

BOROUGH OF AVALON
REPORT OF AUDIT
FOR THE YEAR ENDED
DECEMBER 31, 2022

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BOROUGH OF AVALON

PART 1

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022



FORD - SCOTT

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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

Opinions

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, 2022 and 2021, 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, 2022 and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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, 2022 and 2021, 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, 2022 and 2021, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2022 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Borough of Avalon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Avalon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division of Local Government Services, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 Borough of Avalon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the Borough of Avalon's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control – related matters that we identified during the audit.

Supplementary 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 letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2023, 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 the effectiveness 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

September 1, 2023

EXHIBIT A - CURRENT FUND

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

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Regular Fund:		
Cash:		
Cash Treasurer	\$ 14,908,172.51	14,337,118.66
Cash - Change	1,500.00	1,500.00
Total Cash	<u>14,909,672.51</u>	<u>14,338,618.66</u>
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	266,096.75	234,057.20
Tax Title and Other Liens	482.48	450.10
Property Acquired for Taxes - at Assessed Valuation	137,480.20	137,480.20
Due from Avalon Library	81,442.87	79,245.30
Protested Checks Receivable	4,253.65	1,277.97
Revenue Accounts Receivable	3,834.13	1,973.82
Interfund Receivable:		
Federal & State Grant Fund	48,725.86	194,538.73
Animal Control Fund	471.88	471.88
Trust-Other	16,410.16	5,522.17
Water & Sewer Capital Fund	309,115.64	-
Water & Sewer Operating Fund	196,911.56	21,088.90
Beach Utility Fund	98,043.26	338,774.30
Total Receivables and Other Assets	<u>1,163,268.44</u>	<u>1,014,880.57</u>
Total Regular Fund	<u>16,072,940.95</u>	<u>15,353,499.23</u>
Federal and State Grant Fund:		
Cash	-	-
Due from Water and Sewer Operating	22,932.34	22,932.34
Federal and State Grants Receivable	1,245,992.02	618,346.13
Total Federal and State Grant Fund	<u>1,268,924.36</u>	<u>641,278.47</u>
Total Current Fund	<u>\$ 17,341,865.31</u>	<u>15,994,777.70</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>2022</u>	<u>2021</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 2,593,730.25	2,247,167.28
Reserve for Encumbrances/Accounts Payable	865,161.05	698,736.46
Accounts Payable	857,108.91	155,025.72
Prepaid Taxes	1,833,809.11	1,834,956.15
Overpaid Taxes	8,222.88	17,796.80
Reserve for Municipal Property Relief Act	22,728.54	-
Due County - Added Taxes Payable	321,664.91	304,442.80
Due to TTL Trust	-	432.62
Due to Fire Safety Trust	250.00	1,975.00
Local School Taxes Payable	-	-
Prepaid Rental Licenses	243,900.00	244,500.00
Prepaid Fire Inspection Fees	68,481.00	67,401.00
Prepaid Sport Fishing Center Slip	29,473.22	28,033.22
Bid Bond	328.00	328.00
Due to State of New Jersey:		
State Training Fee for New Construction	10,312.00	11,017.00
Veterans and Senior Citizens Deductions	4,090.62	4,340.62
Marriage Licenses	105.00	150.00
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	16,159.77	17,359.77
Reserve for Animal Protection Fund	7,949.22	6,315.56
Reserve for 911 Memorial Maintenance	14,023.11	13,823.11
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	463,880.00	1,069,700.00
	<u>7,430,078.55</u>	<u>6,792,202.07</u>
Reserve for Receivables and Other Assets	1,163,268.44	1,014,880.57
Fund Balance	<u>7,479,593.96</u>	<u>7,546,416.59</u>
Total Regular Fund	<u>16,072,940.95</u>	<u>15,353,499.23</u>
Federal and State Grant Fund:		
Unappropriated Reserves	56,859.04	107,303.72
Appropriated Reserves	341,339.46	330,238.62
Encumbrances Payable	822,000.00	9,197.40
Due to Current Fund	48,725.86	194,538.73
	<u>1,268,924.36</u>	<u>641,278.47</u>
Total Current Fund	<u>\$ 17,341,865.31</u>	<u>15,994,777.70</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>2022</u>	<u>2021</u>
Revenue and Other Income Realized		
Fund Balance	\$ 4,421,595.35	5,130,873.35
Miscellaneous Revenue Anticipated	6,467,680.96	5,570,682.89
Receipts from Delinquent Taxes	230,762.92	416,609.13
Receipts from Current Taxes	54,474,575.99	51,461,561.83
Non Budget Revenue	514,027.54	379,035.07
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,645,536.40	2,072,173.30
Interfunds Returned	-	256,244.44
Total Income	<u>67,754,179.16</u>	<u>65,287,180.01</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	7,143,148.49	6,858,096.00
Other Expenses	7,945,660.00	7,292,266.00
Deferred Charges & Statutory Expenditures	2,364,335.95	2,524,126.70
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	4,998,371.63	4,185,589.69
Capital Improvements	2,419,000.00	2,366,000.00
Debt Service	158,267.61	6,028,831.38
Deferred Charges & Statutory Expenditures	6,805,653.00	1,626,840.00
Local District School Tax	3,140,268.00	3,140,268.00
County Tax	27,990,373.20	25,770,088.19
County Share of Added Tax	321,664.91	304,442.80
Other:		
Senior Citizen Deduction Disallowed Prior Year	6.85	250.00
Refund of Prior Year's Revenue	174.99	-
Interfunds Created	112,481.81	640,919.25
Total Expenditures	<u>63,399,406.44</u>	<u>60,737,718.01</u>
Excess/(Deficit) in Revenue	<u>4,354,772.72</u>	<u>4,549,462.00</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>2022</u>	<u>2021</u>
Statutory Excess to Fund Balance	<u>4,354,772.72</u>	<u>4,549,462.00</u>
Fund Balance January 1	<u>7,546,416.59</u>	<u>8,127,827.94</u>
	11,901,189.31	12,677,289.94
Decreased by:		
Utilization as Anticipated Revenue	<u>4,421,595.35</u>	<u>5,130,873.35</u>
Fund Balance December 31	\$ <u><u>7,479,593.96</u></u>	<u><u>7,546,416.59</u></u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Anticipated			
	Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 4,421,595.35		4,421,595.35	-
Total Fund Balance Anticipated	4,421,595.35	-	4,421,595.35	-
Miscellaneous Revenues:				
Section A: Local Revenues				
Licenses:				
Alcoholic Beverages	20,000.00		23,438.00	3,438.00
Other	225.00		1,007.50	782.50
Fees and Permits	410,000.00		495,659.87	85,659.87
Fines and Costs:				
Municipal Court	55,000.00		73,173.90	18,173.90
Interest and Costs on Taxes	90,000.00		94,539.17	4,539.17
Interest Earned on Investments	40,000.00		122,339.77	82,339.77
Fees from Fire Inspections	140,000.00		133,602.00	(6,398.00)
Fees from Rental Registrations and Licenses	320,000.00		319,200.00	(800.00)
Television Cable Fees	60,136.19		60,136.19	-
Library - Rent & Administration/Bldgs & Grounds	157,500.00		157,500.00	-
Total Section A: Local Revenues	1,292,861.19	-	1,480,596.40	187,735.21
Section B: State Aid Without Offsetting Appropriations				
Energy Receipts Tax	435,714.00		435,714.00	-
Garden State Preservation Trust Fund	5,970.00		3,877.00	(2,093.00)
Total Section B: State Aid Without Offsetting Appropriations	441,684.00	-	439,591.00	(2,093.00)
Section C: Uniform Construction Code Fees				
Uniform Construction Code Fees	575,000.00		592,485.00	17,485.00
Total Section C: Uniform Construction Code Fees	575,000.00	-	592,485.00	17,485.00

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, 2022**

	Anticipated			
	Budget	N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Section D: Shared Service Agreements				
Interlocal Agreement - CFO - Stone Harbor	98,600.00		101,273.32	2,673.32
Interlocal Agreement - CFO - Woodbine	26,300.00		26,849.44	549.44
Interlocal Agreement - Municipal - Stone Harbor	155,500.00		155,500.00	-
Total Section D: Shared Service Agreements	280,400.00	-	283,622.76	3,222.76
Section F: Special Items - Public and Private Programs				
Off-Set with Appropriations				
NJ DOT Trust Fund Authority Act	150,000.00		150,000.00	-
Recycling Tonnage Grant	9,356.78		9,356.78	-
Drunk Driving Enforcement	2,500.00		2,500.00	-
Recreation Grant	300.00		300.00	-
COPS in Shops	2,400.00	1,920.00	4,320.00	-
Cape May County 78th Street Pump Station Project		672,000.00	672,000.00	-
Body Armor Grant	1,789.04		1,789.04	-
Clean Communities - Reserved	26,272.74		26,272.74	-
Total Section F: Special Items - Public and Private Programs	192,618.56	673,920.00	866,538.56	-
Section G: Other Special Items				
Uniform Fire Safety Act	15,000.00		15,888.61	888.61
Transfer of Excess Library Surplus	1,069,700.00		1,069,700.00	-
County of Cape May Fleet Maintenance	101,500.00		89,888.30	(11,611.70)
American Rescue Plan	129,370.32		129,370.33	0.01
Reserve for Payment of BAN's	1,500,000.00		1,500,000.00	-
Total Section G: Other Special Items	2,815,570.32	-	2,804,847.24	(10,723.08)
Total Miscellaneous Revenues:	5,598,134.07	673,920.00	6,467,680.96	195,626.89
Receipts from Delinquent Taxes	225,000.00		230,762.92	5,762.92

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, 2022**

	Budget	Anticipated N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	19,000,000.00		20,975,436.81	1,975,436.81
Library Tax	3,736,833.07		3,736,833.07	-
	<u>22,736,833.07</u>	<u>-</u>	<u>24,712,269.88</u>	<u>1,975,436.81</u>
Total Amount to be Raised by Taxes for Support of Municipal Budget				
Budget Totals	<u>32,981,562.49</u>	<u>673,920.00</u>	<u>35,832,309.11</u>	<u>2,176,826.62</u>
Non- Budget Revenues:				
Other Non- Budget Revenues:			<u>514,027.54</u>	<u>514,027.54</u>
	<u>32,981,562.49</u>	<u>673,920.00</u>	<u>36,346,336.65</u>	<u>2,690,854.16</u>

**CURRENT FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections		\$ 54,474,575.99
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Less: Reserve for Tax Appeals Pending		-
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Net Revenue from Collections		54,474,575.99
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Allocated to:

School, County and Other Taxes		31,452,306.11
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Balance for Support of Municipal Budget Appropriations		23,022,269.88
--	--	---------------

Increased by:

Appropriation "Reserved for Uncollected Taxes"		1,690,000.00
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Amount for Support of Municipal Budget Appropriations		24,712,269.88
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	\$ 230,762.92	
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Tax Title Lien Collections	-	
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Total Receipts from Delinquent Taxes		230,762.92
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Analysis of Non-Budget Revenue:

Miscellaneous Revenue Not Anticipated:

Joint Insurance Fund Reimbursements	6,178.24	
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Refunds	63,827.54	
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Recycling	10,222.92	
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Administration Fee - Veterans & Seniors	404.86	
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Library Health Insurance	100,034.68	
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Charging Station	6,298.40	
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Miscellaneous	22,094.55	
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Library Refund	104,178.40	
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Premium on Notes	187,954.64	
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FEMA	12,833.31	
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Total Miscellaneous Revenue Not Anticipated:		514,027.54
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CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	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	\$ 225,369.04	225,369.04	225,029.87		339.17	
Other Expenses	49,000.00	49,000.00	44,864.90	4,094.83	40.27	
Other Expenses - Employee Awards Program	500.00	500.00			500.00	
Human Resources - Other Expenses	70,000.00	70,000.00	52,499.99	17,500.00	0.01	
Council						
Salaries and Wages	69,173.95	69,173.95	69,173.00		0.95	
Other Expenses	40,000.00	40,000.00	32,811.15	7,100.00	88.85	
Office of the Mayor						
Salaries and Wages	107,016.32	107,016.32	97,884.55		9,131.77	
Other Expenses	124,000.00	124,000.00	116,687.65	6,736.32	576.03	
Borough Clerk's Office						
Salaries and Wages	121,910.47	121,910.47	114,619.48		7,290.99	
Other Expenses	26,000.00	26,000.00	16,443.15	1,635.00	7,921.85	
Treasurer's Office						
Salaries and Wages	297,255.99	297,255.99	294,902.71		2,353.28	
Other Expenses	58,000.00	58,000.00	56,209.69	1,219.79	570.52	
Audit Services						
Other Expenses	28,350.00	28,350.00	28,350.00		-	
Election						
Other Expenses	21,000.00	21,000.00	7,364.06		13,635.94	
Municipal Court						
Salaries and Wages	154,550.00	154,550.00	137,683.95		16,866.05	
Other Expenses	16,890.00	16,890.00	10,282.60	1,121.00	5,486.40	
Public Defender						
Salaries and Wages	7,500.00	7,500.00	5,625.00	1,875.00	-	
Revenue Administration (Tax Collector)						
Salaries and Wages	83,913.30	83,913.30	81,572.47		2,340.83	
Other Expenses	37,000.00	37,000.00	23,231.35	463.78	13,304.87	

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, 2022

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Tax Assessment Administration						
Salaries and Wages	116,988.73	116,988.73	108,650.50		8,338.23	
Other Expenses	11,150.00	11,150.00	5,168.22	3,291.18	2,690.60	
Revaluation Special Emergency					-	
Legal Services						
Other Expenses	275,000.00	275,000.00	91,935.99	5,499.50	177,564.51	
Engineering Services and Costs						
Other Expenses	175,000.00	175,000.00	171,006.10		3,993.90	
Licensing						
Salaries and Wages	35,515.47	35,515.47	35,316.66		198.81	
Other Expenses	6,000.00	6,000.00	5,940.85		59.15	
Worker and Community Right to Know Act						
Salaries and Wages	37,869.28	37,869.28	20,725.15		17,144.13	
Other Expenses	8,500.00	8,500.00	3,711.08	2,530.09	2,258.83	
INSURANCE						
General Liability	64,500.00	66,500.00	66,441.76		58.24	
Other Insurance	105,000.00	103,000.00	66,426.88		36,573.12	
Workers Compensation Insurance	200,000.00	200,000.00	191,403.19		8,596.81	
Employee Group Health	2,550,000.00	2,550,000.00	2,219,948.12	8,960.78	321,091.10	
Health Benefits Waiver						
Salaries and Wages	20,000.00	20,000.00			20,000.00	
LAND USE ADMINISTRATION						
Planning and Zoning						
Salaries and Wages	17,881.50	17,881.50	17,291.40		590.10	
Other Expenses	70,000.00	70,000.00	36,351.21	32,509.91	1,138.88	
Environmental Commission						
Salaries and Wages	5,699.20	5,699.20	5,108.46		590.74	
Other Expenses	32,100.00	32,100.00	8,378.67	313.00	23,408.33	

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, 2022

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
PUBLIC SAFETY						
Fire Department						
Other Expenses	228,400.00	228,400.00	220,331.47	7,809.00	259.53	
Police Department						
Salaries and Wages	2,421,852.74	2,421,852.74	2,124,862.82		296,989.92	
Other Expenses:						
Municipal Alliance Program	6,000.00	6,000.00	3,698.18		2,301.82	
Miscellaneous Other Expenses	191,250.00	191,250.00	65,619.28	119,088.55	6,542.17	
Office of Emergency Management						
Salaries and Wages	45,158.16	45,158.16	22,059.32		23,098.84	
Other Expenses	12,600.00	12,600.00	12,261.46	330.80	7.74	
Uniform Fire Safety Act:						
Fire Official						
Salaries and Wages	188,209.02	188,209.02	188,209.02		-	
Other Expenses	12,500.00	12,500.00	5,300.04	86.00	7,113.96	
Rescue Squad						
Salaries and Wages	528,909.44	528,909.44	528,909.44		-	
Other Expenses	26,520.00	26,520.00	18,408.41	8,109.49	2.10	
Municipal Prosecutor						
Salaries and Wages	35,400.00	35,400.00	8,850.00	26,550.00	-	
PUBLIC WORKS						
Division of Public Works						
Salaries and Wages	1,661,318.80	1,661,318.80	1,614,241.54		47,077.26	
Other Expenses:						
Landscape/Lawn Care - Contractual	550,000.00	550,000.00	403,869.23	43,847.56	102,283.21	
Miscellaneous Other Expenses	250,000.00	250,000.00	171,244.17	38,054.26	40,701.57	
Garbage and Trash Removal						
Contractual	575,000.00	575,000.00	433,192.50		141,807.50	
Garbage and Trash Licenses						
Other Expenses	1,000.00	1,000.00			1,000.00	
Recycling						
Contractual	535,000.00	535,000.00	499,600.49		35,399.51	
Sanitary Landfill Closure Act						
Other Expenses	300,000.00	300,000.00	200,169.41	22,678.56	77,152.03	
Vehicle Maintenance						
Salaries and Wages	219,268.24	219,268.24	110,088.41		109,179.83	
Other Expenses	165,000.00	165,000.00	151,005.18	5,951.16	8,043.66	

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, 2022

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
HEALTH AND HUMAN SERVICES:						
Animal Control						
Other Expenses	30,000.00	30,000.00	14,518.96		15,481.04	
PARKS AND RECREATION FUNCTIONS:						
Recreation						
Salaries and Wages						
Other Expenses	311,467.51	311,467.51	255,936.15		55,531.36	
Special Events- Other Expenses	200,000.00	200,000.00	184,377.46	15,341.20	281.34	
	75,000.00	75,000.00	75,000.00		-	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	219,573.28	219,573.28	194,659.92	240.00	24,673.36	
Other Expenses	18,700.00	18,700.00	16,184.52	400.00	2,115.48	
Sub-Code Official						
Zoning Official						
Salaries and Wages	24,000.88	24,000.88	20,685.32		3,315.56	
Other Expenses	1,600.00	1,600.00	1,002.77		597.23	
Code Enforcement						
Salaries and Wages	57,347.17	57,347.17	57,347.17		-	
Other Expenses	6,100.00	6,100.00	5,648.62	107.28	344.10	
UNCLASSIFIED						
Salary Adjustments	30,000.00	30,000.00	12,213.86		17,786.14	
Accumulated Leave	100,000.00	100,000.00	100,000.00		-	
UTILITY EXPENSES AND BULK PURCHASES						
Utilities:						
Electric, Natural Gas	484,500.00	484,500.00	333,945.35	70,962.66	79,591.99	
Telephone	88,000.00	88,000.00	71,056.01	2,219.90	14,724.09	
Gasoline	185,500.00	185,500.00	166,952.28	8,900.47	9,647.25	
TOTAL OPERATIONS WITHIN "CAPS"	15,053,808.49	15,053,808.49	12,760,488.57	465,527.07	1,827,792.85	-

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, 2022

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Contingent	35,000.00	35,000.00	28,946.97	6,052.96	0.07	-
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	15,088,808.49	15,088,808.49	12,789,435.54	471,580.03	1,827,792.92	-
Detail:						
Salaries and Wages	7,143,148.49	7,143,148.49	6,451,646.17	28,665.00	662,837.32	-
Other Expenses	7,945,660.00	7,945,660.00	6,337,789.37	442,915.03	1,164,955.60	-
DEFERRED CHARGES AND STATUTORY EXPENDITURES:						
Deferred Charges:						
Anticipated Deficit in Beach Utility Fund	665,169.00	665,169.00	534,305.58		-	130,863.42
Statutory Expenditures:						
Contributions to:						
Public Employees Retirement System	731,970.37	731,970.37	731,720.37		250.00	
Social Security System (O.A.S.I.)	546,500.00	546,500.00	469,753.73		76,746.27	
Police and Fire Retirement System of N.J.	535,060.00	535,060.00	535,060.00		-	
Unemployment Compensation Insurance	7,500.00	7,500.00	7,500.00		-	
Defined Contribution Retirement Program	9,000.00	9,000.00	5,288.06		3,711.94	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	2,495,199.37	2,495,199.37	2,283,627.74	-	80,708.21	130,863.42
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	17,584,007.86	17,584,007.86	15,073,063.28	471,580.03	1,908,501.13	130,863.42

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, 2022

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
OPERATIONS - EXCLUDED FROM "CAPS"						
(A) Operations - Excluded from "CAPS"						
Aid to Free Public Library (NJSA 40:54-8)						
Other Expenses	3,736,833.07	3,736,833.07	3,736,833.07	-		
Emergency Service Volunteer Length of Service Award Program						
Other Expenses	70,000.00	70,000.00	49,135.43		20,864.57	
Emergency Dispatch Services	310,000.00	310,000.00	309,264.00		736.00	
	<u>4,116,833.07</u>	<u>4,116,833.07</u>	<u>4,095,232.50</u>	<u>-</u>	<u>21,600.57</u>	<u>-</u>
(A) Public and Private Programs Off-Set by Revenues						
Matching Funds for Grants	15,000.00	15,000.00	-		15,000.00	
Recycling Tonnage Grants	9,356.78	9,356.78	9,356.78		-	
Drunk Driving Enforcement Fund	2,500.00	2,500.00	2,500.00		-	
COPS in Shops	2,400.00	4,320.00	4,320.00		-	
NJ DOT Transportation Trust Fund	150,000.00	150,000.00	150,000.00		-	
Body Armor Grant	1,789.04	1,789.04	1,789.04		-	
Cape May County 78th Street Pump Station Project		672,000.00	672,000.00		-	
Clean Communities - Reserved	26,272.74	26,272.74	26,272.74		-	
Recreation Grant	300.00	300.00	300.00		-	
	<u>207,618.56</u>	<u>881,538.56</u>	<u>866,538.56</u>	<u>-</u>	<u>15,000.00</u>	<u>-</u>
Total Public and Private Programs Off-Set by Revenues						
	4,324,451.63	4,998,371.63	4,961,771.06	-	36,600.57	-
Total Operations - Excluded from "CAPS"						
Detail:						
Salaries and Wages				-	-	-
Other Expenses	-	-	-	-	-	-
	4,324,451.63	4,998,371.63	4,961,771.06	-	36,600.57	-

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, 2022

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(C) Capital Improvements						
Capital Improvement Fund	500,000.00	500,000.00	500,000.00		-	
Breath Test Machine-Police Department	20,000.00	20,000.00			20,000.00	
Broyhill Load & Pack	227,000.00	227,000.00	227,000.00		-	
Motorola Radio Upgrades	180,000.00	180,000.00		172,808.20	7,191.80	
Waverunner	10,000.00	10,000.00	10,000.00		-	
Trailers	4,000.00	4,000.00	1,825.00		2,175.00	
Equipment Storage Lockers	48,000.00	48,000.00			48,000.00	
Senior Center Improvements	10,000.00	10,000.00			10,000.00	
Electronic Sign	30,000.00	30,000.00			30,000.00	
Aramacost Park - Plan	20,000.00	20,000.00			20,000.00	
Irrigation Improvements	25,000.00	25,000.00			25,000.00	
Town Watch Camera System	120,000.00	120,000.00		111,195.32	8,804.68	
Beach / Bay Improvements	600,000.00	600,000.00	600,000.00		-	
Dune Reconstruction 74th-76th	63,000.00	63,000.00			63,000.00	
Dune Drive Landscaping	125,000.00	125,000.00	1,906.39	109,577.50	13,516.11	
VFW Improvements	5,000.00	5,000.00	5,000.00		-	
Sidewalks 71-74th & Dune	25,000.00	25,000.00			25,000.00	
78th Street Pump Station	372,000.00	372,000.00			372,000.00	
Boardwalk Improvements	35,000.00	35,000.00	31,059.04		3,940.96	
Dune Drive Landscaping		-			-	
Total Capital Improvements	2,419,000.00	2,419,000.00	1,376,790.43	393,581.02	648,628.55	-

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, 2022

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
(D) Debt Service						
Interest on Notes	83,450.00	83,450.00	83,450.00	-	-	
Green Acres Trust Loan Program						
Loan Repayments for Principal and Interest	75,000.00	75,000.00	74,817.61	-	-	182.39
Total Debt Service	<u>158,450.00</u>	<u>158,450.00</u>	<u>158,267.61</u>	<u>-</u>	<u>-</u>	<u>182.39</u>
(E) Deferred Charges						
Deferred Charges to Future Taxation Unfunded						
Ordinance 754-17	817,000.00	817,000.00	817,000.00	-	-	
Ordinance 721-15	63,000.00	63,000.00	63,000.00	-	-	
Ordinance 717-15	3,500,000.00	3,500,000.00	3,500,000.00	-	-	
Ordinance 771-18	2,425,653.00	2,425,653.00	2,425,653.00	-	-	
Total Deferred Charges	<u>6,805,653.00</u>	<u>6,805,653.00</u>	<u>6,805,653.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	<u>13,707,554.63</u>	<u>14,381,474.63</u>	<u>13,302,482.10</u>	<u>393,581.02</u>	<u>685,229.12</u>	<u>182.39</u>
SUBTOTAL GENERAL APPROPRIATIONS	<u>31,291,562.49</u>	<u>31,965,482.49</u>	<u>28,375,545.38</u>	<u>865,161.05</u>	<u>2,593,730.25</u>	<u>131,045.81</u>
(M) Reserve for Uncollected Taxes	<u>1,690,000.00</u>	<u>1,690,000.00</u>	<u>1,690,000.00</u>		<u>-</u>	<u>-</u>
TOTAL GENERAL APPROPRIATIONS	<u>\$ 32,981,562.49</u>	<u>33,655,482.49</u>	<u>30,065,545.38</u>	<u>865,161.05</u>	<u>2,593,730.25</u>	<u>131,045.81</u>
Budget		\$ 32,981,562.49			Cancelled	\$ 131,045.81
Appropriations by 40A:4-87		<u>673,920.00</u>			Overexpended	<u>-</u>
		<u>33,655,482.49</u>				<u>131,045.81</u>
Reserve for Uncollected Taxes		\$ 1,690,000.00				
Federal and State Grants		866,538.56				
Disbursements		<u>27,509,006.82</u>				
		<u>30,065,545.38</u>				

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

EXHIBIT B - TRUST FUND

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

	2022	2021
<u>ASSETS</u>		
<u>Animal Control Fund</u>		
Cash	\$ 656.31	611.02
	<u>656.31</u>	<u>611.02</u>
<u>Length of Service Award Program (LOSAP)</u>		
Investments		
Mutual Funds	1,168,709.92	1,427,605.14
	<u>1,168,709.92</u>	<u>1,427,605.14</u>
<u>Other Funds</u>		
Cash - Treasurer	1,140,028.69	890,414.87
Due from Current Fund - Fire Safety	250.00	-
Due from Current Fund - TTL		295.17
	<u>1,140,278.69</u>	<u>890,710.04</u>
	<u>2,309,644.92</u>	<u>2,318,926.20</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
<u>Animal Control Fund</u>		
Reserve for Animal Control Expenditures	84.70	139.14
Due to State of New Jersey	8.40	-
Interfunds:		
Due to Current Fund	563.21	471.88
	<u>656.31</u>	<u>611.02</u>
<u>Length of Service Award Program (LOSAP)</u>		
Net Assets Available for Benefits	1,168,709.92	1,427,605.14
	<u>1,168,709.92</u>	<u>1,427,605.14</u>
<u>Other Funds</u>		
Reserve for:		
Payroll Deductions Payable	53,003.30	50,688.87
Due to Current Fund - Other Trust	1,521.34	1,815.65
Due to Current Fund - Fire Safety		270.81
Due to Current Fund - TTL	0.92	-
Due to Current Fund - Accumulated Absences	5,836.45	
Due to Current Fund - Escrow	38.19	22.05
Due to Current Fund - POAA		589.11
Due to Current Fund - Payroll Trust	9,013.26	712.10
Reserve for Unemployment Compensation	190,318.02	159,849.29
Reserve for Parking Offenses Adjudication Act	2,632.99	4,162.94
Reserve for Small Cities Grant	44,270.50	44,270.50
Reserve for Planning Board Escrow	543,060.70	282,571.32
Reserve for Law Enforcement Trust Fund	5,112.65	5,098.00
Reserve for Accumulated Absences	209,284.32	267,058.35
Reserve for Dedicated Fire Penalties	6,959.12	5,484.12
Reserve for Off Duty Police	52,819.50	51,709.50
Reserve for Tax Title Lien Redemption	1,407.43	1,407.43
Reserve for Environment Trust	15,000.00	15,000.00
	<u>1,140,278.69</u>	<u>890,710.04</u>
	<u>\$ 2,309,644.92</u>	<u>2,318,926.20</u>

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

EXHIBIT C - CAPITAL FUND

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

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash	\$ 8,018,790.52	2,727,079.54
Deferred Charges to Future Taxation -		
Funded	289,454.60	357,461.33
Unfunded	26,795,043.05	31,202,596.05
	<u>35,103,288.17</u>	<u>34,287,136.92</u>
 <u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
NJEIT Loan Payable	289,454.60	357,461.33
Bond Anticipation Notes Payable	16,775,630.00	11,126,283.00
Improvement Authorizations:		
Funded	1,099,545.48	771,735.23
Unfunded	8,570,545.54	8,213,310.54
Reserve for Encumbrances	5,034,514.71	9,861,428.51
Reserve for Payment of BAN's	624,499.89	1,504,422.61
Due to Water & Sewer Capital Fund	2,649,877.25	2,400,000.00
Capital Improvement Fund	6,999.37	274.37
Fund Balance	52,221.33	52,221.33
	<u>\$ 35,103,288.17</u>	<u>34,287,136.92</u>

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

2021	20,076,313.05
2022	10,019,413.05

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

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

	<u>2022</u>	<u>2021</u>
Beginning Balance January 1	\$ 52,221.33	120,810.64
Increased by:		
Funded Improvement Authorizations Canceled	<u>-</u>	<u>77,210.69</u>
	52,221.33	198,021.33
Decreased by:		
Appropriation to Finance Improvement Authorizations	<u>-</u>	<u>145,800.00</u>
Ending Balance December 31	<u>\$ 52,221.33</u>	<u>52,221.33</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>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 1,396,014.11	1,512,893.36
Prepaid Debt Service	19,357.95	19,357.95
Due from Middlesex Water Company	-	38,848.46
Interfunds:		
Due from Water Sewer Capital Fund	1,171,801.99	-
	<u>2,587,174.05</u>	<u>1,571,099.77</u>
Receivables and Other Assets with Full Reserves:		
Consumer Accounts Receivable	134,162.56	94,752.43
	<u>134,162.56</u>	<u>94,752.43</u>
Total Operating Fund	<u>2,721,336.61</u>	<u>1,665,852.20</u>
Capital Fund:		
Cash - Treasurer	-	146,536.03
Fixed Capital	61,701,716.42	32,040,205.49
Fixed Capital - Authorized and Uncompleted	2,613,586.83	30,442,472.76
Due from General Capital Fund	2,649,877.25	2,400,000.00
Total Capital Fund	<u>66,965,180.50</u>	<u>65,029,214.28</u>
	<u>\$ 69,686,517.11</u>	<u>66,695,066.48</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>2022</u>	<u>2021</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	\$ 135,897.56	155,195.52
Reserve for Encumbrances	15,962.16	44,331.71
Accounts Payable	7,216.33	7,216.33
Prepaid Rents	1,019,581.93	48,189.13
Overpaid Rents	64,402.64	-
Accrued Interest on Bonds and Notes	100,628.70	102,549.04
Interfunds:		
Due to Current Fund	196,911.56	21,088.90
Due to Grant Fund	22,932.34	22,932.34
	<u>1,563,533.22</u>	<u>401,502.97</u>
Reserve for Receivables	134,162.56	94,752.43
Fund Balance	1,023,640.83	1,169,596.80
Total Operating Fund	<u>2,721,336.61</u>	<u>1,665,852.20</u>
Capital Fund:		
Encumbrances Payable	3,253,465.54	6,724,763.55
Interfunds:		
Water Sewer Operating Fund	1,171,801.99	-
Current Fund	309,115.64	-
Serial Bonds Payable	10,175,000.00	10,785,000.00
N.J. Environmental Infrastructure Trust Loans	252,299.25	334,065.60
Bond Anticipation Notes Payable	7,400,000.00	2,400,000.00
Improvement Authorizations:		
Funded	339,052.04	982,184.30
Unfunded	2,274,534.79	3,402,330.93
Reserve for Amortization	41,206,604.00	39,832,562.65
Deferred Reserve for Amortization	396,375.00	396,375.00
Capital Improvement Fund	15,875.00	875.00
Downpayment on Improvements	3,993.00	3,993.00
Fund Balance	167,064.25	167,064.25
Total Capital Fund	<u>66,965,180.50</u>	<u>65,029,214.28</u>
	<u>\$ 69,686,517.11</u>	<u>66,695,066.48</u>

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

2021	8,734,675.00
2022	4,885,025.00

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,**

	<u>2022</u>	<u>2021</u>
Revenue and Other Income Realized		
Fund Balance	\$ 507,317.00	641,252.22
Rents	6,613,057.86	6,705,207.02
Miscellaneous Revenue	648,038.75	545,625.95
Non-Budget Revenue	104,054.44	12,816.00
Other Credits to Income:		
Appropriation Reserves Lapsed	55,745.76	185,596.31
Total Income	<u>7,928,213.81</u>	<u>8,090,497.50</u>
Expenditures		
Operations		
Salaries and Wages	231,517.00	223,352.00
Other Expenses	5,160,800.00	5,513,950.00
Capital Improvements	1,037,275.00	813,720.08
Debt Service	1,119,535.78	1,106,749.74
Deferred Charges & Statutory Expenditures	17,725.00	17,100.00
Total Expenditures	<u>7,566,852.78</u>	<u>7,674,871.82</u>
Excess/(Deficit) in Revenue	<u>361,361.03</u>	<u>415,625.68</u>
Fund Balance January 1	<u>1,169,596.80</u>	<u>1,395,223.34</u>
	1,530,957.83	1,810,849.02
Decreased by:		
Utilization as Anticipated Revenue	<u>507,317.00</u>	<u>641,252.22</u>
Fund Balance December 31	<u>\$ 1,023,640.83</u>	<u>1,169,596.80</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>2022</u>	<u>2021</u>
Beginning Balance January 1	\$ 167,064.25	167,064.25
Increased by:		
None	-	-
	<u> </u>	<u> </u>
	-	-
	167,064.25	167,064.25
Decreased by:		
None	-	-
	<u> </u>	<u> </u>
	-	-
Ending Balance December 31	\$ <u><u>167,064.25</u></u>	<u><u>167,064.25</u></u>

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

**WATER AND SEWER UTILITY OPERATING FUND
STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Anticipated Budget	Realized	Excess or (Deficit)
Fund Balance Anticipated	\$ 507,317.00	507,317.00	-
Rents	6,540,000.00	6,613,057.86	73,057.86
Miscellaneous	530,000.00	648,038.75	118,038.75
Unanticipated		104,054.44	104,054.44
	<u>\$ 7,577,317.00</u>	<u>7,872,468.05</u>	<u>295,151.05</u>

Analysis of Realized Revenue:

Consumer Accounts Receivable:

Rents

Accounts Receivable	6,564,868.73
Prepayments/Overpayments Applied	48,189.13
	<u>6,613,057.86</u>

Miscellaneous

Water Installation	220,176.00
Sewer Installation	73,900.00
Water Application Fees	27,028.00
Miscellaneous Fees	1,425.00
Cell Tower Rents	313,781.24

Total Miscellaneous - Collector

636,310.24

Interest on Investments

11,728.51

648,038.75

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

WATER AND SEWER UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Appropriations		Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications	Paid or Charged	Encumbered Reserved	
Operations:					
Salaries and Wages	\$ 231,517.00	231,517.00	224,824.80	6,692.20	
Other Expenses	5,160,800.00	5,160,800.00	5,041,190.75	103,647.09	
	<u>5,392,317.00</u>	<u>5,392,317.00</u>	<u>5,266,015.55</u>	<u>110,339.29</u>	<u>-</u>
Capital Improvements:					
Capital Improvement Fund	300,000.00	300,000.00	300,000.00	-	
Capital Outlay	340,000.00	340,000.00	316,107.50	23,892.50	
Capital Ordinance Funding	397,275.00	397,275.00	397,275.00	-	
	<u>1,037,275.00</u>	<u>1,037,275.00</u>	<u>1,013,382.50</u>	<u>23,892.50</u>	<u>-</u>
Debt Service:					
Payment of Bond Principal	693,000.00	693,000.00	691,766.35	-	1,233.65
Interest on Bonds	412,000.00	412,000.00	402,769.43	-	9,230.57
Interest on Notes	25,000.00	25,000.00	25,000.00	-	-
	<u>1,130,000.00</u>	<u>1,130,000.00</u>	<u>1,119,535.78</u>	<u>-</u>	<u>10,464.22</u>
Deferred Charges and Statutory Expenditures:					
Social Security System	17,725.00	17,725.00	16,059.23	1,665.77	
	<u>17,725.00</u>	<u>17,725.00</u>	<u>16,059.23</u>	<u>1,665.77</u>	<u>-</u>
\$	<u>7,577,317.00</u>	<u>7,577,317.00</u>	<u>7,414,993.06</u>	<u>135,897.56</u>	<u>10,464.22</u>
		Accrued Interest	427,769.43		
		Cash Disbursed	6,987,223.63		
		<u>7,414,993.06</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>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Operating Fund:		
Cash	\$ 660,106.28	658,523.12
	<u>660,106.28</u>	<u>658,523.12</u>
Total Operating Fund	<u>660,106.28</u>	<u>658,523.12</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>1,172,768.22</u>	<u>1,171,185.06</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Operating Fund:		
Appropriation Reserves	384,752.78	156,895.08
Encumbrances Payable	25,597.36	34,330.86
Accounts Payable	64,512.88	64,512.88
Prepaid Beach Fees	87,200.00	64,010.00
Due to Current Fund	98,043.26	338,774.30
	<u>660,106.28</u>	<u>658,523.12</u>
Fund Balance	-	-
Total Operating Fund	<u>660,106.28</u>	<u>658,523.12</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>\$ 1,172,768.22</u>	<u>1,171,185.06</u>

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

	<u>2022</u>	<u>2021</u>
Revenue and Other Income Realized		
Beach Fees	\$ 1,574,002.88	1,320,493.09
Fees and Permits	23,125.23	22,820.00
Other Credits to Income:		
Miscellaneous Revenue not Anticipated	-	507.91
Appropriation Reserves Lapsed	57,735.31	54,953.30
Total Income	<u>1,654,863.42</u>	<u>1,398,774.30</u>
Expenditures		
Operations:		
Salaries and Wages	1,714,569.00	1,652,954.00
Other Expenses	340,400.00	231,300.00
Deferred Charges and Statutory Expenditures	134,200.00	307,000.00
Total Expenditures	<u>2,189,169.00</u>	<u>2,191,254.00</u>
Excess/(Deficit) in Revenue	<u>(534,305.58)</u>	<u>(792,479.70)</u>
Adjustments to Income before Fund Balance:		
Realized from General Budget for		
Anticipated Deficit in Revenue	534,305.58	792,479.70
Total Adjustments	<u>534,305.58</u>	<u>792,479.70</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, 2022

	Anticipated Budget	Realized	Excess or (Deficit)
Anticipated Revenue:			
Beach Fees	\$ 1,509,000.00	1,574,002.88	65,002.88
Fees and Permits	15,000.00	23,125.23	8,125.23
Deficit (General Budget)	665,169.00	534,305.58	(130,863.42)
	<u>\$ 2,189,169.00</u>	<u>2,131,433.69</u>	<u>(57,735.31)</u>

Analysis of Realized Revenue:

Beach Fees		
Collections	1,509,992.88	
Prepaid Beach Fees Applied	64,010.00	
Total Beach Fees	<u>1,574,002.88</u>	
Fees and Permits		
Beach Vehicle Permits	<u>23,125.23</u>	
		<u>23,125.23</u>

BEACH UTILITY FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Operations:						
Salaries and Wages	\$ 1,714,569.00	1,714,569.00	1,431,535.70		283,033.30	
Other Expenses	340,400.00	340,400.00	235,957.69	25,597.36	78,844.95	
	<u>2,054,969.00</u>	<u>2,054,969.00</u>	<u>1,667,493.39</u>	<u>25,597.36</u>	<u>361,878.25</u>	<u>-</u>
Deferred Charges and Statutory Expenditures:						
Unemployment	3,000.00	3,000.00	3,000.00		-	
Social Security System	131,200.00	131,200.00	108,325.47		22,874.53	
	<u>134,200.00</u>	<u>134,200.00</u>	<u>111,325.47</u>	<u>-</u>	<u>22,874.53</u>	<u>-</u>
	<u>\$ 2,189,169.00</u>	<u>2,189,169.00</u>	<u>1,778,818.86</u>	<u>25,597.36</u>	<u>384,752.78</u>	<u>-</u>

EXHIBIT F - GENERAL FIXED ASSETS ACCOUNT GROUP

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

	<u>2022</u>	<u>2021</u>
General Fixed Assets:		
Buildings	\$ 7,529,641.83	7,529,641.83
Land and Improvements	8,014,993.87	8,014,993.87
Machinery and Equipment	3,815,635.23	4,233,038.99
Vehicles & Watercraft	<u>5,482,775.52</u>	<u>4,428,110.53</u>
	<u>24,843,046.45</u>	<u>24,205,785.22</u>
 Investment in General Fixed Assets	 \$ <u>24,843,046.45</u>	 <u>24,205,785.22</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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 2020 census is 1,226. 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 Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough of Avalon Free Public Library is a component unit of the Borough. A separate audit is performed for the Library and will be made available for inspection upon completion.

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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

C. Basis of Accounting

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

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

Revenues -- are recorded as received in cash except for certain amounts, which are due from other governmental units. Receipts from Federal and State grants are realized as revenue when anticipated in the Borough budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Borough'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 Borough 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 Borough 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 Borough.

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

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

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 Borough each year. The tax levy is based on the assessed valuation of taxable property within the Borough. 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 Borough 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 Borough 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 Borough 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 January 1, April 1, July 1 and October 1.

Interest on Delinquent Utility Charges -- It is the policy of the Borough 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.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

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

D. Required Financial Statements

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

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the Borough'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 March 2021, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the Borough's financial reporting.

In May 2021, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the Borough's financial reporting.

In April 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 99, "Omnibus 2022". This statement, which is effective for periods beginning after June 15, 2022, and all reporting periods thereafter, will not have any effect on the Borough's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62". This statement, which is effective for periods beginning after June 15, 2023, and all reporting periods thereafter, will not have any effect on the Borough's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, "Compensated Absences". This statement, which is effective for periods beginning after June 15, 2023, and all reporting periods thereafter, may have an effect on the Borough's financial reporting for footnote disclosure.

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 Borough is required to establish a reserve for uncollected taxes. The 2022 and 2021 statutory budgets included a reserve for uncollected taxes in the amount of \$1,690,000 and \$1,675,000. To balance the budget, the Borough is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2022 and 2021 statutory budgets was \$4,421,595.35 and \$5,130,873.35.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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 2022 and 2021 calendar years:

<u>Budget Category</u>	<u>2022</u>	<u>2021</u>
<u>Current Fund:</u>		
Council		
Other Expenses	\$	(15,000)
Legal Services		
Other Expenses		130,000
Insurance		
General Liability	2,000	
Other Insurance	(2,000)	
Vehicle Maintenance		
Other Expenses		(35,000)
Landscape/Lawn Care - Contractual		(40,000)

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 2022 and 2021, the following significant budget insertions were approved:

<u>Budget Category</u>	<u>2022</u>	<u>2021</u>
Cape May County 78th St. Pump Station	\$ 672,000.00	
COPS in Shops	1,920.00	5,280.00
Body Worn Camera		93,748.00
Wawa Foundation Grant		5,396.00

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 2022, 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 Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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 Borough places no limit on the amount the Borough 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 Borough'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 Borough 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 Borough relative to the happening of a future condition. As of December 31, 2022, and 2021, \$294,165.63 and \$36,302.13 respectively of the Borough's bank balance of \$26,184,775.77 and \$20,284,225.90 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, 2022 and 2021:

	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021
Land and Improvements	\$ 7,529,642			7,529,642
Building and Improvements	8,014,993			8,014,993
Equipment and Machinery	4,065,790	191,097	(23,847)	4,233,040
Vehicles	4,571,107	17,021	(160,018)	4,428,110
	<u>\$ 24,181,532</u>	<u>208,118</u>	<u>(183,865)</u>	<u>24,205,785</u>

	Balance 12/31/2021	Additions	Retirements/ Adjustments	Balance 12/31/2022
Land and Improvements	\$ 7,529,642			7,529,642
Building and Improvements	8,014,994			8,014,994
Equipment and Machinery	4,233,039	98,498	(515,902)	3,815,635
Vehicles	4,428,111	1,054,665		5,482,776
	<u>\$ 24,205,786</u>	<u>1,153,163</u>	<u>(515,902)</u>	<u>24,843,047</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6: SHORT-TERM OBLIGATIONS

	Balance 12/31/20	Issued	Retired	Balance 12/31/21
Bond Anticipation				
Notes payable:				
General Capital	\$ 15,185,520	11,126,283	15,185,520	11,126,283
Water Sewer Capital	-	2,400,000	-	2,400,000
	<u>\$ 15,185,520</u>	<u>13,526,283</u>	<u>15,185,520</u>	<u>13,526,283</u>
	Balance 12/31/21	Issued	Retired	Balance 12/31/22
Bond Anticipation				
Notes payable:				
General Capital	\$ 11,126,283	16,775,630	11,126,283	16,775,630
Water Sewer Capital	2,400,000	7,400,000	2,400,000	7,400,000
	<u>\$ 13,526,283</u>	<u>24,175,630</u>	<u>13,526,283</u>	<u>24,175,630</u>

The 2022 General Capital and Water Sewer Capital note was issued on 2/10/22 and was due and payable on 2/10/23 with interest at 2.00%. As of December 31, 2022, the Borough has authorized but not issued bonds in the amount of \$10,019,413.05 in the General Capital Fund and \$4,885,025.00 in the Water and Sewer Utility Capital Fund.

NOTE 7: LONG TERM DEBT

Long-term debt as of December 31, 2022 and 2021 consisted of the following:

	Balance 12/31/2020	Issued	Adjustment/ Retired	Balance 12/31/2021	Amounts Due Within One Year
Bonds payable:					
Utility Capital Fund	\$ 11,370,000		585,000	10,785,000	610,000
Total	11,370,000	-	585,000	10,785,000	610,000
Other liabilities:					
Loans Payable:					
General Capital Fund	424,128		66,667	357,461	68,007
Utility Capital Fund	410,832		76,766	334,066	81,766
Compensated					
Absences Payable	1,250,944	3,929		1,254,873	
	2,085,904	3,929	143,433	1,946,400	149,773
Total long-term liabilities	<u>\$ 13,455,904</u>	<u>3,929</u>	<u>728,433</u>	<u>12,731,400</u>	<u>759,773</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Balance 12/31/2021	Issued	Adjustment/ Retired	Balance 12/31/2022	Amounts Due Within One Year
Bonds payable:					
Utility Capital Fund	\$ 10,785,000		610,000	10,175,000	625,000
Total	10,785,000	-	610,000	10,175,000	625,000
Other liabilities:					
Loans Payable:					
General Capital Fund	357,461		68,007	289,454	64,611
Utility Capital Fund	334,066		81,766	252,300	80,766
Compensated Absences Payable	1,254,873	114,753		1,369,626	
	1,946,400	114,753	149,773	1,911,380	145,377
Total long-term liabilities	\$ 12,731,400	114,753	759,773	12,086,380	770,377

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

At December 31, 2022, bonds and loans payable in the General Capital Fund consisted of the following individual issues:

\$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, 2022, is \$4,715.50.

\$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, 2022, is \$22,635.15.

\$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, 2022, is \$133,165.19.

\$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, 2022, is \$128,938.76.

At December 31, 2022, bonds payable in the Water and Sewer Utility Fund consisted of the following individual issues:

\$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, 2022, is \$60,000.

\$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, 2022, is \$10,115,000.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

\$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, 2022 is \$133,000.

\$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, 2022 is \$119,299.25.

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
2023	\$ 64,611.06	5,443.94	705,766.35	383,548.76
2024	61,099.47	4,192.88	725,766.35	352,048.76
2025	57,663.83	2,964.79	745,766.55	317,748.76
2026	54,112.48	1,852.38	745,000.00	280,843.76
2027	39,654.35	764.73	765,000.00	251,043.76
2028-2033	12,313.41	123.23	4,160,000.00	853,931.28
2033-2036			2,580,000.00	180,600.00
	<u>\$ 289,454.60</u>	<u>15,341.95</u>	<u>10,427,299.25</u>	<u>2,619,765.08</u>

As of December 31, 2022, 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 \$90,260.88 and \$427,769.43 was charged to the water sewer utility fund budget.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Summary of Municipal Debt

	Year 2022	Year 2021	Year 2020
Issued:			
General:			
Bonds and Notes	\$ 16,775,630	11,126,283	15,185,520
Loans	289,454	357,461	424,128
Water/Sewer Utility:			
Bonds and Notes	17,575,000	13,185,000	11,370,000
Loans	252,300	334,066	410,832
Total Issued	<u>34,892,384</u>	<u>25,002,810</u>	<u>27,390,480</u>
Less:			
Funds Temporarily Held to Pay Bonds and Notes:			
General	<u>624,500</u>	<u>1,504,423</u>	<u>2,041,945</u>
Net Debt Issued	<u>34,267,884</u>	<u>23,498,387</u>	<u>25,348,535</u>
Authorized But Not Issued:			
General:			
Bonds and Notes	10,019,413	20,076,313	12,663,700
Water/Sewer Utility:			
Bonds and Notes	<u>4,885,025</u>	<u>8,734,675</u>	<u>5,227,025</u>
Total Authorized But Not Issued	<u>14,904,438</u>	<u>28,810,988</u>	<u>17,890,725</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 49,172,322</u>	<u>52,309,375</u>	<u>43,239,260</u>

Summary of Statutory Debt Condition – Annual Debt Statement

The summarized statement of debt condition, which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 0.228%:

	Gross Debt	Deductions	Net Debt
Local School Purposes	\$ -	-	-
Water & Sewer Utility Debt	22,712,324.25	22,712,324.25	-
General Debt	<u>27,084,497.65</u>	-	<u>27,084,497.65</u>
	<u>\$ 49,796,821.90</u>	<u>22,712,324.25</u>	<u>27,084,497.65</u>

Net debt \$27,084,497.65 divided by Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$11,858,812,180.33 = 0.228%.

The CFO should file an amended debt statement to account for the changes.

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

3-1/2% of Equalized Valuation Basis	\$ 415,058,426
Net Debt	<u>27,084,498</u>
	<u>\$ 387,973,929</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2022 and 2021, which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2023 and 2022 were as follows:

		<u>2023</u>	<u>2022</u>
Current Fund	\$	5,259,228	4,421,595
Water Sewer Utility		874,887	507,317
Beach Utility		None	None

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 12/31/22</u>	<u>Balance 12/31/21</u>
Prepaid Taxes	\$ 1,833,809	1,834,956
Cash Liability for Taxes Collected in Advance	<u>\$ 1,833,809</u>	<u>1,834,956</u>

NOTE 10: PENSION FUNDS

Description of Plans

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

Public Employees' Retirement System

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

Police and Fireman's Retirement System

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15c-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43: 15c-1 et seq. Currently there are sixteen individuals enrolled in DCRP.

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

PERS provided for employee contributions of 7.50% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 15.98% of covered payroll. The Borough's contributions to PERS for the years ended December 31, 2022, 2021 and 2020 were \$731,720.37, \$679,927.35, and \$569,208.00.

PFRS provided for employee contributions of 7.50% of employee's annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PFRS. The Borough's contributions to PFRS for the years ended December 31, 2022, 2021 and 2020 were \$535,060.00, \$493,977.82, and \$417,113.00.

The total payroll for the year ended December 31, 2022, 2021, and 2020 was \$8,139,634.15, \$7,662,508.38, and \$7,615,444.53.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) operates and to the benefit provisions of the system.

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

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

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

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

NOTE 11: PENSION LIABILITIES

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

The following represents the Borough's pension liabilities as June 30, 2021:

Public Employees' Retirement System

The Borough has a liability of \$7,399,261 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to June 30, 2021. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the Borough's proportion would be 0.06254594711%, which would be an increase of 1.97% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Borough would have recognized pension expense of (\$867,690). At December 31, 2021, the Borough would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 116,696	\$ (52,970)
Changes of assumptions	38,535	(2,634,185)
Changes in proportion	254,930	(17,948)
Net difference between projected and actual earnings on pension plan investments		(1,949,160)
Total	<u>\$ 410,161</u>	<u>\$ (4,654,263)</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,	
2022	\$ (1,653,572)
2023	(1,180,646)
2024	(804,999)
2025	(605,120)
2026	236
Total	<u>\$ (4,244,102)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

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

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 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-2021.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

The actuarial assumptions used in the July 1, 2020 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, 2021) 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real estate	8.00%	9.15%
Real assets	3.00%	7.40%
High yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 100% 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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

The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Borough's proportionate share of the net pension liability	\$ 9,056,683	\$ 7,399,261	\$ 5,994,492

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 Borough has a liability of \$3,355,602 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2020 that was rolled forward to June 30, 2021. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the Borough's proportion would be 0.04590959960%, which would be an increase of 4.42% from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Borough would have recognized pension expense of (\$408,585). At December 31, 2021, the Borough 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	\$ 38,283	\$ (401,967)
Changes of assumptions	17,855	-1005659
Changes in proportion	744,008	(636,409)
Net difference between projected and actual earnings on pension plan investments		(1,429,931)
Total	<u>\$ 800,146</u>	<u>\$ (3,473,966)</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,	
2022	\$ (855,992)
2023	(642,545)
2024	(551,348)
2025	(543,696)
2026	(68,580)
Thereafter	(11,659)
Total	<u>\$ (2,673,820)</u>

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation of July 1, 2020, which was rolled forward to June 30, 2021. This actuarial valuation used the following assumptions, applied to all periods in the measurement:

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

Employee 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. For healthy annuitants, mortality rates were based on the PubS-2010 amount-weighted mortality table with a 96.7% adjustment for males and 96% adjustment for females. Disability rates were based on the Pub-2010 amount-weighted mortality table with a 152% adjustment for males and 109.3% adjustment for females. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	27.00%	8.09%
Non-U.S. developed markets equity	13.50%	8.71%
Emerging markets equity	5.50%	10.96%
Private equity	13.00%	11.30%
Real estate	8.00%	9.15%
Real assets	3.00%	7.40%
High yield	2.00%	3.75%
Private credit	8.00%	7.60%
Investment grade credit	8.00%	1.68%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk mitigation strategies	3.00%	3.35%

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on 100% 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2021, 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:

	Decrease (6.00%)	Rate (7.00%)	Increase (8.00%)
Borough's proportionate share of the net pension liability	4,741,897.37	3,355,602.00	2,201,639.74

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, 2021 State special funding situation net pension liability amount of \$2,036,258.082.00 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, 2021 State special funding situation pension expense of \$228,944,734.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2021. 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 2021, 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 Borough was 0.04590959960% for 2021. The net pension liability amount allocated to the Borough was \$943,763. For the fiscal year ending June 30, 2021 State special funding situation pension expense of \$105,108.00 is allocated to the Borough.

Pension plan fiduciary net position.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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 Collective OPEB Liability of 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.

Plan Coverage The Borough 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.

The Borough is required to obtain an actuarial valuation of the liability for providing these benefits. This valuation is using the entry age normal as a level percentage of payroll actuarial cost method. The actuarial valuation report was based on 128 total participants including 45 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 borough reports on the regulatory basis of accounting, no financial statement impact will be recognized.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Net OPEB Liability:

Components of Net OPEB Liability

The components of the Net OPEB liability in the Plan as of December 31, 2022, 2021 and 2020 is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Total OPEB Liability	\$ 14,309,895	21,435,932	24,737,738
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 14,309,895</u>	<u>21,435,932</u>	<u>24,737,738</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

For the Years ended December 31, 2022, 2021, and 2020 the Borough's Total OPEB Expense was (\$7,126,037), (\$3,301,806) and \$5,334,144, respectively.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Service cost	\$ 178,995	339,974	248,425
Interest on Total OPEB Liability	883,623	501,014	398,608
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:			
Benefit Payments	(593,270)	(596,013)	
Changes in Assumptions	(7,595,385)	(3,546,781)	4,687,111
Total OPEB Expense	<u>\$ (7,126,037)</u>	<u>(3,301,806)</u>	<u>5,334,144</u>

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022 to December 31, 2022.

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

Discount rate: 4.18%

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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability as of December 31, 2022, 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 (3.18%)	Discount Rate (4.18%)	1% Increase (5.18%)
Net OPEB Liability \$	17,153,579	14,309,895	12,175,555

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

The following presents the net OPEB liability as of December 31, 2022, 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 \$	11,946,679	14,309,895	17,471,168

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

At December 31, 2022, 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	\$	7,595,385
Total	\$ -	7,595,385

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

Year ended June 30,	Collective Totals
2023	\$ 949,423
2024	949,423
2025	949,423
2026	949,423
2027	949,423
Thereafter	2,848,270
Total	\$ 7,595,385

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Schedule of Borough's Net OPEB Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Borough's Net OPEB Liability	\$ 14,309,895	21,435,932	24,737,738
Borough's Covered Payroll	8,176,955	8,176,955	5,826,417
Borough's Net OPEB Liability as a Percentage of its Covered-Employee Payroll	175.00%	262.15%	424.58%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%

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) Annual Comprehensive Financial Report (ACFR), 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.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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 Municipality 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, 2021 were \$3,872,142,278 and \$14,177,910,609, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's non special funding situation during the measurement period July 1, 2020 through June 30, 2021. 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, 2021 is as follows:

	June 30, 2021	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 18,050,052,887	\$ 21,547,431
Plan Fiduciary Net Position	50,271,652	60,012
Net OPEB Liability	<u>\$ 17,999,781,235</u>	<u>\$ 21,487,419</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.28%	0.28%

At June 30, 2021 the Borough's proportionate share of the Collective Net OPEB Liability was \$4,433,886. The Borough's proportion of the Collective Net OPEB Liability was 0.119376% which was an decrease from the prior year of 4.32%.

For the Year ended June 30, 2021 the Borough's Total OPEB Expense was \$77,202.

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. 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:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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%

Mortality:

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

PFRS: Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

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

Actuarial assumptions used in the July 1, 2020 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.

Discount Rate

The discount rate for June 30, 2021 was 2.16%. 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, 2021, 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 (1.16%)		Discount Rate (2.16%)		1% Increase (3.16%)
Collective						
Net OPEB Liability	\$	21,182,289,882	\$	17,999,781,235	\$	15,447,574,697
Proportionate Share						
Net OPEB Liability	\$	25,286,571	\$	21,487,419	\$	18,440,697

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

The following presents the net OPEB liability as of June 30, 2021, 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	\$	15,017,879,689	\$	17,999,781,235
			\$	21,890,793,528
Proportionate Share				
Net OPEB Liability	\$	17,927,744	\$	21,487,419
			\$	26,132,354

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

At June 30, 2021, 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	\$ 403,893,589	\$ (3,765,820,027)	\$ 482,152	\$ (4,495,485)
Changes of assumptions	2,589,322,345	(3,181,672,721)	3,091,029	(3,798,154)
Net difference between projected and actual earnings on OPEB plan investments	8,606,416		10,274	
Changes in proportion and differences between contributions and proportionate share of contributions	5,534,468,995	(5,534,468,995)	1,702,541	(2,143,189)
Total	<u>\$ 8,536,291,345</u>	<u>\$ (12,481,961,743)</u>	<u>\$ 5,285,996</u>	<u>\$ (10,436,828)</u>

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

<u>Year ended June 30,</u>	<u>Collective Totals</u>	<u>Proportionate Share</u>
2022	\$ (1,074,753,405)	\$ (1,403,025)
2023	(1,076,167,210)	(1,404,871)
2024	(1,077,459,075)	(1,406,557)
2025	(769,416,743)	(1,004,427)
2026	(129,344,414)	(168,851)
Thereafter	181,470,449	236,899
Total	<u>\$ (3,945,670,398)</u>	<u>\$ (5,150,832)</u>

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

Collective OPEB Expenses reported by the State of New Jersey

The components of allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2021 are as follows:

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

Service cost	\$ 846,075,674
Interest on Total OPEB Liability	413,837,061
Expected Investment Return	(2,381,937)
Administrative Expenses	11,334,383
Changes of Benefit Terms	2,029,119
Current Period Recognition (Amortization) of Deferred Inflow s/ Outflow s of Resources:	
Differences between Expected and Actual Experience	(703,565,089)
Changes in Assumptions	(375,284,907)
Differences between Projected and Actual Investment Earnings on OPEB Plan Investments	4,971,262
Total Collective OPEB Expense	<u>\$ 197,015,566</u>

Schedule of Borough's Share of Net OPEB Liability

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Borough's Proportionate Share of Net OPEB Liability	0.119376%	0.124761%	0.116247%	0.118768%
Borough's Share of Net OPEB Liability	\$ 21,487,419	22,390,374	15,746,901	18,606,929
Borough's Covered Payroll	4,305,436	4,493,285	4,318,042	4,392,942
Borough's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	499.08%	498.31%	364.68%	423.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.28%	0.97%	1.97%	1.98%

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, 2022, the Borough estimates this liability to approximate \$1,369,626 based on 2022 pay rates and compensated absence balances. The Borough has \$209,284 reserved at December 31st to partially fund this liability.

NOTE 15: ECONOMIC DEPENDENCY

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

NOTE 16: CONTINGENT LIABILITIES

From time to time, the Borough is a defendant in legal proceedings relating to its operations as a municipality. In the best judgment of the Borough'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, 2022 AND 2021

NOTE 17: 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 Borough maintains commercial insurance coverage for property, liability and surety bonds. During the year ended December 31, 2022 and 2021 the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough 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 Borough 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 Borough 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
2022	\$ 10,500.00	22,746.27	536.57	3,314.11	190,318.02
2021	25,000.00	10,587.32	131.98	4,421.77	159,849.29
2020	35,000.00	27,511.67	344.82	18,058.36	128,551.76

NOTE 18: 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 Borough. 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 Borough has an obligation of due care in selecting the third party administrator.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 19: INTERFUND BALANCES

As of December 31, 2022, 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	\$ 563.21	
Water & Sewer Operating Fund	196,911.56	
Water & Sewer Capital Fund	309,115.64	
Beach Utility Fund	98,043.26	
Other Trust Fund	16,160.16	
Federal & State Grant Fund	48,725.86	
Trust Fund:		
Current - Animal Control Fund		563.21
Current - Other Trust Fund		7,108.71
Current - Payroll Trust		9,013.26
Current - Escrow		38.19
General Capital Fund		
Water & Sewer Capital Fund		2,649,877.25
Water & Sewer Operating Fund		
Current Fund		196,911.56
Grant Fund		22,932.34
Water & Sewer Capital Fund	1,171,801.99	
Federal and State Grant Fund		
Current Fund		48,725.86
Water & Sewer Operating Fund	22,932.34	
Water & Sewer Capital Fund		
General Capital Fund	2,649,877.25	
Water & Sewer Operating Fund		1,171,801.99
Current Fund		309,115.64
Beach Utility Fund		
Current Fund		98,043.26
	\$ <u>4,514,131.27</u>	<u>4,514,131.27</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.

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 20: LENGTH OF SERVICE AWARD PROGRAM

On August 11, 1999 Borough Council adopted an ordinance establishing the Length of Service Awards (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the Borough of Avalon by referendum at the general election in November of 1999. This plan is made available to all bona fide eligible volunteers who are performing qualified services which is defined as firefighting and prevention services, emergency medical services and ambulance services pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, except for provisions added by reason of the LOSAP as enacted into federal law in 1997. The establishment of this LOSAP also complies with New Jersey Public Law 1997, Chapter 388 and the LOSAP Document. Contributions by the Borough for qualified participants were \$49,135.43 and \$42,448.12 for 2022 and 2021 respectively. The contributions are based on qualified service credits earned in the previous calendar year.

NOTE 21: SUBSEQUENT EVENTS

The Borough has evaluated subsequent events through September 1, 2023, the date which the financial statements were available to be issued and identified no events requiring disclosure.

SUPPLEMENTARY DATA



FORD - SCOTT

& ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTER BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the Borough Council
Borough of Avalon
County of Cape May, 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 financial statements – regulatory basis, as listed in the accompanying table of contents, of the Borough of Avalon, State of New Jersey, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 1, 2023, which was adverse due to being presented in accordance with the New Jersey Regulatory Basis of Accounting. Our report disclosed that, as described in Note 1 to the financial statements, the Borough of Avalon prepares its financial statements on a basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), that demonstrates compliance with a modified accrual basis of accounting and the budget laws of the State of New Jersey.

Report 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) as a basis for designing 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 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.

Report on 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 financial statement. 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

September 1, 2023

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

	Regular Fund	Grant Fund
Balance December 31, 2021	\$ 14,337,118.66	-
Increased by Receipts:		
Taxes Receivable	52,772,593.13	
Homestead Rebates Received	59,492.83	
Miscellaneous Revenue Not Anticipated	514,027.54	
Revenue Accounts Receivable	4,191,508.18	
Prepaid Taxes	1,833,809.11	
Tax Overpayments	8,222.88	
Due from State - Senior and Veterans	20,243.15	
Reserve for Municipal Property Relief Act	22,728.54	
State Training Fees for New Construction	37,626.00	
State Fee for Marriage Licenses	950.00	
Prepaid Rental Licenses	243,900.00	
Prepaid Fire Inspection Fees	68,481.00	
Prepaid Sport Fishing Center Slip	29,473.22	
Reserve for Animal Protection Fund	1,900.00	
Reserve for 911 Memorial Maintenance	200.00	
Due from Beach Utility Operating Fund	240,731.04	
Reserve for Library Surplus Transfer	463,880.00	
Due from Grant Fund	145,812.87	
Federal and State Grant Receivables		196,274.11
Federal and State Grants Unappropriated		121,544.20
	<u>60,655,579.49</u>	<u>317,818.31</u>
	74,992,698.15	317,818.31
Decreased by Disbursements:		
Current Year Appropriation	27,509,006.82	
Prior Year Appropriations	594,607.04	
Accounts Payable	3,677.11	
County Taxes	27,990,373.20	
Due County - Added Taxes	304,442.80	
Local District School Taxes	3,140,268.00	
Due to State:		
State Training Fees for New Construction	38,331.00	
State Fee for Marriage Licenses	995.00	
Protested Checks	2,975.68	
Reserve for Benches - Downtown	1,200.00	
Reserve for Animal Protection Fund	266.34	
Due to Current Fund		145,812.87
ARP Funds Due to Current		129,370.32
Due to Fire Safety Trust	1,725.00	
Due from Trust Other	9,089.16	
Due from TTL Trust	432.62	
Due from Avalon Library	2,197.57	
Due from Water Sewer Operating Fund	175,822.66	
Due from Water & Sewer Capital Fund	309,115.64	
Federal and State Disbursements		42,635.12
	<u>60,084,525.64</u>	<u>317,818.31</u>
Balance December 31, 2022	\$ <u>14,908,172.51</u>	<u>-</u>

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

Year	Balance Dec. 31, 2021	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2022
				2021	2022				
2021	\$ 234,057.20	-	-	-	230,762.92	3,294.28	-	-	0.00
	<u>234,057.20</u>				<u>230,762.92</u>	<u>3,294.28</u>			<u>0.00</u>
2022	-	54,200,139.80	619,637.63	1,834,956.15	52,639,619.84	79,072.31	32.38	-	266,096.75
	<u>234,057.20</u>	<u>54,200,139.80</u>	<u>619,637.63</u>	<u>1,834,956.15</u>	<u>52,870,382.76</u>	<u>82,366.59</u>	<u>32.38</u>	<u>-</u>	<u>266,096.75</u>

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

Balance December 31, 2021		\$	450.10
Increased by:			
Transfers from Taxes Receivable	32.38		
Interest and Costs Accrued by Sale			
	<hr/>		<hr/>
			32.38
			482.48
Decreased by:			
Collections	-		
	<hr/>		<hr/>
			-
Balance December 31, 2022		\$	<u><u>482.48</u></u>

CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE

	Balance Dec. 31, 2021	Accrued in 2022	Collected by Treasurer	Balance Dec. 31, 2022
Licenses:				
Alcoholic Beverages		23,438.00	23,438.00	-
Other		1,007.50	1,007.50	-
Fees and Permits		495,659.87	495,659.87	-
Fines and Costs:				
Municipal Court	1,973.82	75,034.21	73,173.90	3,834.13
Interest and Costs on Taxes		94,539.17	94,539.17	-
Interest on Investments		122,339.77	122,339.77	-
Fees from Fire Inspections		133,602.00	133,602.00	-
Fees from Rental Registrations and Licenses		319,200.00	319,200.00	-
Television Cable Fees		60,136.19	60,136.19	-
Library - Rent & Administration/Bldgs & Grounds		157,500.00	157,500.00	-
Energy Receipts Tax		435,714.00	435,714.00	-
Garden State Preservation Trust Fund		3,877.00	3,877.00	-
American Rescue Plan		129,370.33	129,370.33	-
Construction Code Official:				
Fees and Permits		592,485.00	592,485.00	-
Uniform Fire Safety Act		15,888.61	15,888.61	-
Reserve for Payment of BAN's		1,500,000.00	1,500,000.00	-
County of Cape May - Fleet Maintenance		89,888.30	89,888.30	-
Interlocal Agreement Municipal Court - Stone Harbor		155,500.00	155,500.00	-
Interlocal Agreement CFO-Woodbine		26,849.44	26,849.44	-
Interlocal Agreement CFO-Stone Harbor		101,273.32	101,273.32	-
Transfer of Excess Library Surplus		1,069,700.00	1,069,700.00	-
	<u>1,973.82</u>	<u>5,603,002.71</u>	<u>5,601,142.40</u>	<u>3,834.13</u>
\$				
Cash Receipts			4,191,508.18	
Prior Year's Prepaids applied:				
Transfer of Excess Library Surplus			1,069,700.00	
Sport Fishing Center Slip			28,033.22	
Fire Inspection Fees			67,401.00	
Rental Licenses			244,500.00	
			<u>5,601,142.40</u>	

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

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charges	Balance Lapsed
Business Administration				
Salaries and Wages	\$ 17,360.96	17,360.96		17,360.96
Other Expenses	7,802.12	7,802.12	3,566.74	4,235.38
Other Expenses - Employee Awards Program	500.00	500.00		500.00
Council				
Salaries and Wages	102.54	102.54		102.54
Other Expenses	4,030.56	4,030.56	1,044.00	2,986.56
Office of the Mayor				
Salaries and Wages	8,844.42	8,844.42		8,844.42
Other Expenses	30,593.59	30,593.59	3,769.40	26,824.19
Borough Clerk's Office				
Salaries and Wages	15,698.17	15,698.17		15,698.17
Other Expenses	10,763.10	10,763.10	950.96	9,812.14
Treasurer's Office				
Salaries and Wages	1,288.49	1,288.49		1,288.49
Other Expenses	2,057.53	2,057.53	2,034.60	22.93
Audit Services				
Other Expenses	1,437.50	1,437.50		1,437.50
Election				
Other Expenses	4,164.00	4,164.00		4,164.00
Municipal Court				
Salaries and Wages	13,405.53	13,405.53		13,405.53
Other Expenses	3,442.23	3,442.23	270.25	3,171.98
Revenue Administration (Tax Collector)				
Other Expenses	10,590.04	10,590.04	8,281.68	2,308.36

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

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charges	Balance Lapsed
Tax Assessment Administration				
Salaries and Wages	2,979.71	2,979.71		2,979.71
Other Expenses	7,647.90	7,647.90	4,315.92	3,331.98
Legal Services				
Other Expenses	61,867.36	61,867.36	61,502.05	365.31
Engineering Services and Costs				
Other Expenses	37,801.44	37,801.44	28,114.05	9,687.39
Licensing				
Salaries and Wages	6,531.28	6,531.28		6,531.28
Other Expenses	111.30	111.30		111.30
Worker and Community Right to Know Act				
Salaries and Wages	6,622.14	6,622.14		6,622.14
Other Expenses	10,561.66	10,561.66	10,406.01	155.65
Planning and Zoning				
Salaries and Wages	94.64	94.64		94.64
Other Expenses	18,232.79	18,232.79	5,074.25	13,158.54
Environmental Commission				
Salaries and Wages	529.00	529.00	-	529.00
Other Expenses	76.04	76.04	16.80	59.24
INSURANCE				
General Liability	4,153.75	4,153.75		4,153.75
Other Insurance	21,863.75	21,863.75		21,863.75
Workers Compensation	8,785.23	8,785.23		8,785.23
Health Benefit Waiver				
Salaries and Wages	9,443.51	9,443.51		9,443.51
Employee Group Health	302,182.73	302,182.73	13,120.19	289,062.54
Fire Department				
Other Expenses	57,723.09	57,723.09	53,708.63	4,014.46

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

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charges	Balance Lapsed
Police Department				
Salaries and Wages	306,607.97	306,607.97	34,037.16	272,570.81
Other Expenses:				
Miscellaneous Other Expenses	117,535.20	117,535.20	110,116.97	7,418.23
Office of Emergency Management				
Salaries and Wages	21,846.94	21,846.94		21,846.94
Other Expenses	1,908.35	1,908.35	1,852.50	55.85
Fire Official				
Other Expenses	1,895.86	1,895.86		1,895.86
Rescue Squad				
Other Expenses	7,452.68	7,452.68	7,083.72	368.96
Municipal Prosecutor				
Salaries and Wages	26,718.87	26,718.87		26,718.87
Division of Public Works				
Salaries and Wages	648.00	648.00		648.00
Other Expenses:				
Miscellaneous Other Expenses	36,540.68	36,540.68	21,314.08	15,226.60
Landscape/Lawn Care - Contractual	93,278.08	93,278.08	48,381.49	44,896.59
Garbage and Trash Removal				
Contractual	6,139.07	6,139.07		6,139.07
Garbage and Trash Licenses				
Other Expenses	1,000.00	1,000.00		1,000.00
Recycling				
Contractual	6,875.32	6,875.32		6,875.32
Sanitary Landfill Closure Act				
Other Expenses	70,865.21	70,865.21	13,405.54	57,459.67
Vehicle Maintenance				
Salaries and Wages	8,887.11	8,887.11		8,887.11
Other Expenses	43,599.92	43,599.92	18,060.35	25,539.57

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

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charges	Balance Lapsed
Animal Control				
Other Expenses	18,043.87	18,043.87		18,043.87
Recreation				
Salaries and Wages	82,823.78	82,823.78	5,076.54	77,747.24
Other Expenses	34,660.86	34,660.86	18,335.30	16,325.56
Construction Official				
Salaries and Wages	18,261.54	18,261.54	360.00	17,901.54
Other Expenses	1,771.64	1,771.64	480.00	1,291.64
Zoning Official				
Salaries and Wages	8,284.46	8,284.46		8,284.46
Other Expenses	259.50	259.50		259.50
Code Enforcement				
Other Expenses	829.68	829.68	117.50	712.18
Salary Adjustments	39,817.31	39,817.31		39,817.31
Electric, Natural Gas	134,750.86	134,750.86	77,549.57	57,201.29
Telephone	10,324.61	10,324.61	6,079.08	4,245.53
Gasoline	33,039.74	33,039.74	8,629.95	24,409.79
Contingent	24,403.28	24,403.28	21,412.09	2,991.19
Social Security System	77,033.63	77,033.63		77,033.63
Defined Contribution Retirement Program	3.33	3.33		3.33
Back PERS	0.66	0.66		0.66
LOSAP Award Program:	27,551.88	27,551.88		27,551.88
Library Appropriation	0.44	0.44		0.44
Emergency Dispatch Services	92,280.00	92,280.00		92,280.00
Matching Funds for Grants	15,000.00	15,000.00		15,000.00

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

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charges	Balance Lapsed
Capital:				
HVAC History Center / PW / Chamber	46,725.00	46,725.00	11,579.47	35,145.53
Various Capital Repairs to Buildings	65,939.49	65,939.49	7,295.50	58,643.99
Recreation Improvements	51,461.00	51,461.00		51,461.00
Sidewalks 71-74th & Dune	25,000.00	25,000.00	19,150.00	5,850.00
78th Street Pump Station	530,000.00	530,000.00	530,000.00	-
Dune Drive Landscaping	125,000.00	125,000.00	123,875.00	1,125.00
Borough Hall Security Improvements	20,000.00	20,000.00		20,000.00
Boardwalk Improvements	1,549.82	1,549.82		1,549.82
Breath Test Machine - Police Department	20,000.00	20,000.00	20,000.00	-
	<u>\$ 2,945,903.74</u>	<u>2,945,903.74</u>	<u>1,300,367.34</u>	<u>1,645,536.40</u>
Cash Disbursements			594,607.04	
Transfer to Accounts Payable			705,760.30	
			<u>1,300,367.34</u>	

CURRENT FUND
SCHEDULE OF FEDERAL AND STATE GRANTS - UNAPPROPRIATED RESERVES

<u>Purpose</u>	<u>Balance Dec. 31, 2021</u>	<u>Transferred To 2022 Appropriations</u>	<u>Received</u>	<u>Transferred to Current Fund</u>	<u>Balance Dec. 31, 2022</u>
FEDERAL GRANTS:					
Body Armor Replacement Fund	\$ 1,789.04	1,789.04	2,890.64		2,890.64
American Rescue Plan	64,685.16		64,685.16	129,370.32	-
Total Federal	66,474.20	1,789.04	67,575.80	129,370.32	2,890.64
STATE GRANTS:					
Drunk Driving Enforcement Fund	2,500.00	2,500.00			-
Recycling Tonnage	9,356.78	9,356.78	9,829.06		9,829.06
Clean Communities	26,272.74	26,272.74	26,831.28		26,831.28
COPS in Shops	2,400.00	2,400.00	1,440.00		1,440.00
Total State	40,529.52	40,529.52	38,100.34	-	38,100.34
LOCAL GRANTS:					
McElhatton Recreation Grant	300.00	300.00	15,368.06		15,368.06
Stone Harbor / Sea Isle Communications Grant			500.00		500.00
	300.00	300.00	15,868.06	-	15,868.06
\$ 107,303.72		42,618.56	121,544.20	129,370.32	56,859.04

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

<u>Purpose</u>	<u>Balance Dec. 31, 2021</u>	<u>Transferred From 2022 Revenues</u>	<u>Received</u>	<u>Balance Dec. 31, 2022</u>
FEDERAL GRANTS:				
COPS in Shops	\$	1,920.00		1,920.00
Total Federal	-	1,920.00	-	1,920.00
STATE GRANTS:				
NJ DOT - 2022	155,000.00	150,000.00		150,000.00
NJ DOT - 2021	150,000.00			155,000.00
NJ DOT 68th Street	177,000.00		150,000.00	-
NJ DOT Trust Fund Authority Act				177,000.00
NJ DEP Pine Beetle Grant	2,598.13			2,598.13
NJ DEP Community Stewardship Incentive Program	30,000.00		27,524.31	2,475.69
CMC Police Body Worn Camera Grant	93,748.00		18,749.80	74,998.20
Sustainable Jersey Grant	10,000.00			10,000.00
Total State	618,346.13	150,000.00	196,274.11	572,072.02
OTHER GRANTS:				
Cape May County 78th Street Pump Station Project		672,000.00		672,000.00
Total Other	-	672,000.00	-	672,000.00
	\$ 618,346.13	823,920.00	196,274.11	1,245,992.02

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2021		2022	Disbursed	Encumbrances	Balance Dec. 31, 2022
	Appropriated	Reserve for Encumbrances				
FEDERAL GRANTS:						
COPS in Shops - 2022			4,320.00			4,320.00
COPS in Shops - 2021	4,142.66			960.00		3,182.66
Police Body Armor Replacement Fund - 2022			1,789.04	1,789.04		-
Police Body Armor Replacement Fund	33.96			33.96		-
Total Federal	4,176.62	-	6,109.04	2,783.00	-	7,502.66
STATE GRANTS:						
Clean Communities Program - 2022			26,272.74	9,682.00		16,590.74
Clean Communities Program - 2020	3,962.35	2,876.40		6,838.75		-
Green Communities	675.91					675.91
Body Worn Camera Grant	90,748.08			8,535.00		82,213.08
Drunk Driving Enforcement Fund - 2015	161.90			161.90		(0.00)
Drunk Driving Enforcement Fund - 2018	3,000.00			2,534.26		465.74
Drunk Driving Enforcement Fund - 2020	6,000.00					6,000.00
Drunk Driving Enforcement Fund - 2022			2,500.00			2,500.00
Recycling Tonnage Grant - 2022			9,356.78			9,356.78
Recycling Tonnage Grant - 2020	12,763.56					12,763.56
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
Sustainable Jersey	20,000.00					20,000.00
NJ DEP Community Stewardship Incentive Program	8,211.64					8,211.64
NJ DOT Transportation Trust Fund	155,000.00		150,000.00		150,000.00	155,000.00
NJ DEP Pine Beetle Grant	1,919.11					1,919.11
Municipal Stormwater Regulation	6,822.00					6,822.00
Click it or Ticket	1,162.45					1,162.45
Total State	314,092.49	2,876.40	188,129.52	27,751.91	150,000.00	327,346.50

CURRENT FUND
SCHEDULE OF APPROPRIATED RESERVES FOR FEDERAL AND STATE GRANTS

	Balance December 31, 2021		2022 Appropriations	Disbursed	Encumbrances	Balance Dec. 31, 2022
	Appropriated	Reserve for Encumbrances				
LOCAL GRANTS:						
Recreation Grant - McElhaton	3,979.21		300.00	4,279.21		-
Comcast Technology Grant - 2009	6,116.30			1,500.00		4,616.30
Wawa Foundation Grant	1,874.00	6,321.00		6,321.00		1,874.00
Cape May County 78th Street Pump Station Project			672,000.00		672,000.00	-
	<u>11,969.51</u>	<u>6,321.00</u>	<u>672,300.00</u>	<u>12,100.21</u>	<u>672,000.00</u>	<u>6,490.30</u>
\$	<u>330,238.62</u>	<u>9,197.40</u>	<u>866,538.56</u>	<u>42,635.12</u>	<u>822,000.00</u>	<u>341,339.46</u>

TRUST FUND
SCHEDULE OF ANIMAL CONTROL CASH - TREASURER

Balance December 31, 2021		\$	611.02
Increased By Receipts:			
Dog Licenses Fees	35.00		
Interest Earned on Investments	<u>1.89</u>		
			<u>51.89</u>
			662.91
Decreased By Disbursements:			
Due to State of New Jersey	<u>6.60</u>		
			<u>6.60</u>
Balance December 31, 2022		\$	<u><u>656.31</u></u>

TRUST FUND
SCHEDULE OF OTHER TRUST CASH - TREASURER

Balance December 31, 2021		\$ 890,414.87
Increased By Receipts:		
Due to Current Fund - TTL	\$ 433.54	
Due to Current Fund - Trust Other	17,877.53	
Payroll Deductions Payable	11,352,401.33	
Reserve for Unemployment Compensation	33,782.84	
Reserve for Parking Offenses Adjudication Act	172.00	
Reserve for Planning Board Escrow	357,267.22	
Reserve for Law Enforcement Trust Fund	14.65	
Reserve for Accumulated Absences	100,000.00	
Reserve for Off Duty Police	11,550.00	
Reserve for Dedicated Fire Penalties	1,475.00	
	<hr/>	11,874,974.11
		<hr/> 12,765,388.98
Decreased By Disbursements:		
Payroll Deductions Payable	11,350,086.90	
Due from Current Fund - Payroll Trust	3,532.84	
Due from Current Fund- Escrow	1,732.62	
Reserve for Unemployment Compensation	3,314.11	
Reserve for Parking Offenses Adjudication Act	1,701.95	
Reserve for Planning Board Escrow	96,777.84	
Reserve for Accumulated Absences	157,774.03	
Reserve for Off Duty Police	10,440.00	
	<hr/>	11,625,360.29
Balance December 31, 2022		\$ <hr/> <hr/> 1,140,028.69

TRUST FUND
SCHEDULE OF RESERVE FOR ANIMAL CONTROL EXPENDITURES

Balance December 31, 2021		\$	139.14
Increased By:			
Dog Licenses Fees Collected	35.00		
Interest Earned on Investments	<u>1.89</u>		
			<u>36.89</u>
			176.03
Decreased By Disbursements:			
Statutory Excess Due to Current Fund	<u>91.33</u>		
			<u>91.33</u>
Balance December 31, 2022		\$	<u><u>84.70</u></u>

License Fees Collected

Year

2020	\$	39.20
2021		<u>45.50</u>
		<u><u>84.70</u></u>

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

Balance December 31, 2021		\$ 471.88
Increased By:		
Statutory Excess in Reserves for Expenditures	<u>91.33</u>	<u>91.33</u>
		563.21
Decreased By:		
None	<u>-</u>	<u>-</u>
Balance December 31, 2022		\$ <u><u>563.21</u></u>

SCHEDULE OF AMOUNT DUE TO STATE OF NEW JERSEY

Balance December 31, 2021		\$ -
Increased By:		
Collected in 2022	<u>15.00</u>	<u>15.00</u>
		15.00
Decreased By:		
Paid to State of New Jersey	<u>6.60</u>	<u>6.60</u>
		8.40
Balance December 31, 2022		\$ <u><u>8.40</u></u>

TRUST FUND
SCHEDULE OF RESERVE FOR UNEMPLOYMENT COMPENSATION

Balance December 31, 2021		\$	159,849.29
Increased By:			
Employee Withholdings	22,746.27		
Interest Earned on Deposits	536.57		
Budget Appropriations:			
Current Fund	7,500.00		
Beach Utility Fund	3,000.00		
			<u>33,782.84</u>
			193,632.13
Decreased By:			
Unemployment Compensation Payments	3,314.11		
			<u>3,314.11</u>
Balance December 31, 2022		\$	<u><u>190,318.02</u></u>

TRUST - OTHER FUNDS
SCHEDULE OF MISCELLANEOUS RESERVES
FOR THE YEAR ENDED DECEMBER 31, 2021

<u>Reserve</u>	Balance Dec. 31, 2021	Receipts	Disbursements	Balance Dec. 31, 2022
Payroll Deductions Payable	\$ 50,688.87	11,352,401.33	11,350,086.90	53,003.30
Reserve for Parking Offenses Adjudication Act	4,162.94	172.00	1,701.95	2,632.99
Reserve for Small Cities Grant	44,270.50			44,270.50
Reserve for Planning Board Escrow	282,571.32	357,267.22	96,777.84	543,060.70
Reserve for Law Enforcement Trust Fund	5,098.00	14.65		5,112.65
Reserve for Accumulated Absences	267,058.35	100,000.00	157,774.03	209,284.32
Reserve for Off Duty Police	51,709.50	11,550.00	10,440.00	52,819.50
Reserve for Dedicated Fire Penalties	5,484.12	1,475.00		6,959.12
Reserve for Tax Title Lien Redemption	1,407.43			1,407.43
Reserve for Environment Trust	15,000.00			15,000.00
	<u>\$ 727,451.03</u>	<u>11,822,880.20</u>	<u>11,616,780.72</u>	<u>933,550.51</u>

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

Balance December 31, 2021		\$ 2,727,079.54
Increased by:		
Budget Appropriations:		
Capital Improvement Fund	500,000.00	
Deferred Charges - Unfunded & Note Principal	6,805,653.00	
Applied to Reserve to Pay Debt Service:		
FEMA Firefighters Grant	571,428.57	
Other Contributions	48,648.71	
Bond Anticipation Notes	16,775,630.00	
Due to Water & Sewer Capital Fund	249,877.25	
	<hr/>	
		<hr/> 24,951,237.53
		27,678,317.07
Decreased by:		
Improvement Authorizations	7,033,243.55	
Anticipated as a Revenue in Current Fund Budget;		
Reserve for Payment of Bonds	1,500,000.00	
Bond Anticipation Notes	11,126,283.00	
	<hr/>	
		<hr/> 19,659,526.55
Balance December 31, 2022		\$ <u><u>8,018,790.52</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2021	Receipts		Disbursements		Transfers		Balance Dec. 31, 2022
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 52,221.33							52,221.33
Capital Improvement Fund	274.37							6,999.37
Contracts Payable	9,861,428.51	500,000.00			9,861,428.51	493,275.00	5,034,514.71	5,034,514.71
Reserve for Payment of Debt Service	1,504,422.61	620,077.28			1,500,000.00			624,499.89
Due to Water & Sewer Capital	2,400,000.00	249,877.25						2,649,877.25
Improvement Authorizations:								
717-15 Beachfill Project	(3,181,394.80)			(8,733.71)				(3,172,661.09)
721-15 Various Capital Projects	(63,000.00)	63,000.00		(23,075.21)		20,968.78		432,197.64
736-16 Various Capital Projects	430,091.21			1,000.00				334,021.47
757-17 Various Capital Projects	335,021.47			(21,952.35)				312,153.82
771-18 Various Improvements	312,153.22			(268,015.67)		21,951.75		(105,338.67)
786-19 Various Capital Improvements	(246,430.67)			25,629.97		126,923.67		(19,007.42)
793-19 Various Beach Improvements	6,622.55			44,685.93		238,393.40		(1,392,852.73)
803-20 Various Improvements	(1,109,773.40)			(2,682,634.02)		3,517,936.12		4,528,569.61
825-21 Various Improvements	(7,028,128.29)		12,392,000.00	400.00				(546,828.57)
830-21 Fire Department Communications Improvements	(546,428.57)			104,060.10		1,108,340.99	478,275.00	(734,126.09)
840-22 Various Improvements				450.00			15,000.00	14,550.00
846-22 Trash & Recycling Equipment								
	<u>\$ 2,727,079.54</u>	<u>1,432,954.53</u>	<u>12,392,000.00</u>	<u>(2,828,184.96)</u>	<u>11,361,428.51</u>	<u>5,527,789.71</u>	<u>5,527,789.71</u>	<u>8,018,790.52</u>

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

Balance December 31, 2021		\$	274.37
Increased by:			
Current Fund Budget Appropriation	500,000.00		
	<hr/>		<hr/>
			500,000.00
			500,274.37
Decreased by:			
Appropriation to Finance Improvement Authorization	493,275.00		
	<hr/>		<hr/>
			493,275.00
Balance December 31, 2022		\$	<u><u>6,999.37</u></u>

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

Balance December 31, 2021		\$	357,461.33
Increased by:			
None	-		
	<hr/>		<hr/>
			-
			357,461.33
Decreased by:			
Green Acres Loans Paid by Operating Budget	68,006.73		
	<hr/>		<hr/>
			68,006.73
Balance December 31, 2022		\$	<u><u>289,454.60</u></u>

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**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, 2021	Decreased	Balance Dec. 31, 2022
			Outstanding		Amount	Balance Dec. 31, 2022				
			Balance	Date						
New Jersey Green Acres Trust Program: Park Improvements to 8th Street	10/15/2013	\$ 149,950			4,715.50	2.000%	\$	14,006.86	9,291.36	4,715.50
New Jersey Green Acres Trust Program: 8th Street Recreation - Part I of Refunding	5/19/2005	150,000		01/19/23	4,437.39	2.000%		31,378.55	8,743.40	22,635.15
				07/19/23	4,481.76					
				01/19/24	4,526.58					
				07/19/24	4,571.85					
				01/19/25	4,617.57					
New Jersey Green Acres Trust Program: 8th Street Recreation - Part II of Refunding	11/3/2007	500,000		05/03/23	14,214.15	2.000%		161,172.67	28,007.48	133,165.19
				11/03/23	14,356.29					
				05/03/24	14,499.85					
				11/03/24	14,644.85					
				05/03/25	14,791.30					
				11/03/25	14,939.21					
				05/03/26	15,088.60					
				11/03/26	15,239.49					
				05/03/27	15,391.45					
New Jersey Green Acres Trust Program: Multi-Park Improvements	6/18/2008	400,000		6/18/23	11,147.25	2.000%		150,903.25	21,964.49	128,938.76
				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	12,313.81					

**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, 2021	Increased	Decreased	Balance Dec. 31, 2022
Beachfill Project	717-15	5/28/2015	2/11/2021	2/11/2022	0.75%	\$ 5,123,630.00			-
Beachfill Project	717-15	5/28/2015	2/10/2022	2/10/2023	2.00%		1,623,630.00	5,123,630.00	1,623,630.00
Various Improvements	754-17	2/13/2020	2/11/2021	2/11/2022	0.75%	817,000.00		817,000.00	-
Various Improvements	771-18	2/15/2019	2/11/2021	2/11/2022	0.75%	2,425,653.00		2,425,653.00	-
Various Improvements	786-19	2/11/2021	2/11/2021	2/11/2022	0.75%	1,260,000.00		1,260,000.00	-
			2/10/2022	2/10/2023	2.00%		1,260,000.00		1,260,000.00
8th Street Jetty Repairs	792-19	2/11/2021	2/11/2021	2/11/2022	0.75%	1,500,000.00		1,500,000.00	-
			2/10/2022	2/10/2023	2.00%		1,500,000.00		1,500,000.00
Various Improvements	825-21	2/10/2022	2/10/2022	2/10/2023	2.00%		12,392,000.00		12,392,000.00
						<u>\$ 11,126,283.00</u>	<u>16,775,630.00</u>	<u>11,126,283.00</u>	<u>16,775,630.00</u>
						Renewals		4,383,630.00	
						Paid by Budget Appropriation		6,742,653.00	
								<u>11,126,283.00</u>	

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2021	2022 Authorizations	Bond Antic. Notes Issued	Other/Budget Appropriation	Balance Dec. 31, 2022
717-15	Beachfill Project	\$ 3,203,934.48				3,203,934.48
721-15	Various Capital Projects	63,000.00			63,000.00	-
771-18/805-20	Various Improvements	240,000.00				240,000.00
786-19	Various Capital Improvements	411,200.00				411,200.00
793-19	Various Beach Improvements	855,000.00				855,000.00
803-20	Various Improvements	2,145,250.00				2,145,250.00
825-21	Various Improvements	12,586,500.00		12,392,000.00		194,500.00
830-21	Fire Department Communications Improvements	571,428.57				571,428.57
840-22	Various Improvements		2,113,100.00			2,113,100.00
846-22	Trash & Recycling Equipment		285,000.00			285,000.00
		<u>\$ 20,076,313.05</u>	<u>2,398,100.00</u>	<u>12,392,000.00</u>	<u>63,000.00</u>	<u>10,019,413.05</u>

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

	<u>Operating Fund</u>	<u>Capital Fund</u>
Balance December 31, 2021	\$ 1,512,893.36	146,536.03
Increased by Receipts:		
Water & Sewer Rents	6,564,868.73	
Prepaid Water & Sewer Rents	1,019,581.93	
Overpaid Water & Sewer Rents	64,402.64	
Miscellaneous Revenue Anticipated	648,038.75	
Non-Budget Revenue	104,054.44	
Due from Middlesex Water Company	38,848.46	
Due to / from Water Sewer Operating Fund		1,171,801.99
Due to Current Fund	175,822.66	309,115.64
Budget Appropriations:		
Capital Improvement Fund		300,000.00
Capital Ordinance Funding		397,275.00
Bond Anticipation Notes		5,000,000.00
	<u>8,615,617.61</u>	<u>7,178,192.63</u>
	10,128,510.97	7,324,728.66
Decreased by Disbursements:		
Current Year Appropriation	6,987,223.63	
Prior Year Appropriations	143,781.47	
Accrued Interest on Bonds and Notes	429,689.77	
Due from General Capital Fund		249,877.25
Due to / from Water Sewer Capital Fund	1,171,801.99	
Improvement Authorizations		7,074,851.41
	<u>8,732,496.86</u>	<u>7,324,728.66</u>
Balance December 31, 2022	\$ <u><u>1,396,014.11</u></u>	<u><u>-</u></u>

WATER AND SEWER UTILITY CAPITAL FUND
ANALYSIS OF CASH

	Balance Dec. 31, 2021	Receipts		Disbursements		Transfers		Balance Dec. 31, 2022
		Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	
Fund Balance	\$ 167,064.25							167,064.25
Capital Improvement Fund	875.00	300,000.00				285,000.00		15,875.00
Downpayment on Improvements	3,993.00							3,993.00
Due from Water Sewer Operating		1,171,801.99			249,877.25			1,171,801.99
Due from General Capital Fund	(2,400,000.00)							(2,649,877.25)
Due from Current Fund		309,115.64			6,724,763.55			309,115.64
Encumbrances Payable	6,724,763.55						3,253,465.54	3,253,465.54
<u>Improvement Authorizations:</u>								
629-10 Improve 38th Street Water Tower	(50,000.00)	50,000.00						-
678-13 Various Capital Improvements	0.48							0.48
722-15 Various Water & Sewer Improvements	1,814.19			1,814.19				(0.00)
737-16 Various Water & Sewer Improvements	850,000.00			625,774.46		211,048.54		13,177.00
751-16 Ocean Drive Sanitary Sewer Project				(259,693.69)		17,007.53		242,686.16
755-17 Various Water & Sewer Improvements	97,060.00			6,659.29		7,212.31		83,188.40
770-18 Various Improvements	33,309.63			33,309.63				-
787-19 Various Water & Sewer Improvements	(1,130,969.85)	347,275.00		(75,214.71)		345,207.78		(1,053,687.92)
804-20 Various Improvements	(226,778.81)			(57,928.31)		108,252.78		(277,103.28)
826-21 Various Improvements	(3,924,595.41)		5,000,000.00	(10,466.55)		1,079,241.60		6,629.54
841-22 Various Water & Sewer Capital Improvements				85,833.55		1,485,495.00	285,000.00	(1,286,328.55)
	\$ 146,536.03	2,178,192.63	5,000,000.00	350,087.86	6,974,640.80	3,538,465.54	3,538,465.54	-

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

Balance December 31, 2021		\$	94,752.43
Increased by Receipts:			
Rents Levied	<u>6,652,467.99</u>		<u>6,652,467.99</u>
			6,747,220.42
Decreased by Disbursements:			
Prepayments/Overpayments Applied	48,189.13		
Collections	<u>6,564,868.73</u>		<u>6,613,057.86</u>
Balance December 31, 2022		\$	<u><u>134,162.56</u></u>

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

	Balance Dec. 31, 2021	Balance After Transfers	Paid or Charged	Lapsed
Operating:				
Salaries and Wages	\$ 55,737.90	40,637.37	-	40,637.37
Other Expenses	115,719.93	115,719.93	105,557.26	10,162.67
Capital Improvements:				
Capital Outlay	23,123.68	38,224.21	38,224.21	-
Statutory Expenditures				
Contribution to:				
Social Security System (O.A.S.I.)	4,945.72	4,945.72	-	4,945.72
	<u>199,527.23</u>	<u>199,527.23</u>	<u>143,781.47</u>	<u>55,745.76</u>
	\$			

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

Balance December 31, 2021		\$ 102,549.04
Increased by:		
Budget Appropriations:		
Interest on Bonds and Loans	402,769.43	
Interest on Notes	<u>25,000.00</u>	
		<u>427,769.43</u>
		530,318.47
Decreased By:		
Payments of Debt Service Interest	<u>429,689.77</u>	
		<u>429,689.77</u>
Balance December 31, 2022		\$ <u><u>100,628.70</u></u>

Analysis of Accrued Interest December 31, 2022

Principal Outstanding December 31, 2022	Interest Rate	From	To	Days	Amount
<u>Bonds, Notes and Loans</u>					
7,400,000.00	2.00%	2/10/2022	12/31/2022	325	33,633.04
60,000.00	4.00%	11/15/2022	12/31/2022	47	309.04
10,115,000.00	4.00%	11/1/2022	12/31/2022	61	63,899.09
133,000.00	5.00%	8/1/2022	12/31/2022	153	<u>2,787.53</u>
					<u><u>100,628.70</u></u>

WATER AND SEWER UTILITY CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ord #	Improvement Description	Ord. Date	Amount	Authorizations				Paid or Charged	Balance December 31, 2022	
				Balance December 31, 2021		Other Funding	Deferred Charges to Future Revenue		Funded	Unfunded
				Funded	Unfunded					
678-13	Various Improvements	3/13/2013	1,061,500.00	\$	0.48				0.48	
722-15	Various Water & Sewer Improvements	5/13/2015	2,500,500.00		1,814.19			1,814.19	(0.00)	
737-16	Various Water & Sewer Improvements	4/13/2016	2,639,960.00		850,000.00			836,823.00	13,177.00	
751-16	Ocean Drive Sanitary Sewer Project	11/9/2016	2,400,000.00					(242,686.16)	242,686.16	
755-17	Various Water & Sewer Improvements		837,600.00		97,060.00			13,871.60	83,188.40	
770-18	Various Improvements	2/23/2018	919,050.00		33,309.63			33,309.63	-	
787-19	Various Water & Sewer Improvements	4/24/2019	2,482,500.00			1,057,405.15		269,993.07		787,412.08
804-20	Various Improvements	4/8/2020	2,908,000.00			136,821.19		50,324.47		86,496.72
826-21	Various Improvements	7/28/2021	6,420,875.00			2,208,104.59		1,068,775.05		1,139,329.54
841-22	Various Water & Sewer Capital Improvements	4/13/2022	1,832,625.00			285,000.00	1,547,625.00	1,571,328.55		261,296.45
				\$	982,184.30	3,402,330.93	1,547,625.00	3,603,553.40	339,052.04	2,274,534.79
				Reserve for Encumbrances - 2021				\$	(6,724,763.55)	
				Reserve for Encumbrances - 2022					3,253,465.54	
				Cash Disbursed					7,074,851.41	
								\$	3,603,553.40	

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2021	Decreased	Balance Dec. 31, 2022
			December 31, 2022					
			Date	Amount				
Water/Sewer Improvement Refunding Bonds of Series 2008, Series 2017	8/23/2017	600,000	5/15/2023	60,000	4.00%	\$ 195,000.00	135,000.00	60,000.00
Water/Sewer Utility Bonds, Series 2018	11/23/2018	11,900,000	11/1/2023	565,000	5.00%	10,590,000.00	475,000.00	10,115,000.00
			11/1/2024	640,000	5.00%			
			11/1/2025	660,000	5.00%			
			11/1/2026	745,000	4.00%			
			11/1/2027	765,000	4.00%			
			11/1/2028	790,000	3.00%			
			11/1/2029	815,000	3.00%			
			11/1/2030	835,000	3.13%			
			11/1/2031	860,000	3.25%			
			11/1/2032	860,000	3.25%			
			11/1/2033	860,000	3.50%			
			11/1/2034	860,000	3.50%			
			11/1/2035	860,000	3.50%			
						\$ 10,785,000.00	610,000.00	10,175,000.00
						Paid by Budget Appropriation		
						610,000.00		

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, 2021	Decreased	Balance Dec. 31, 2022
			Date	December 31, 2022				
NJEIT Trust Series 2010B	12/2/2010	535,000.00	8/1/2023	41,000.00	5.00%	\$ 175,000.00	42,000.00	133,000.00
			8/1/2024	46,000.00	5.00%			
			8/1/2025	46,000.00	5.00%			
NJEIT Trust Fall 2010B	12/2/2010	583,240.00	2/1/2023	13,255.45	0.00%	159,065.60	39,766.35	119,299.25
			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%			
					\$	<u>334,065.60</u>	<u>81,766.35</u>	<u>252,299.25</u>
							<u>81,766.35</u>	

Paid by Budget Appropriation

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2021	Increased	Decreased	Balance Dec. 31, 2022
Various Water & Sewer Improvements	804-20	2/11/2021	2/11/2021	2/11/2022	0.75%	\$ 2,400,000.00		2,400,000.00	-
		2/11/2021	2/10/2022	2/10/2023	2.00%		2,400,000.00		2,400,000.00
Various Improvements	826-21	2/10/2022	2/10/2022	2/10/2023	2.00%		5,000,000.00		5,000,000.00
						\$ 2,400,000.00	7,400,000.00	2,400,000.00	7,400,000.00

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2021	2022 Authorizations	Debt Issued	Budget Appropriation	Balance Dec. 31, 2022
629-10	Improve 38th Street Water Tower	\$ 50,000.00			50,000.00	-
787-19	Various Water & Sewer Improvements	2,188,375.00			347,275.00	1,841,100.00
804-20	Various Improvements	363,600.00				363,600.00
826-21	Various Improvements	6,132,700.00		5,000,000.00		1,132,700.00
841-22	Various Water & Sewer Capital Improvements		1,547,625.00			1,547,625.00
		<u>\$ 8,734,675.00</u>	<u>1,547,625.00</u>	<u>5,000,000.00</u>	<u>397,275.00</u>	<u>4,885,025.00</u>

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

	Operating Fund	Capital Fund
Balance December 31, 2021	658,523.12	2,250.00
Increased by Receipts:		
Beach Fees Collected	1,509,992.88	
Prepaid Beach Fees	87,200.00	
Beach Vehicle Permits	23,125.23	
Anticipated Deficit - General Budget	534,305.58	
	<u>2,154,623.69</u>	<u>-</u>
	2,813,146.81	2,250.00
Decreased by Disbursements:		
Current Appropriations	1,778,818.86	
Appropriation Reserves	133,490.63	
Due to Current Fund	240,731.04	
	<u>2,153,040.53</u>	<u>-</u>
Balance December 31, 2022	<u><u>660,106.28</u></u>	<u><u>2,250.00</u></u>

**BEACH UTILITY CAPITAL FUND
ANALYSIS OF CASH**

	Balance Dec. 31, 2021	Balance Dec. 31, 2022
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, 2021	Balance After Transfers	Paid or Charged	Due to Current Fund
Operating:					
Salaries and Wages	\$	143,805.75	143,805.75	116,256.25	27,549.50
Other Expenses		37,007.51	37,007.51	8,348.05	28,659.46
Social Security		10,412.68	10,412.68	8,886.33	1,526.35
		<u>191,225.94</u>	<u>191,225.94</u>	<u>133,490.63</u>	<u>57,735.31</u>
			Cash Disbursed	<u>133,490.63</u>	
				<u>133,490.63</u>	

BEACH UTILITY CAPITAL FUND
SCHEDULE OF CAPITAL IMPROVEMENT FUND

Balance December 31, 2021		\$	2,250.00
Increased by:			
None	-		
	<hr/>		<hr/>
			-
			2,250.00
Decreased by:			
None	-		
	<hr/>		<hr/>
Balance December 31, 2022		\$	<u><u>2,250.00</u></u>

BOROUGH OF AVALON

PART II

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2022

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 \$44,000.

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:

Custodial and Cleaning Services
2022 Collection & Disposal of Solid Waste and Recycling Materials
One Man Refuse Collection System Vehicle
2023-2025 Firework Displays

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 November 2, 2022 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>
2022	3
2021	3
2020	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 \$482.48 at December 31, 2022.

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 2022 and 2023 Taxes	10
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.

<u>Year</u>	<u>Currently</u>		
	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2022	\$ 54,819,777	54,474,576	99.37%
2021	51,721,952	51,461,562	99.50%
2020	48,764,759	48,287,876	99.02%
2019	46,563,821	46,277,044	99.38%
2018	43,600,258	43,552,831	99.89%

Comparison of Tax Levies and Collections

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax Rate	\$ 0.568	0.547	0.526	0.510	0.488
Apportionment of Tax Rate:					
Municipal	0.200	0.199	0.200	0.199	0.199
Municipal Library	0.040	0.037	0.036	0.034	0.032
County	0.295	0.277	0.256	0.242	0.222
Local School	0.033	0.034	0.034	0.035	0.035
Assessed Valuation	9,542,278,133	9,345,244,374	9,199,582,879	9,052,666,928	8,436,507,499

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>
2022	\$ 482	266,097	266,579	0.49%
2021	450	234,057	234,507	0.45%
2020	404	418,840	419,244	0.87%
2019	368	302,923	303,291	0.66%
2018	361	297,753	298,114	0.68%

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

September 1, 2023