00%			
			11/1/2028	790,000.00	3.00%			
			11/1/2029	815,000.00	3.00%			
			11/1/2030	835,000.00	3.13%			
			11/1/2031	860,000.00	3.25%			
			11/1/2032	860,000.00	3.25%			
			11/1/2033	860,000.00	3.50%			
			11/1/2034	860,000.00	3.50%			
			11/1/2035	860,000.00	3.50%			
						\$ 12,500,000.00	565,000.00	11,935,000.00
						Paid by Budget Appropriation		
						565,000.00		

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, 2018	Decreased	Balance Dec. 31, 2019
			Date	Amount				
NJEIT Trust Series 2010B	12/2/2010	535,000.00	8/1/2020	40,000.00	5.00%	\$ 310,000.00	40,000.00	270,000.00
			8/1/2021	40,000.00	5.00%			
			8/1/2022	45,000.00	5.00%			
			8/1/2023	45,000.00	5.00%			
			8/1/2024	50,000.00	5.00%			
			8/1/2025	50,000.00	5.00%			
NJEIT Trust Fall 2010B	12/2/2010	583,240.00	2/1/2020	13,255.45	0.00%	278,364.65	39,766.35	238,598.30
			8/1/2020	26,510.90	0.00%			
			2/1/2021	13,255.45	0.00%			
			8/1/2021	26,510.90	0.00%			
			2/1/2022	13,255.45	0.00%			
			8/1/2022	26,510.90	0.00%			
			2/1/2023	13,255.45	0.00%			
			8/1/2023	26,510.90	0.00%			
			2/1/2024	13,255.45	0.00%			
			8/1/2024	26,510.90	0.00%			
			2/1/2025	13,255.45	0.00%			
			8/1/2025	26,511.10	0.00%			
						\$ 588,364.65	79,766.35	508,598.30
						Paid by Budget Appropriation		
						79,766.35		

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2018	2019 Authorizations	Balance Dec. 31, 2019
571-06	Various Improvements: a. Replace Well #7 at 67th Street	\$ 5,307.20		5,307.20
600-08	Various Water & Sewer Improvements	170,100.00		170,100.00
629-10	Improve 38th Street Water Tower	104,950.22		104,950.22
653-12	Various Improvements: b. Improve Sanitary Sewer System	13,600.00		13,600.00
678-13	Various Improvements: f. Design 12" Water Main - Dune Drive	8,425.00		8,425.00
704-14	Various Improvements	1,100.00		1,100.00
722-15	Various Water & Sewer Improvements	75.00		75.00
737-16	Various Water & Sewer Improvements	962.00		962.00
755-17	Various Water & Sewer Improvements	20.00		20.00
770-18	Various Improvements	96.00		96.00
787-19	Various Water & Sewer Improvements		2,358,375.00	2,358,375.00
		<u>\$ 304,635.42</u>	<u>2,358,375.00</u>	<u>2,663,010.42</u>

**BEACH UTILITY FUND
SCHEDULE OF CASH - TREASURER**

	Operating Fund	Capital Fund
Balance December 31, 2018	\$ 270,838.64	2,250.00
Increased by Receipts:		
Beach Fees Collected	1,176,124.60	
Prepaid Beach Fees	34,506.00	
Beach Vehicle Permits	13,960.00	
Anticipated Deficit - General Budget	245,153.67	
Miscellaneous Revenue Not Anticipated	4,170.89	
Due to Current Fund	169,533.81	
	<u>1,643,448.97</u>	<u>-</u>
	1,914,287.61	2,250.00
Decreased by Disbursements:		
Current Appropriations	1,269,919.91	
Appropriation Reserves	7,006.40	
Due from Current Fund		
	<u>1,276,926.31</u>	<u>-</u>
Balance December 31, 2019	<u><u>637,361.30</u></u>	<u><u>2,250.00</u></u>

**BEACH UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2018	Balance Dec. 31, 2019
Capital Improvement Fund	\$ 2,250.00	2,250.00
	<u>\$ 2,250.00</u>	<u>2,250.00</u>

BEACH UTILITY OPERATING FUND
SCHEDULE OF APPROPRIATION RESERVES - PRIOR YEAR

	Balance Dec. 31, 2018	Balance After Transfers	Paid or Charged	Due to Current Fund
Operating:				
Salaries and Wages	\$ 109,870.11	109,870.11		109,870.11
Other Expenses	89,944.94	89,944.94	42,378.84	47,566.10
Unemployment	8,719.63	8,719.63		8,719.63
	<u>\$ 208,534.68</u>	<u>208,534.68</u>	<u>42,378.84</u>	<u>166,155.84</u>
		Cash Disbursed	7,006.40	
		Accounts Payable	35,372.44	
			<u>42,378.84</u>	

**BEACH UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND**

Balance December 31, 2018		\$	2,250.00
Increased by:			
None	-		
			-
			2,250.00
Decreased by:			
None	-		
Balance December 31, 2019		\$	2,250.00

BOROUGH OF AVALON

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2019

GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S.A. 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 therefor, 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 Borough of Avalon has the responsibility of determining whether the expenditures in 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 Attorney'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 had 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 indicate that bids were sought by public advertising for the following items:

- Borough Maintenance of Borough Owned Grounds and Garden Plots
- Pennsylvania Harbor Dredging Project
- Reconstruction of Various Streets
- Custodial & Cleaning Services for Borough Facilities
- 21st Street Bulkhead

The minutes indicate that 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 statutes provide 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 would become delinquent.

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

WHEREAS, N.J.S.A. 54:4-67 et seq. permits the governing body to fix the rate of interest to be charged for the nonpayment of taxes, sewer or other municipal charges.

NOW, THEREFORE, BE IT RESOLVED, by the governing body of the Borough of Avalon, the rate of interest on unpaid taxes and sewer shall be eight (8) percent per annum on the first one thousand five hundred dollars (\$1,500.00) of delinquency and eighteen (18) percent per annum on any amount in excess of one thousand five hundred dollars (\$1,500.00) to be calculated from the date the tax, sewer or other municipal charges were payable until the date of actual payment. No interest shall be charged if payment is made on or before the tenth (10th) calendar day following the date upon which the same is payable.

BE IT FURTHER RESOLVED, in addition to the interest provided above, all delinquencies in excess of ten thousand dollars (\$10,000.00) which are not paid prior to the end of the year will be subject to a year-end penalty of six (6) percent.

Delinquent Taxes and Tax Title Liens

The tax sale was held on September 4, 2019 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>
2019	3
2018	3
201	3

It is essential to good management that all means provided by the statutes be utilized to liquidate tax title liens in order to get such properties back on a tax-paying basis. The amount of these municipal liens and dormant liens is \$368.87 at December 31, 2019.

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payment of 2019 and 2020 Taxes	5
Delinquent Taxes	5

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

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.

Year		Currently		
		Tax Levy	Cash Collections	Percentage of Collections
2019	\$	46,563,821	46,277,044	99.38%
2018		43,600,258	43,552,831	99.89%
2017		41,915,961	38,717,407	92.37%
2016		41,036,337	39,502,548	96.26%
2015		40,013,400	38,717,407	96.76%

Comparison of Tax Levies and Collections

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax Rate	\$ 0.510	0.488	0.556	0.550	0.541
Apportionment of Tax Rate:					
Municipal	0.199	0.199	0.226	0.227	0.226
Municipal Library	0.034	0.032	0.037	0.036	0.035
County	0.242	0.222	0.251	0.245	0.238
Local School	0.035	0.035	0.042	0.042	0.042
Assessed Valuation	9,052,666,928	8,436,507,499	7,500,484,559	7,425,715,211	7,367,492,940

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage Of Tax Levy</u>
2019	\$ 368	302,923	303,291	0.66%
2018	361	297,753	298,114	0.68%
2017	262	278,898	279,160	0.67%
2016	301	427,966	428,266	1.04%
2015	223	495,286	495,509	1.24%

Uniform Construction Code

The Borough of Avalon 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.

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, LLC
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia
Michael S. Garcia
Certified Public Accountant
Registered Municipal Accountant
No. 472

July 2, 2020