

CITY OF LINWOOD
ATLANTIC COUNTY
NEW JERSEY
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2018

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CITY OF LINWOOD

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2018

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, New Jersey

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the City of Linwood, as of December 31, 2018 and 2017, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.

As described in Note 1 of the financial statements, the financial statements are prepared by the City of Linwood on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City of Linwood as of December 31, 2018 and 2017, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 20 of the financial statements, the City participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$184,816.93 and \$171,607.32 for 2018 and 2017 respectively were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Linwood’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2019 on our consideration of the City of Linwood's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Linwood's internal control over financial reporting and compliance.

Very truly yours,

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

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

July 25, 2019

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EXHIBIT A - CURRENT FUND

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

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Regular Fund:		
Cash:		
Treasurer	\$ 1,822,307.48	4,316,216.28
Clerk	1,342.79	804.79
Change Fund	300.00	300.00
Petty Cash	100.00	100.00
Total Cash	1,824,050.27	4,317,421.07
Receivables and Other Assets with Full Reserves:		
Delinquent Property Taxes Receivable	334,365.41	383,147.51
Tax Title and Other Liens	42,051.07	34,437.40
Property Acquired for Taxes - at Assessed Valuation	28,147.00	28,147.00
Sewer Rents Receivable	24,722.79	34,140.00
Revenue Accounts Receivable	6,487.02	3,744.64
Interfund Receivable:		
Animal Control	10,995.92	10,280.92
Grant Fund	207,625.92	162,918.42
Total Receivables and Other Assets	654,395.13	656,815.89
Deferred Charges:		
Overexpenditure of Appropriations	18,860.57	-
Total Deferred Charges	18,860.57	-
Total Regular Fund	2,497,305.97	4,974,236.96
Federal and State Grant Fund:		
Cash	433,960.95	135,524.85
Federal and State Grants Receivable	347,145.89	578,350.56
Total Federal and State Grant Fund	781,106.84	713,875.41
Total Current Fund	\$ 3,278,412.81	5,688,112.37

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

<u>LIABILITIES, RESERVES AND FUND BALANCE</u>	<u>2018</u>	<u>2017</u>
Regular Fund:		
Liabilities:		
Appropriation Reserves	\$ 135,701.91	274,046.19
Reserve for Encumbrances/Accounts Payable	148,036.60	135,036.40
Prepaid Taxes	258,284.38	2,564,353.31
Prepaid Sewer Rents	298,535.97	334,917.66
Overpaid Taxes	6,665.16	18,072.87
Overpaid Sewer Rents	8,668.14	3,141.53
Local School Tax Payable	-	100.00
County Added Tax Payable	9,821.89	13,615.08
Due to State:		
Marriage Licenses	150.00	50.00
Construction Training Fees	2,188.00	1,757.00
Veterans and Senior Citizens	4,587.91	8,131.19
Interfund Payable:		
Due from Other Trusts	2,795.62	989.00
	875,435.58	3,354,210.23
Reserve for Receivables and Other Assets	654,395.13	656,815.89
Fund Balance	967,475.26	963,210.84
Total Regular Fund	2,497,305.97	4,974,236.96
Federal and State Grant Fund:		
Unappropriated Reserves	166,650.17	17,497.70
Appropriated Reserves	168,676.60	524,395.40
Due to Current Fund	207,625.92	162,918.42
Reserve for Encumbrances	238,154.15	9,063.89
Total Federal and State Grant Fund	781,106.84	713,875.41
Total Current Fund	\$ 3,278,412.81	5,688,112.37

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

	2018	2017
Revenue and Other Income Realized		
Fund Balance	\$ 460,000.00	105,000.00
Miscellaneous Revenue Anticipated	2,541,774.42	2,536,907.28
Receipts from Delinquent Taxes	402,315.85	387,178.59
Receipts from Current Taxes	31,579,466.69	31,264,050.73
Non Budget Revenue	71,179.35	67,041.41
Other Credits to Income:		
Unexpended Balance of Appropriation Res.	233,040.43	181,475.42
Cancellation of Prior Year Liabilities	44,707.50	-
Interfund Returned	-	-
Total Income	<u>35,332,484.24</u>	<u>34,541,653.43</u>
Expenditures		
Budget and Emergency Appropriations:		
Appropriations Within "CAPS"		
Operations:		
Salaries and Wages	3,140,655.00	3,235,883.00
Other Expenses	3,788,033.67	3,906,579.00
Deferred Charges & Statutory Expenditures	911,370.00	858,640.00
Appropriations Excluded from "CAPS"		
Operations:		
Other Expenses	1,584,047.97	1,307,086.32
Capital Improvements	297,526.00	40,250.00
Municipal Debt Service	1,776,150.01	1,725,028.27
Local District School Debt Service	602,950.31	581,944.49
Deferred Charges	-	40,180.00
Local District School Tax	11,420,464.00	11,286,131.00
Regional District High School Tax	6,714,882.00	6,575,874.00
County Tax	4,594,669.30	4,706,895.90
County Share of Added Tax	9,821.89	13,615.08
Interfund Created	44,707.50	-
Refund of Prior Year's Revenue	1,802.74	2,074.66
Total Expenditures	<u>34,887,080.39</u>	<u>34,280,181.72</u>
Excess in Revenue	<u>445,403.85</u>	<u>261,471.71</u>

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

	2018	2017
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred Charges to Budgets of Succeeding Year		
Overexpenditure of Appropriations	18,860.57	-
Total Adjustments	18,860.57	-
Statutory Excess to Fund Balance	464,264.42	261,471.71
Fund Balance January 1	963,210.84	806,739.13
	1,427,475.26	1,068,210.84
Decreased by:		
Utilization as Anticipated Revenue	460,000.00	105,000.00
Fund Balance December 31	\$ 967,475.26	963,210.84

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

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Fund Balance Anticipated	\$ 460,000.00	460,000.00	
Total Fund Balance Anticipated	460,000.00	-	-
Miscellaneous Revenues:			
Section A: Local Revenues			
Licenses:			
Other	49,000.00		6,286.25
Fines and Costs:			
Municipal Court	110,000.00		(20,463.44)
Interest and Costs on Taxes	90,000.00		(3,188.18)
Interest Earned on Investments and Deposits	28,000.00		2,655.44
Sewer Use Charges	1,072,000.00		21,306.53
Parking Permits	8,400.00		625.00
Planning and Zoning Fees and Permits	4,600.00		(2,125.00)
Total Section A: Local Revenues	1,362,000.00	-	5,096.60
Section B: State Aid Without Offsetting Appropriations			
Energy Receipts Tax	571,608.00		-
Type 1 School Debt Service Aid	28,000.00		809.00
Total Section B: State Aid Without Offsetting Appropriations	599,608.00	-	809.00

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, 2018**

	Anticipated		Excess or (Deficit)
	Budget	N.J.S. 40A:4-87	
Section C: Uniform Construction Code Fees			
Uniform Construction Code Fees	195,000.00		(43,560.00)
Total Section C: Uniform Construction Code Fees	195,000.00	-	(43,560.00)
Section F: Special Items - Public and Private Programs			
Off-Set with Appropriations			
NJ Transportation Trust Fund Authority Act	219,526.00		-
Municipal Alliance on Alcoholism and Drug Abuse	9,007.00		-
Recycling Tonnage	7,079.60		-
Drunk Driving Enforcement Fund	3,453.52		-
Body Armor Grant	1,946.21		-
Clean Communities		16,979.65	-
Linwood Living Shoreline Restoration Grant	17,000.00		-
Clara Glen Pet Cemetery Grant	59,835.99		-
Sustainable Jersey	10,000.00		-
Total Section F: Special Items - Public and Private Programs Off-Set with Appropriations	327,848.32	16,979.65	-
Section G: Other Special Items			
Uniform Fire Safety Act	16,710.00		4,736.70
Bell NYNEX Tower	53,000.00		3,546.15
Total Section G: Other Special Items	69,710.00	-	8,282.85

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

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

	Anticipated			Excess or
	Budget	N.J.S. 40A:4-87	Realized	(Deficit)
Total Miscellaneous Revenues:	2,554,166.32	16,979.65	2,541,774.42	(29,371.55)
Receipts from Delinquent Taxes	375,000.00		402,315.85	27,315.85
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	8,702,694.00		8,770,182.50	67,488.50
Amount for Local District Tax	567,642.00		567,642.00	-
Library Tax	301,805.00		301,805.00	-
Total Amount to be Raised by Taxes for Support of Municipal Budget	9,572,141.00	-	9,639,629.50	67,488.50
Budget Totals	12,961,307.32	16,979.65	13,043,719.77	65,432.80
Non- Budget Revenues:				
Other Non- Budget Revenues:			71,179.35	71,179.35
	\$ 12,961,307.32	16,979.65	13,114,899.12	136,612.15

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

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

Analysis of Realized Revenues

Allocation of Current Tax Collections:

Revenue from Collections	\$	31,579,466.69
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Allocated to:

School, County and Other Taxes		22,739,837.19
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Balance for Support of Municipal Budget Appropriations		8,839,629.50
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Increased by:

Appropriation "Reserved for Uncollected Taxes"		800,000.00
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Amount for Support of Municipal Budget Appropriations		9,639,629.50
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Receipts from Delinquent Taxes:

Delinquent Tax Collection	373,174.53	
Tax Title Lien Collections	29,141.32	

Total Receipts from Delinquent Taxes		402,315.85
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Analysis of Non-Budget Revenue:

Clerk:

Clerk Copies	27.27	
Other Miscellaneous	1,317.79	
Election Fees	300.00	

Other Miscellaneous:

Accident Reports and Gun Permits	1,071.80	
Administration Fees - Senior Citizens & Veterans	1,223.08	
Foreclosure Fees	30,900.00	
Insurance Reimbursements	7,297.59	
Foreclosed Tax Certificate Premium	10,000.00	
Miscellaneous	172.67	
Other Refunds	544.24	
Sales through Auction	17,964.91	
Tax Searches	110.00	
Towing Licenses	250.00	

71,179.35

Total Miscellaneous Revenue Not Anticipated:	\$	71,179.35
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**CURRENT FUND
STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications			Encumbered	Reserved	
OPERATIONS WITHIN "CAPS"							
GENERAL GOVERNMENT:							
General Administration							
Other Expenses	\$ 3,600.00	3,600.00	1,445.00		155.00	2,000.00	
Mayor and Council							
Salaries and Wages	65,935.00	65,935.00	65,123.00		812.00		
Municipal Clerk							
Salaries and Wages	135,779.00	135,779.00	134,942.52		836.48		
Other Expenses	40,850.00	40,850.00	37,610.27	2,680.46	559.27		
Elections							
Other Expenses	6,500.00	6,500.00	4,716.42		283.58	1,500.00	
Financial Administration							
Salaries and Wages	72,987.00	72,987.00	72,986.90		0.10		
Other Expenses	21,000.00	29,500.00	22,217.00	2,489.30	4,793.70		
Audit Services							
Other Expenses	28,500.00	28,500.00	28,500.00		-		
Assessment of Taxes							
Salaries and Wages	31,719.00	31,719.00	31,719.00		-		
Other Expenses	15,490.00	9,490.00	6,835.00	1,530.00	1,125.00		
Tax Collector							
Salaries and Wages	81,571.00	81,571.00	81,570.84		0.16		
Other Expenses	14,000.00	14,000.00	13,270.76	105.00	624.24		
Paying Agent Fees	2,000.00	2,000.00	-		2,000.00		
Legal Services							
Other Expenses	145,000.00	137,000.00	122,975.85		9,024.15	5,000.00	
Engineering & Planning Services							
Other Expenses	30,000.00	30,000.00	21,651.50	7,039.00	1,309.50		
Public Buildings and Grounds							
Other Expenses	202,700.00	215,700.00	201,930.48	12,257.86	1,511.66		
Shade Tree							
Other Expenses	400.00	400.00	95.00		305.00		
INSURANCE							
General Liability	122,781.00	122,781.00	114,148.37		1,132.63	7,500.00	
Workers Compensation	346,781.00	346,781.00	331,520.75		260.25	15,000.00	
Employee Group Health	1,377,121.00	1,302,121.00	1,254,471.43		7,649.57	40,000.00	
Employee Group Health Waiver	2,500.00	2,500.00	2,500.00		-		

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
LAND USE ADMINISTRATION						
Planning Board						
Salaries and Wages	9,353.00	9,353.00	9,352.98		0.02	
Other Expenses	20,000.00	20,000.00	15,339.73	3,305.00	1,355.27	
Zoning Board of Adjustment						
Salaries and Wages	9,353.00	9,353.00	9,353.00		-	
Other Expenses	8,970.00	8,970.00	3,561.91	826.92	4,581.17	
PUBLIC SAFETY						
Uniform Fire Safety Act						
Salaries and Wages	9,720.00	9,720.00	9,193.83		526.17	
Other Expenses	6,990.00	6,990.00	6,523.68	466.32	(0.00)	
Fire						
Salaries and Wages	353,242.00	353,242.00	347,814.84		5,427.16	
Other Expenses	20.00	20.00	-		20.00	
Lease of Fire House	70,721.00	70,721.00	35,305.66	35,187.42	227.92	
Misc. Other Expenses						
Aid to Volunteer Fire Company	6,000.00	6,000.00	6,000.00		-	
Operation and Maintenance						
Police						
Salaries and Wages	1,741,682.00	1,741,682.00	1,729,792.46	2,662.49	9,227.05	
Other Expenses	129,865.00	137,865.00	102,141.79	36,205.88	-	(482.67)
Communications						
Salaries and Wages	1,794.00	1,794.00	1,794.00		-	
Other Expenses	14,692.00	14,692.00	6,625.77	3,307.39	4,758.84	
Emergency Management Services						
Salaries and Wages	1,010.00	1,010.00	1,010.00		-	
Other Expenses	5,000.00	5,000.00	3,141.89	31.96	1,826.15	
SANITATION						
Road Repairs and Maintenance						
Salaries and Wages	440,881.00	462,881.00	439,274.67		23,606.33	
Other Expenses	132,700.00	150,700.00	138,070.88	12,597.71	31.41	
Sewer System						

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Other Expenses						
Finance and Administration	9,000.00	9,000.00	3,516.00		5,484.00	
Operations and Maintenance	30,000.00	30,000.00	21,448.41	56.26	8,495.33	
Miscellaneous Other Expenses	145,000.00	164,475.75	164,475.75		24.25	
Landfill-Tipping Fees	432,000.00	432,000.00	427,388.23	3,825.24	786.53	
Municipal Services Act	48,000.00	48,000.00	47,687.89		312.11	
HEALTH AND HUMAN SERVICES						
Dog Warden						
Contractual	9,600.00	9,600.00	8,800.00	800.00	-	
Senior Citizens Center						
Other Expenses	100.00	100.00	-		100.00	
PARKS AND RECREATION FUNCTIONS						
Parks and Play Grounds						
Salaries and Wages	7,000.00	7,000.00	5,994.68		1,005.32	
Other Expenses	23,600.00	23,600.00	16,505.59	5,109.85	1,984.56	
Historian						
Other Expenses	500.00	500.00	480.00		20.00	
UNIFORM CONSTRUCTION CODE						
State Uniform Construction Code						
Construction Official						
Salaries and Wages	156,624.00	156,624.00	148,201.90		8,422.10	
Other Expenses	7,070.00	7,070.00	5,218.52	767.71	1,083.77	
UNCLASSIFIED						
Utilities						
Gasoline	45,000.00	45,000.00	41,052.71	3,809.33	137.96	
Electric	100,000.00	100,000.00	92,346.07	146.81	507.12	7,000.00
Telephone	47,000.00	47,000.00	43,176.66	963.99	2,859.35	
Natural Gas	35,000.00	35,000.00	31,212.55		787.45	3,000.00
Street Lighting	125,000.00	125,000.00	124,689.40		310.60	
Fire Hydrant Services	71,000.00	71,000.00	58,511.80	11,100.60	1,387.60	
Water and Sewer	6,500.00	6,500.00	5,519.58	314.10	666.32	
Public Access Channel 2	1,500.00	1,500.00	1,500.00		-	
Accumulated Leave						
Salaries and Wages	5.00	5.00			5.00	
TOTAL OPERATIONS WITHIN "CAPS"	7,008,706.00	7,008,706.00	6,662,252.92	147,586.60	118,349.15	80,517.33

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, 2018**

	Appropriations		Budget After Modifications	Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget			Encumbered	Reserved	
Contingent	500.00	500.00	500.00	-	500.00		
TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"	7,009,206.00	7,009,206.00	7,009,206.00	6,662,252.92	147,586.60	118,849.15	80,517.33
Detail:							
Salaries and Wages	3,118,655.00	3,140,655.00	3,140,655.00	3,088,124.62	2,662.49	49,867.89	-
Other Expenses	3,890,551.00	3,868,551.00	3,868,551.00	3,574,128.30	144,924.11	68,981.26	80,517.33
DEFERRED CHARGES AND STATUTORY EXPENDITURES:							
Deferred Charges:							
None							
Statutory Expenditures:							
Contributions to:							
Public Employees' Retirement System	162,012.00	162,012.00	162,012.00	162,012.00			
Public Employees' Retirement System ERI	33,571.00	33,571.00	33,571.00	33,571.00			
Social Security System (O.A.S.I.)	240,000.00	240,000.00	240,000.00	228,613.60		6,386.40	5,000.00
Police and Firemen's Retirement System	411,090.00	411,090.00	411,090.00	411,090.00			
Police and Firemen's Retirement System ERI	51,697.00	51,697.00	51,697.00	51,697.00			
Unemployment Compensation Insurance	14,000.00	14,000.00	14,000.00	11,039.00		2,961.00	
Defined Contribution Retirement Program	4,000.00	4,000.00	4,000.00	1,863.82		2,136.18	
TOTAL DEFERRED CHARGES AND STATUTORY EXPENDITURES:	916,370.00	916,370.00	916,370.00	899,886.42	-	11,483.58	5,000.00
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES WITHIN "CAPS"	7,925,576.00	7,925,576.00	7,925,576.00	7,562,139.34	147,586.60	130,332.73	85,517.33

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, 2018**

	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"						
Maintenance of Free Public Library	301,805.00	301,805.00	301,805.00	-	-	
Other Expenses						
Atlantic County Sewerage Authority	481,408.00	481,408.00	481,408.00	-	-	
Share of Costs	10,230.00	10,230.00	10,230.00	-	-	
City of Northfield's Share of Sewer Rents	8,500.00	8,500.00	8,235.81	264.19	-	
Recycling Tax	10,000.00	10,000.00	10,000.00	-	-	
Length of Service Award Program	7,000.00	7,000.00	3,945.01	3,054.99	-	
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)	2,500.00	2,500.00	2,000.00	500.00	-	
Streets & Roads O/E	500.00	500.00		50.00	-	
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc)						
Landfill Tipping Fees				450.00	-	
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)						
Municipal Clerk O/E						
Interlocal Municipal Service Agreements	344,755.00	344,755.00	344,755.00	-	-	
Dispatch Shared Services	18,000.00	18,000.00	16,500.00	1,500.00	-	
Emergency Medical Services	131,045.00	131,045.00	131,045.00	-	-	
Municipal Court Shared Services	140,000.00	140,000.00	140,000.00	0.00	-	
Sewer System Services	1,455,743.00	1,455,743.00	1,449,923.82	450.00	5,369.18	
(A) Public and Private Programs Off-Set by Revenues						
Municipal Alliance-Alcoholism and Drug Abuse	9,007.00	9,007.00	9,007.00	-	-	
County Share	3,003.00	3,003.00	3,003.00	-	-	
Local Share	1,946.21	1,946.21	1,946.21	-	-	
Body Armor Grant						
Clean Communities Program	3,453.52	3,453.52	3,453.52	-	-	
Drunk Driving Enforcement Fund	7,079.60	7,079.60	7,079.60	-	-	
Recycling Tonnage Grant	17,000.00	17,000.00	17,000.00	-	-	
Linwood Living Shoreline Restoration Grant	10,000.00	10,000.00	10,000.00	-	-	
Sustainable Jersey	59,835.99	59,835.99	59,835.99	-	-	
Clara Glen Pet Cemetery Grant						
Total Public and Private Programs Off-Set by Revenues	111,325.32	128,304.97	128,304.97	-	-	

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
Total Operations - Excluded from "CAPS" Detail:	1,567,068.32	1,584,047.97	1,578,228.79	450.00	5,369.18	-
Salaries and Wages						
Other Expenses	1,567,068.32	1,584,047.97	1,578,228.79	450.00	5,369.18	-
(C) Capital Improvements						
Capital Improvement Fund	78,000.00	78,000.00	78,000.00	-	-	-
(C) Public and Private Programs Off-Set by Revenues						
New Jersey Transportation Trust Fund Authority Act Reconstruction of Bartlett, Van Sant, Marie and Richards Avenues	219,526.00	219,526.00	219,526.00	-	-	-
Total Public and Private Programs Off-Set by Revenues	219,526.00	219,526.00	219,526.00	-	-	-
Total Capital Improvements	297,526.00	297,526.00	297,526.00	-	-	-
(D) Debt Service						
Payment of Bond Principal	1,165,000.00	1,165,000.00	1,165,000.00	-	-	-
Payment of Bond Anticipation Notes	257,400.00	257,400.00	257,400.00	-	-	-
Interest on Bonds	196,611.00	196,611.00	196,610.26	-	-	0.74
Interest on Notes	56,165.00	56,165.00	56,064.54	-	-	100.46
Green Trust Loan Program:						
Loan Repayments for Principal and Interest	13,569.00	13,569.00	14,388.59	-	-	(819.59)
NJEIT Loans & Bonds	86,750.00	86,750.00	86,686.62	-	-	63.38
Total Debt Service	1,775,495.00	1,775,495.00	1,776,150.01	-	-	(655.01)
(E) Deferred Charges						
Special Emergency Authorizations - 5 years	-	-	-	-	-	-
Total Deferred Charges	-	-	-	-	-	-
(N) Transferred to Board of Education for Use of Local Schools (NJSA 40:48-17.1 & 17.3)	-	-	-	-	-	-

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

	Appropriations		Paid or Charged	Expended		(Over expended) Unexpended Balance Cancelled
	Budget	Budget After Modifications		Encumbered	Reserved	
TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"	3,640,089.32	3,657,068.97	3,651,904.80	450.00	5,369.18	(655.01)
FOR LOCAL DISTRICT SCHOOL PURPOSES - EXCLUDED FROM "CAPS"						
Type 1 District School Debt Service	360,000.00	360,000.00	360,000.00			-
Payment of Bond Principal	82,000.00	82,000.00	82,000.00			-
Payment of Bond Anticipation Notes	78,196.00	78,196.00	67,946.00			10,250.00
Interest on Bonds	75,446.00	75,446.00	93,004.31			(17,558.31)
Interest on Notes						
TOTAL TYPE 1 DISTRICT SCHOOL DEBT SERVICE	595,642.00	595,642.00	602,950.31	-	-	(7,308.31)
SUBTOTAL GENERAL APPROPRIATIONS	12,161,307.32	12,178,286.97	11,816,994.45	148,036.60	135,701.91	77,554.01
(M) Reserve for Uncollected Taxes	800,000.00	800,000.00	800,000.00			
TOTAL GENERAL APPROPRIATIONS	\$ 12,961,307.32	12,978,286.97	12,616,994.45	148,036.60	135,701.91	77,554.01
Budget Appropriations by 40A-4-87	12,961,307.32	12,961,307.32				
Emergency Appropriations	16,979.65	16,979.65				
		-				
	12,978,286.97	12,978,286.97				
Reserve for Uncollected Taxes			800,000.00			96,414.58
Federal and State Grants			344,827.97			(18,860.57)
Deferred Charges			-			
Disbursements			11,472,166.48		Cancelled Overexpended	77,554.01
			12,616,994.45			

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EXHIBIT B - TRUST FUNDS

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**TRUST FUND
COMPARATIVE BALANCE SHEET - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31,**

	2018	2017
<u>ASSETS</u>		
Animal Control Fund:		
Cash - Treasurer	\$ 26,099.41	25,403.61
	26,099.41	25,403.61
LOSAP (unaudited)		
Investment	184,816.93	171,607.32
	184,816.93	171,607.32
Other Funds		
Cash - Treasurer	339,858.54	465,302.26
Due from Current Fund		
Public Defender Fees	989.00	989.00
Payroll Trust	1,806.62	-
	342,654.16	466,291.26
	553,570.50	663,302.19
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Animal Control Fund		
Reserve for:		
Dog Expenditures	3,406.80	3,502.00
Cat Expenditures	11,696.69	11,620.69
Due to Current Fund	10,995.92	10,280.92
	26,099.41	25,403.61
LOSAP (unaudited)		
Reserve for LOSAP	184,816.93	171,607.32
	\$ 184,816.93	171,607.32

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
INTEGRAL PART OF THIS STATEMENT

**TRUST FUND
 COMPARATIVE BALANCE SHEET - REGULATORY BASIS
 FOR THE YEAR ENDED DECEMBER 31,**

	2018	2017
Other Funds		
Payroll Taxes Payable	\$ 1,510.95	2,803.21
Tax Title Lien Redemptions and Premiums	159,467.07	274,798.17
Reserves for Miscellaneous Trusts	181,676.14	188,689.88
	342,654.16	466,291.26
	\$ 553,570.50	663,302.19

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
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EXHIBIT C - GENERAL CAPITAL FUND

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

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 1,915,484.03	1,413,093.95
Deferred Charges to Future Taxation -		
Funded	7,218,375.72	8,830,580.32
Unfunded	<u>6,219,161.00</u>	<u>8,233,561.00</u>
	<u>15,353,020.75</u>	<u>18,477,235.27</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>		
Encumbrances Payable	447,529.87	671,332.28
Bond Anticipation Notes Payable	5,021,865.00	5,937,765.00
Serial Bonds Payable	4,490,713.00	5,657,136.00
Green Trust Loan Payable	32,767.72	46,196.17
Environmental Infrastructure Trust Loans Payable	995,608.00	1,069,384.15
School Serial Bonds	1,699,287.00	2,057,864.00
Reserve for Payment Bonds and Notes	125,025.71	86,649.46
Reserve for Improvements to Sewer System	25,000.00	25,000.00
Improvement Authorizations:		
Funded	693,016.82	693,016.82
Unfunded	1,702,761.87	2,088,445.63
Capital Improvement Fund	118,155.00	143,155.00
Fund Balance	1,290.76	1,290.76
	<u>\$ 15,353,020.75</u>	<u>18,477,235.27</u>

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

2017	2,295,796.00
2018	1,197,296.00

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

	<u>2018</u>	<u>2017</u>
Beginning Balance January 1	\$ 1,290.76	1,290.76
No Activity		
Ending Balance December 31	<u>\$ 1,290.76</u>	<u>1,290.76</u>

EXHIBIT G - GENERAL FIXED ASSETS

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GENERAL FIXED ASSETS ACCOUNT GROUP
STATEMENT OF GENERAL FIXED ASSETS - REGULATORY BASIS
AS OF DECEMBER 31,

	<u>2018</u>	<u>2017</u>
General Fixed Assets:		
Land	\$ 2,663,681.92	2,663,681.92
Buildings	5,542,081.82	5,542,081.82
Machinery and Equipment	2,893,388.65	2,575,592.15
Vehicles	<u>3,375,114.57</u>	<u>2,873,228.81</u>
Total General Fixed Assets	<u>14,474,266.96</u>	<u>13,654,584.70</u>
Investment in General Fixed Assets	\$ <u>14,474,266.96</u>	<u>13,654,584.70</u>

THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS ARE AN
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NOTES TO FINANCIAL STATEMENTS

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The Linwood Board of Education, Belhaven Avenue, Linwood, NJ 08221 and the Linwood Public Library, 301 Davis Avenue, Linwood, NJ 08221 are component units. However, under the regulatory basis of accounting in New Jersey, the component units are neither blended nor shown in a discrete presentation in the financial statements of the City. The Board of Education does have an independent audit performed and a copy is available at the Board's offices. The Linwood Public Library also has an independent audit performed and a copy is available at the Library.

B. Description of Funds

The accounting policies of the City of Linwood 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 City of Linwood 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.

General Fixed Assets Account Group -- All fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds.

C. Basis of Accounting

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

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

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

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

City's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due to the City which are susceptible to accrual are also recorded as receivables with offsetting reserves and recorded as revenue when received.

Expenditures -- are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements. Appropriation reserves covering 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. 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 City has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from accounting principles generally accepted in the United States of America.

As required by New Jersey Statutes, foreclosed property is reported in the current operating fund of the municipality.

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available except for land which is valued at estimated market value on the date of acquisition. Expenditures for long lived assets with an original cost in excess of \$500 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.

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

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2018 and 2017.

	Balance as of 12/31/2017	Adjustments/ Additions	Adjustments/ Deletions	Balance as of 12/31/2018
Land	\$ 2,663,681.92			2,663,681.92
Buildings and Improvements	5,542,081.82			5,542,081.82
Furniture, Fixtures & Equip.	2,575,592.15	321,203.50	3,407.00	2,893,388.65
Vehicles	2,873,228.81	619,858.76	117,973.00	3,375,114.57
Total	13,654,584.70	941,062.26	121,380.00	14,474,266.96

	Balance as of 12/31/2016	Adjustments/ Additions	Adjustments/ Deletions	Balance as of 12/31/2017
Land	2,663,681.92			2,663,681.92
Buildings and Improvements	5,542,081.82			5,542,081.82
Furniture, Fixtures & Equip.	2,324,676.67	263,330.48	12,415.00	2,575,592.15
Vehicles	2,873,228.81			2,873,228.81
Total	\$ 13,403,669.22	263,330.48	12,415.00	13,654,584.70

Levy of Taxes -- The County Board of Taxation certifies the tax levy of the municipality each year. The tax levy is based on the assessed valuation of taxable property within the municipality. Taxes are payable on the first day of February, May, August, and November. Any taxes that have not been paid by the 11th day of the 11th month in the fiscal year levied are subject to being included in the tax sale and the lien enforced by selling the property in accordance with NJSA 54:5 et. seq.

The municipality is responsible for remitting 100% of the school and county taxes to the respective agency. The loss for delinquent or uncollectible accounts is borne by the municipality and not the school district or county.

Interest on Delinquent Taxes – It is the policy of the City 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 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.

Capitalization of Interest -- It is the policy of the City to treat interest on projects as a current expense and the interest is included in the current operating budget.

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.

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. New Jersey municipalities are permitted to accrue a compensated absences liability. The City has begun to accumulate funds for accrued absences. See Note 15 for additional information on the City’s compensated absences policy.

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

D. Required Financial Statements

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

E. Comparative Data

Comparative total data for the prior year has been presented in the accompanying Balance Sheets and Statement of Operations in order to provide an understanding of changes in the City's financial position. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in the Statement of Revenues-Regulatory Basis and Statement of Expenditures-Regulatory Basis since their inclusion would make the statements unduly complex and difficult to read.

E. Recent Accounting Pronouncements Not Yet Effective

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

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

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

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

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

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

Note 2: BUDGETARY INFORMATION

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2018 and 2017 statutory budgets included a reserve for uncollected taxes in the amount of \$800,000.00 and \$650,000.00, respectively. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2018 and 2017 statutory budgets was \$460,000 and \$105,000, respectively.

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

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

transfers can be made in the form of a resolution and approved by City Council. The following significant budget transfers were approved in the 2018 and 2017 calendar years:

	2018	2017
Public Buildings & Grounds - Other Expenses	13,000.00	-
Police - Other Expenses	-	(20,500.00)
Legal - Other Expenses	-	16,501.00
Road Repairs & Maintenance - Salaries & Wages	22,000.00	-
Road Repairs & Maintenance - Other Expenses	18,000.00	-
Other Insurance - Other Expenses	-	15,000.00
Health Insurance - Other Expenses	(75,000.00)	-
Sanitation Miscellaneous - Other Expenses	19,500.00	-

NJSA 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. During the 2018 calendar year, City Council approved a budget insertion for Clean Communities in the amount of \$16,979.65. During the 2017 calendar year, City Council approved a budget insertion for Clean Communities in the amount of \$17,567.95.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need for public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budget of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During the 2018 and 2017 calendar years, no emergency appropriations or special emergencies were approved by City Council.

In addition, NJSA 40A:4-60 permits the Governing Body to cancel, by resolution, any unexpended balances of appropriations prior to year end. The following significant cancellations were approved in the 2018 and 2017 calendar years:

	2018	2017
Insurance		
Workers Comp	\$ 15,000.00	-
Employee Group Health	40,000.00	60,000.00
Legal Services		
Other Expenses	-	20,000.00
Police		
Salaries and Wages	-	20,000.00

Note 3: INVESTMENTS

As of December 31, 2018, and 2017, the municipality had no investments.

Interest Rate Risk. The municipality does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk. New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the local unit or school districts of which the local unit is a part of: obligations of federal agencies not exceeding 397 days;

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

government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk. The municipality places no limit on the amount the City may invest in any one issuer.

Unaudited Investments

As more fully described in Note 20, the City has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the City. All investments are valued at contract value. In accordance with NJAC 5:30-14.37 the investments are maintained by Mass Mutual Financial Group. Mass Mutual Financial Group is an authorized provider approved by the Division of Local Government Services.

The balance in the account on December 31, 2018 and 2017 amounted to \$182,229.19 and \$163,356.49, respectively. The information on 5% or more invested with Mass Mutual Financial Group is not yet available.

Note 4: CASH

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The municipality's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the municipality in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the municipality relative to the happening of a future condition. As of December 31, 2018, and 2017, \$0 of the municipality's bank balance of \$4,465,596.99 and \$5,386,813.09 was exposed to custodial credit risk.

Note 5: LONG TERM DEBT

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

	Balance 12/31/2017	Additions	Payments	Ending 12/31/2018	Due in One Year
General	\$ 6,772,716.32		1,253,627.60	5,519,088.72	1,302,996.64
School	2,057,864.00		358,577.00	1,699,287.00	374,910.00
Comp. Absences	582,936.26	249,638.86	196,412.41	636,162.71	18,589.00
Total	<u>9,413,516.58</u>	<u>249,638.86</u>	<u>1,808,617.01</u>	<u>7,854,538.43</u>	<u>1,696,495.64</u>

	Balance 12/31/2016	Additions	Payments	Ending 12/31/2017	Due in One Year
General	7,991,578.88		1,218,862.46	6,772,716.42	1,253,627.60
School	2,410,375.00		352,511.00	2,057,864.00	358,577.00
Comp. Absences	588,985.75	248,922.81	254,972.30	582,936.26	-
Total	<u>\$ 10,990,939.63</u>	<u>248,922.81</u>	<u>1,826,345.76</u>	<u>9,413,516.68</u>	<u>1,612,204.60</u>

As of December 31, 2018, all outstanding bonds are included in the general capital fund and interest and principal reductions are included in the current operating budget of the City.

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

The regulatory basis of accounting in New Jersey does not recognize accumulated absences as long-term debt. Accumulated absence liabilities are more fully described in Note 16.

Summary of Municipal Debt

At December 31, 2018, bonds and loans payable in the General Capital Fund consisted of the following individual issues:

\$4,099,222.00 General Obligation Bonds dated September 1, 2010 for various improvements in the City with a balance due on December 31, 2018 of \$1,230,713.00. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$5,960,000.00 General Obligation Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. The total savings to the City was \$505,852.00, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2018 was \$3,260,000.00.

\$150,000.00 Green Trust Loan dated July 9, 2002 for Lighting at All Wars Memorial Park in the City. This is a direct reduction loan payable semiannually with interest and principal with a balance due on December 31, 2018 of \$32,767.72. The bonds are payable semiannually on January 15 and July 15. Interest is calculated at 2%. The final payment is due January 15, 2022.

\$360,000.00 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Principal payments on this loan are payable annually on August 1, with a balance due on December 31, 2018 of \$270,000.00, with interest paid semi-annually on February 1 and August 1. Interest rates vary from 2.00% to 5.00%. The final payment is due on August 1, 2031.

\$1,155,931.00 New Jersey Environmental Infrastructure Trust Loan dated May 3, 2012 for the Southwest Drainage Improvement Project. Semiannual principal payments were due on February 1 and August 1, with a balance due on December 31, 2018 of \$725,608.00. Based on the agreement with the State, this loan is interest free. The final payment is due August 1, 2031.

At December 31, 2018, bonds payable for Type 1 Schools consisted of the following individual issues:

\$230,778.00 School Bonds dated September 1, 2010 for construction and various improvements to the two elementary schools located within the City with a balance due on December 31, 2018 of \$69,287.00. The bonds are payable annually on August 15 with interest paid semi-annually on February 15 and August 15. Interest rates vary from 2.00% to 2.50%. The final payment is due August 15, 2020.

\$1,280,000.00 School Refunding Bonds dated February 7, 2012 payable in annual installments through July 15, 2023. Interest is paid semiannually at varying rates ranging from 2.00% to 4.00% per annum. As indicated above, the total savings to the City was \$505,852.00, or 6.24% as a result of refunding the 2003 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2018 was \$525,000.00.

\$1,615,000.00 School Refunding Bonds dated December 3, 2014 payable in annual installments through August 1, 2024. Interest is paid semiannually at 3% per annum. The total savings to the City was \$47,073.58, or 3.03% as a result of refunding the 2005 bond issue. The refunding bonds are not subject to optional redemption prior to their stated maturities. The balance remaining as of December 31, 2018 was \$1,105,000.00.

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

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

Year Ending December 31,	Principal	Interest	Total
2019	1,677,906.64	229,065.93	1,906,972.57
2020	1,703,090.16	176,675.40	1,879,765.56
2021	1,098,277.38	122,363.19	1,220,640.57
2022	948,598.14	82,672.22	1,031,270.36
2023	978,776.15	48,872.00	1,027,648.15
2024-2028	598,880.75	35,970.00	634,850.75
2029-2031	212,846.50	8,058.00	220,904.50
Total	\$ 7,218,375.72	703,676.74	7,922,052.46

As of December 31, 2018, the carrying value of the above bonds approximates the fair value of the bonds. The debt service for the School Bonds is included in the municipal budget as a component of the Amount to be Raised by Taxation but is levied as a component of the school tax levy. During the calendar years 2018 and 2017, the City's total amount to be raised by taxation included \$567,642.00 and \$553,945.00 respectively, for Local District School Tax.

<u>Summary of Municipal Debt</u>	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
Bonds & Notes Issued:			
General	\$ 10,540,953.72	9,348,481.32	10,791,343.88
School	1,699,287.00	5,419,864.00	5,857,375.00
Net Bonds & Notes Issued	12,240,240.72	14,768,345.32	16,648,718.88
Bonds & Notes Authorized But Not Issued:			
General	1,197,296.00	1,945,796.00	1,803,296.00
School	-	350,000.00	350,000.00
Net Bonds & Notes Authorized But Not Issued	1,197,296.00	2,295,796.00	2,153,296.00
Net Bonds & Notes Issued and Authorized But Not Issued	\$ 13,437,536.72	17,064,141.32	18,802,014.88

Summary of Statutory Debt Condition - Annual Debt Statement

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.288%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School Debt	\$ 4,259,287.00	4,259,287.00	-
Regional School District Debt	9,381,875.40	9,381,875.40	-
General Debt	11,738,249.72	-	11,738,249.72
	\$ 25,379,412.12	13,641,162.40	11,738,249.72

Net Debt \$11,738,249.72 ÷ Equalized Valuation Basis per N.J.S.A. 40A:2-2 as amended, \$911,634,002.33 = 1.288%. The above information is in agreement with the Annual Debt Statement filed by the City.

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

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

3 1/2% of Equalized Valuation Basis (Municipal)	\$	31,907,190.08
Net Debt		11,738,249.72
Remaining Borrowing Power	\$	20,168,940.36

Note 6: SHORT TERM OBLIGATIONS

	Balance 12/31/2017	Issued	Paid	Balance 12/31/2018
General Capital Note	\$ 2,575,765.00	2,703,500.00	257,400.00	5,021,865.00
School Note	3,362,000.00		3,362,000.00	-
Special Emergency Note	-			-
	5,937,765.00	2,703,500.00	3,619,400.00	5,021,865.00

	Balance 12/31/2016	Issued	Paid	Balance 12/31/2017
General Capital Note	2,799,765.00		224,000.00	2,575,765.00
School Note	3,447,000.00		85,000.00	3,362,000.00
Special Emergency Note	40,180.00		40,180.00	-
	\$ 6,286,945.00	-	349,180.00	5,937,765.00

As of December 31, 2018, the City had the following bond anticipation notes outstanding:

Bank	2018 Amount	Interest Rate	Date of Maturity
General Capital			
TD Securities, LLC	4,851,865.00	2.75%	7/23/2019
Township of New Brunswick, NJ	170,000.00	2.80%	12/13/2019
Total Special Emergency and Bond Anticipation Notes	\$ 5,021,865.00		

On July 22, 2019, the City renewed the Bond Anticipation Note, after a pay down of \$257,400, for an additional one-year period. The principal amount of the new note is \$4,935,465 and includes funding for Ordinance 9-2019. The note will mature on July 21, 2020. Interest is payable at a rate of 2.00% per annum.

Note 7: LEASES OBLIGATIONS

Operating Leases

In October 2015, the City entered into agreements to lease three (3) copy machines for City Hall and the Police Department under operating leases. The term for the three leases is 48 months and they will expire on October 26, 2019. The total monthly payment for the leases is \$442.00. The City has the option to purchase this equipment at the termination of the lease for the fair market value.

In January 2017, the City entered into an agreement to lease one (1) copy machine for the Public Works Department under an operating lease. The term for the lease is 60 months and it will expire on December 31, 2021. The monthly payment for the lease is \$104.00.

The total operating lease payments in 2018 and 2017 were \$6,552.00 and \$5,304.00 respectively.

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

Capital Leases

The City is leasing three (3) 2016 police vehicles and equipment totaling \$92,710.00 under capital leases. Annual lease payments are made to Ford Motor Credit Company and include interest at a rate of 5.95% per annum.

The City is leasing one (1) 2017 police vehicle totaling \$32,130.54 under a capital lease. Annual lease payments are made to Ford Motor Credit Company and include interest at a rate of 5.95% per annum.

The City is leasing one (1) 2018 police vehicle totaling \$29,300.22 under a capital lease. Annual lease payments are made to Ford Motor Credit Company and include interest at a rate of 6.95% per annum.

The City is leasing one (1) 2018 dump truck with spreader and plow totaling \$73,895.00 under a capital lease. Quarterly lease payments are made to Ford Motor Credit Company and include interest at a rate of 4.95% per annum.

The following is a schedule of the future minimum lease payments under this capital lease and the net minimum lease payments at December 31, 2018.

<u>Year</u>	<u>Operating</u>	<u>Capital</u>
2019	5,668.00	59,034.54
2020	1,248.00	33,810.65
2021	1,248.00	24,920.52
2022	0	4,418.43
Total minimum lease payments	8,164.00	122,181.14
Less amount representing interest	0	11,743.53
Present value of minimum lease payments	\$ 8,164.00	110,440.61

Note 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2018 and 2017 which were appropriated and included as anticipated revenue in the current operating budget for the year ending December 31, 2019 and 2018 were as follows:

	2019	2018
Current Fund	\$ 560,000.00	460,000.00

Municipalities are permitted to appropriate the full amount of fund balance, net of any amounts due from the State of NJ for Senior Citizens and Veterans deductions, deferred charges, and cash deficit. The total amount of fund balance available to the City to appropriate in the 2019 budget is \$967,475.26.

Note 9: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2018, the following deferred charges are shown on the balance sheets of the various funds.

	Balance 12/31/2018	2019 Budget Appropriation	Balance to Succeeding Budgets
Current Fund:			
Overexpenditure of Appropriations	\$ 18,860.57	18,860.57	0.00
Total Current Fund	18,860.57	18,860.57	0.00

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

The appropriations in the 2019 budget are not less than that required by statute.

Note 10: SCHOOL TAXES

Local District and Regional High School Taxes have been raised and remitted, or established as a payable, to the respective district in the following amounts:

	2018	2017
Local School District	\$ 11,420,464.00	11,286,131.00
Regional High School District	6,714,882.00	6,575,874.00

Since the school districts operate on a July 1 to June 30 fiscal year the school tax levy is determined by taking 50% of the prior year and 50% of the current year requirements, plus the actual amount needed for debt service.

Note 11: TAXES COLLECTED IN ADVANCE

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

	Balance 12/31/2018	Balance 12/31/2017
Prepaid Taxes	\$ 258,284.38	2,564,353.31
Cash Liability for Taxes Collected in Advance	\$ 258,284.38	2,564,353.31

Note 12: PENSION FUNDS

Description of Plans

Substantially all of the City's employees are covered by the Public Employees' Retirement System cost sharing multiple-employer defined benefit pension plan which has been established by State Statute and is administered by the New Jersey Division of Pension 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 Public Employees Retirement System. This report may be obtained by writing to the division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at – <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Public Employees' Retirement System

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

Police and Fireman's Retirement System

The contribution policy for the Police and Fireman's Retirement System (PFRS) is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee

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

contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate.

Defined Contribution Retirement Program (DCRP)

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

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provided for employee contributions of 7.34% through June 30, 2018 and 7.50% thereafter of employees' annual compensation, as defined. Employers are required to contribute to an actuarially determined rate in PERS. The current PERS rate is 15.97% of covered payroll. The City's contributions to PERS for the years ended December 31, 2018, 2017, and 2016 were \$177,746.00, \$180,511.00, and \$147,467.65.

The contribution policy for the PFRS is set by N.J.S.A. 43:16 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PFRS provides for employee contributions of 10.0% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The current PFRS rate is 25.72% of covered payroll. The City's contributions to PFRS for the years ended December 31, 2018, 2017, and 2016, were \$411,090.00, \$358,177.00, and \$414,204.00.

The total payroll for the years ended December 31, 2018, 2017, and 2016 was \$3,049,547.46, \$3,270,971.81, and \$3,051,036.66. Payroll covered by PERS was \$1,112,998.00, \$1,227,469.00, and \$1,313,149.00, respectively. Payroll covered by PFRS was \$1,598,350.00, \$1,527,724.00, and \$1,516,298.00, respectively.

Significant Legislation

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

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

- New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.

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

- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

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

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 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 13: PENSION LIABILITIES

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

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

Public Employees' Retirement System

The Municipality has a liability of \$3,623,610 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net

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pension liability was determined by an actuarial valuation as of July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.01840376470%, which would be a decrease of 3.93% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$53,049. At December 31, 2018, the Municipality would report deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected & actual experience	\$ 69,103	\$ (18,685)
Changes of assumptions	597,111	(1,158,638)
Changes in proportion	105,148	(474,404)
Net difference between projected and actual earnings on pension plan investments		(33,990)
Total	<u>\$ 771,362</u>	<u>\$ (1,685,717)</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:

<u>Year ended June 30,</u>	
2019	\$ 36,894
2020	(63,230)
2021	(405,555)
2022	(363,350)
2023	(119,114)
Total	<u>\$ (914,355)</u>

Actuarial Assumptions

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

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

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond

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

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

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

	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Municipality's proportionate share of the net pension liability	\$ 4,356,496	\$ 3,623,610	\$ 3,009,135

Pension plan fiduciary net position.

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

Police and Firemen's Retirement System

The Municipality has a liability of \$6,048,919 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2017 that was rolled forward to June 30, 2018. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Municipality's proportion would be 0.04470200910%, which would be a decrease of 3.76% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Municipality would have recognized pension expense of \$386,340. At December 31, 2018, the Municipality would have reported deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 61,540	\$ (25,032)
Changes of assumptions	519,218	(1,550,233)
Changes in proportion	345,672	(682,732)
Net difference between projected and actual earnings on pension plan investments		(33,093)
 Total	 \$ 926,430	 \$ (2,291,090)

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

Year ended June 30,	
2018	\$ 60,155
2019	(236,742)
2020	(640,166)
2021	(415,104)
2022	(132,805)
 Total	 \$ (1,364,660)

Actuarial Assumptions

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

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

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

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projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

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

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

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

Discount Rate

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

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June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	1% Decrease (5.51%)	Current Discount Rate (6.51%)	1% Increase (7.51%)
District's proportionate share of the net pension liability	7,879,572.43	6,048,919.00	4,539,266.37

In addition to the PFRS liabilities listed above, a special funding situation exists for the Local employers of the Police and Fire Retirement System of New Jersey. The State of New Jersey, as a non-employer, is required to pay the additional costs incurred by Local employers under Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The June 30, 2017 State special funding situation net pension liability amount of \$1,838,050,687.00 is the accumulated differences between the annual actuarially determined State obligation under the special funding situation and the actual State contribution through the valuation date. The fiscal year ending June 30, 2018 State special funding situation pension expense of \$217,714,180.00 is the actuarially determined contribution amount that the State owes for the fiscal year ending June 30, 2018. The pension expense is deemed to be a State administrative expense due to the special funding situation.

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

Although the liabilities related to the special funding situation are the liabilities of the State of New Jersey, the proportionate share of the statewide liability allocated to the Municipality was 0.04470200910% for 2018. The net pension liability amount allocated to the Municipality was \$821,646. For the fiscal year ending June 30, 2018 State special funding situation pension expense of \$97,323.00 is allocated to the Municipality.

Pension plan fiduciary net position.

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

Note 14: OTHER POST-RETIREMENT BENEFITS

General Information about the Plan:

The City offers Other Post-Retirement Benefits (OPEB) to its employees through the State Health Benefit Local Government Retired Employees Plan (the Plan) a cost-sharing multiple employer defined benefit other postemployment benefit plan with a special funding situation. It covers employees of local government

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

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

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

1) retired on a disability pension;

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

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

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

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

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

Allocation Methodology:

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

**NOTES TO FINANCIAL STATEMENTS
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members of the Plan's non special funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and non-employer allocation percentages have been rounded for presentation purposes.

Special Funding Situation:

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

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

Net OPEB Liability:

Components of Net OPEB Liability

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

	June 30, 2018	
	Collective Total	Proportionate Share
Total OPEB Liability	\$ 15,981,103,227	\$ 8,950,057
Plan Fiduciary Net Position	314,485,086	176,124
Net OPEB Liability	\$ 15,666,618,141	\$ 8,773,933
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%	1.97%

At June 30, 2018 the City's proportionate share of the Collective Net OPEB Liability was \$8,773,933. The State's proportionate share for the Special Funding Situation that is associated with the City is \$5,466,878. The City's proportion of the Collective Net OPEB Liability was 0.056004% which was a decrease from the prior year of 2.07%. The State's proportionate share attributable to the City of the Collective Net OPEB Liability for the Special Funding Situation was 0.087979% which was an increase from the prior year of 6.47%.

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City's Proportionate Share of Collective Net OPEB Liability	\$	8,773,933
State's proportionate share that is associated with the City		5,466,878
Total	\$	14,240,811

For the Year ended June 30, 2018 the City's Total OPEB Expense was \$3,879 and the State of New Jersey realized Total OPEB Expense in the amount of \$165,489 for its proportionate share of Total OPEB Expense that is associated with the City.

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

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

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

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

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

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

Health Care Trend Assumptions

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

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Discount Rate

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

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

		<u>1% Decrease</u> (2.87%)		<u>Discount Rate</u> (3.87%)		<u>1% Increase</u> (4.87%)
Collective						
Net OPEB Liability	\$	18,381,085,096	\$	15,666,618,141	\$	13,498,373,388
Proportionate Share						
Net OPEB Liability	\$	10,294,143	\$	8,773,933	\$	7,559,629

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

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

		<u>1% Decrease</u>		<u>Healthcare Cost</u> <u>Trend Rate</u>		<u>1% Increase</u>
Collective						
Net OPEB Liability	\$	13,068,471,450	\$	15,666,618,141	\$	19,029,006,023
Proportionate Share						
Net OPEB Liability	\$	7,318,867	\$	8,773,933	\$	10,657,005

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

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

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	Collective Totals		Proportionate Share	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ (3,180,882,321)	\$	\$ (1,781,421)
Changes of assumptions		(3,974,042,874)		(2,225,623)
Net difference between projected and actual earnings on OPEB plan investments		8,279,239		4,637
Changes in proportion and differences between contributions and proportionate share of contributions		2,106,728,269		(2,075,379)
Total	\$	\$ 2,115,007,508	\$	\$ (9,261,653,464)
			\$	\$ 4,637
				\$ (6,082,423)

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

Year ended June 30,	Collective Totals	Proportionate Share
2019	\$ (1,049,390,011)	\$ (892,442.13)
2020	(1,049,390,011)	(892,442.13)
2021	(1,049,390,011)	(892,442.13)
2022	(1,050,264,681)	(893,185.98)
2023	(1,051,678,489)	(894,388.34)
Thereafter	(1,896,532,753)	(1,612,885.30)
Total	\$ (7,146,645,956)	\$ (6,077,786.00)

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, 2018 are as follows:

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

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Schedule of City's Share of Net OPEB Liability

	2018
City's Proportionate Share of Net OPEB Liability	5.600400%
City's Share of Net OPEB Liability	\$ 8,773,933
City's Covered Payroll	1,112,998
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	788.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.97%

Note 15: INTER-LOCAL AGREEMENT

Effective March 13, 2013, the City entered into a one-year agreement with the Atlantic County Utilities Authority (ACUA) where the ACUA will provide solid waste and bulk waste collection services for the City. This contract automatically renewed for an additional one-year period and continued to renew automatically each year through March 17, 2018. After the fifth year, the City had the option to extend the agreement for an additional five-year term. This option was exercised by City Council at their February 13, 2018 meeting. The City was obligated to pay \$165,700.00 for these services during the initial term of the contract. Any increases in cost will not exceed the percentage increase in the CPI-U for the Philadelphia SMSA of August of the contract year over August of the preceding year. In addition, the ACUA will assume ownership of a 2012 CNG Freightliner trash truck at a value of \$171,500.00. The value of this truck will be recaptured over five years, or \$34,300.00 per year. This value will be deducted from the annual contract costs. Invoices will be provided to the City each month for collections made during the preceding month. The City paid \$284,150.02 and \$280,146.90 for these services during the 2018 and 2017 calendar years respectively.

Note 16: ACCRUED SICK AND VACATION BENEFITS

The City has permitted employees to accrue unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. It is estimated that the cost for the most current calendar year of such unpaid compensation would approximate \$636,162.71 in 2018 and \$582,936.26 in 2017. This amount is not reported either as an expenditure or liability due to the likelihood of all employees terminating in one fiscal year being improbable. It is the City's policy to negotiate the final amount of each payment of accrued sick and vacation pay on an individual basis. The policy of not reflecting the accrued benefit is not in agreement with GASB Statement No. 12 but is required by the State of New Jersey. Effective January 1, 2002 the State of New Jersey is allowing municipalities to accrue a compensated liability. The City does not accrue the liability.

Note 17: ECONOMIC DEPENDENCY

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

Note 18: LITIGATION

During the normal course of operations, lawsuits are occasionally brought against the governmental unit. There are presently no outstanding lawsuits that would result in a contingent liability to the City.

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

Note 19: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The City maintains commercial insurance coverage for property, liability and surety bonds. During the years ended December 31, 2018 and 2017 the City did not incur claims in excess of the coverage and the amount of coverage did not significantly decrease.

The City of Linwood is a member of the Atlantic County Municipal Joint Insurance Fund and the Municipal Excess Liability Fund (MEL) which also includes other municipalities throughout the region. The City 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 City has a liability limit of \$10,000,000.00 under MEL. There has not been a reduction in coverage and there have not been any claims in excess of coverage.

New Jersey Unemployment Compensation Insurance – The City has elected to fund its New Jersey Unemployment Compensation Insurance under the “Contributory Method”. Under this plan, the City is required to annually appropriate funds to pay the projected costs of contributions at a rate determined by the Commissioner of Labor. The expense for the years ended December 31, 2018 and 2017 was \$11,038.65 and \$11,145.06 respectively.

Note 20: LENGTH OF SERVICE AWARDS PROGRAM (UNAUDITED)

During the year 2003 the voters of the City of Linwood approved the establishment of a Length of Service Awards Program (LOSAP) Deferred Compensation Plan. This plan was approved by the voters of the City of Linwood by referendum at the general election in November of 2003. This plan is made available to all bona fide eligible volunteers who are performing qualified services which are 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. The balance is subject to the general creditors of the City. Contributions by the City for qualified participants were \$10,000.00 and \$9,000.00 for 2018 and 2017 respectively.

Note 21: TAX ABATEMENT PROGRAM

The tax abatement program was established to encourage commercial and industrial development in the City. It is a five-year program where real estate taxes on the approved buildings are abated and payments are made in lieu. Specific qualifications for properties are delineated in the Code Book of the City. Qualifying properties are tax exempt until the project is complete. Once completed, the taxpayer pays no tax in the first year after completion. Beginning in the second year, the taxpayer is assessed taxes on 20% of the assessed value, with annual increases of 20% until the end of five years. During the 2018 and 2017 calendar years, the tax abatement program generated \$0 in revenue for the City.

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

Note 22: UNION CONTRACTS

As of December 31, 2018, the City's employees are organized in five collective bargaining units.

<u>Bargaining Unit</u>	<u>Job Category</u>	<u>Members</u>	<u>Term</u>
PBA	Police	All uniformed police excluding Chief and Superior Officers	1/1/16-12/31/21
PBA	Police	Superior Officers	1/1/16-12/31/21
IAFF	Firefighters	All uniformed firefighters	1/1/15-12/31/19
Teamsters	Public Works	All public works employees excluding Superintendent, and police secretary	1/1/18-12/31/22

Note 23: INTERFUND BALANCES

As of December 31, 2018, the following interfunds were included on the balance sheets of the various funds of the City of Linwood:

	<u>Due From</u>	<u>Due To</u>
Current Fund:		
Animal Control Fund	\$ 10,995.92	
Grant Fund	207,625.92	
Public Defender Trust		989.00
Payroll Trust		1,806.62
Grant Fund:		
Current Fund		207,625.92
Trust Fund:		
Current Fund -		
Public Defender Trust	989.00	
Payroll Trust	1,806.62	
Animal Control Fund		10,995.92
	<u>\$ 221,417.46</u>	<u>221,417.46</u>

The amounts due to the Current Fund from the Animal Control Fund is the result of excess funds in the reserve for dog expenditures. The amount due to the Public Defender Trust represents fees collected through the municipal court. The amount due to the Payroll Trust is to cover payroll liabilities. The amount due from the Grant Fund to the Current Fund is the result of grant expenditures that have not yet been reimbursed by the funding agencies.

Note 24: DEFERRED COMPENSATION

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

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

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 City has an obligation of due care in selecting the third party administrator. In the opinion of the City's legal counsel, the City has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Note 25: SUBSEQUENT EVENTS

On April 24, 2018, City Council adopted capital ordinance #9-2019 which authorized the following projects to be completed. This bond ordinance increases the City's authorized debt by \$171,000.

Project	Appropriation And Estimated Cost	Estimated Maximum Amount of Bonds & Notes
Purchase of Vehicles and Equipment for Public Works Department	\$ 102,400.00	97,280.00
Purchase of Vehicles and Equipment for Police Department	77,600.00	73,720.00
Total	\$ <u>180,000.00</u>	<u>171,000.00</u>

The City has evaluated subsequent events through July 25, 2019, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

SUPPLEMENTARY INFORMATION

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Linwood, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account groups as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated July 25, 2019, which was adverse due to being presented in accordance with the New Jersey regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

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

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

July 25, 2019

Schedule of Financial Statement Findings

Finding 18-1

Criteria

Sufficient appropriation balances should exist prior to the issuance of any purchase order for goods or services.

Condition

Overexpenditures totaling \$18,860.57 were noted in the areas of debt service and police other expenses as of December 31, 2018.

Cause

Debt Service

The City rolled over a Type I school bond anticipation note for an additional three month period since the school district did not want to sell bonds until after the start of their fiscal year (July 1, 2018). The City did not anticipate this additional time frame when preparing their 2018 Local Municipal Budget and a budget transfer was not authorized after November 1.

Police Other Expenses

Two monthly copier lease payments were incorrectly charged to Administration Other Expenses. The reclassification of these payments resulted in an overexpenditure.

Effect

Overexpenditures of appropriations are not permitted by law and are deferred charges to be raised in the budget of the succeeding year.

Recommendation

That the budget be monitored on a routine basis to ensure appropriation balances are sufficient for all remaining expenditures and that transfers are approved, if needed, between November 1 and December 31.

Management Response

The CFO will ensure that all debt service appropriations are sufficient to cover principal and interest charges for the upcoming year. Any transfers needed during the last two months of the year will be presented to Council for their approval. Also, the CFO will review each copier lease payment and allocate the monthly charge to the correct budget line item.

Schedule of Federal Awards and State Financial Assistance Findings and Questioned Costs

NONE

STATUS OF PRIOR RECOMMENDATIONS

NONE

**CURRENT FUND
SCHEDULE OF CASH - TREASURER**

		Current Fund	Grant Fund
Balance December 31, 2017	\$	4,316,216.28	135,524.85
Increased by Receipts:			
Taxes Receivable		29,361,403.43	
Tax Title Liens Receivable		29,141.32	
Prepaid Taxes		258,284.38	
Sewer Rents Receivable		763,915.48	
Prepaid Sewer		298,535.97	
Revenue Accounts Receivable		1,103,639.92	
State of New Jersey -			
Senior Citizens and Veterans		58,903.98	
Marriage License Fees		775.00	
DCA Construction Fees		6,651.00	
Miscellaneous Revenue		71,179.35	
Due from Current Fund			3,003.00
Grant - Unappropriated Reserves			166,631.80
Grant Receivables			166,519.89
		31,952,429.83	336,154.69
		36,268,646.11	471,679.54
Decreased by Disbursements:			
Current Year Appropriation		11,472,166.48	
Prior Year Appropriations		176,042.16	
County Taxes		4,594,669.30	
County Added Taxes		13,615.08	
Local District School Taxes		11,420,564.00	
Regional School Taxes		6,714,882.00	
State of New Jersey -			
Marriage License Fees		675.00	
DCA Construction Fees		6,220.00	
Refund of Prior Year Revenue		47,504.61	
Federal and State Disbursements			37,718.59
		34,446,338.63	37,718.59
Balance December 31, 2018	\$	1,822,307.48	433,960.95

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

Year	Balance Dec. 31, 2017	Current Year Levy	Added Taxes	Collections by Cash		Adjustments	Transferred To Tax Title Lien	Arrears	Balance Dec. 31, 2018																																
				2017	2018																																				
2015	\$ 258.06				258.06				-																																
2016	500.00				500.00				(0.00)																																
2017	382,389.45		1,802.74		372,416.47	4,774.72	7,001.00		0.00																																
	383,147.51	-	1,802.74	-	373,174.53	4,774.72	7,001.00		(0.00)																																
2018		32,302,156.30	68,792.94	2,564,353.31	29,015,113.38	427,960.22	29,156.92		334,365.41																																
	\$ 383,147.51	32,302,156.30	70,595.68	2,564,353.31	29,388,287.91	432,734.94	36,157.92		334,365.41																																
<p>Analysis of Current Year Tax Levy</p> <p>Tax Yield:</p> <table> <tr> <td>General Property Tax</td> <td>32,302,156.30</td> </tr> <tr> <td>Added Taxes (54:4-63.1 et. Seq.)</td> <td>68,792.94</td> </tr> <tr> <td></td> <td><u>32,370,949.24</u></td> </tr> </table> <p>Tax Levy:</p> <table> <tr> <td>General County Taxes</td> <td>4,391,771.45</td> </tr> <tr> <td>County Open Space Taxes</td> <td>11,439.10</td> </tr> <tr> <td>County Health Taxes</td> <td>191,458.75</td> </tr> <tr> <td>County Added and Omitted Taxes</td> <td>9,821.89</td> </tr> <tr> <td>Total County Taxes</td> <td><u>4,604,491.19</u></td> </tr> </table> <table> <tr> <td>Local School District Tax</td> <td>11,420,464.00</td> </tr> <tr> <td>Regional School District Tax</td> <td>6,714,882.00</td> </tr> <tr> <td>Additional Local School District Tax</td> <td>567,642.00</td> </tr> <tr> <td>Minimum Library Tax</td> <td>301,805.00</td> </tr> <tr> <td>Local Tax for Municipal Purposes</td> <td>8,702,694.00</td> </tr> <tr> <td>Add: Additional Tax Levied</td> <td><u>58,971.05</u></td> </tr> <tr> <td></td> <td><u>8,761,665.05</u></td> </tr> <tr> <td></td> <td><u>32,370,949.24</u></td> </tr> </table>										General Property Tax	32,302,156.30	Added Taxes (54:4-63.1 et. Seq.)	68,792.94		<u>32,370,949.24</u>	General County Taxes	4,391,771.45	County Open Space Taxes	11,439.10	County Health Taxes	191,458.75	County Added and Omitted Taxes	9,821.89	Total County Taxes	<u>4,604,491.19</u>	Local School District Tax	11,420,464.00	Regional School District Tax	6,714,882.00	Additional Local School District Tax	567,642.00	Minimum Library Tax	301,805.00	Local Tax for Municipal Purposes	8,702,694.00	Add: Additional Tax Levied	<u>58,971.05</u>		<u>8,761,665.05</u>		<u>32,370,949.24</u>
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**CURRENT FUND
SCHEDULE OF RENTS**

Balance December 31, 2017		\$ 34,140.00
Increased by:		
Sewer Charges Levied in 2018	1,074,900.00	
Penalty	9,659.32	
Overpayments Created	<u>8,668.14</u>	
		<u>1,093,227.46</u>
		1,127,367.46
Decreased by:		
Prepaid in 2017	334,917.66	
Cash	763,915.48	
Overpayments Applied	<u>3,141.53</u>	
	<u>1,101,974.67</u>	
Miscellaneous	<u>670.00</u>	
		<u>1,102,644.67</u>
Balance December 31, 2018		\$ <u><u>24,722.79</u></u>

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

Balance December 31, 2017		\$ 34,437.40
Increased by:		
Transfers from:		
Taxes Receivable	36,157.92	
Interest and Costs Accrued by Sale of April 19, 2018	597.07	
	<hr/>	<hr/>
		36,754.99
Decreased by:		
Collection	<hr/>	<hr/>
	29,141.32	29,141.32
Balance December 31, 2018		\$ <u><u>42,051.07</u></u>

**CURRENT FUND
SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	Balance Dec. 31, 2017	Accrued in 2018	Collected by		Balance Dec. 31, 2018
			Collector	Treasurer	
Licenses:					
Other	\$	55,286.25		55,286.25	
Fines and Costs:					
Municipal Court	3,744.64	92,278.94		89,536.56	6,487.02
Interest and Costs on Taxes		86,811.82	86,811.82		
Interest Earned on Investments		30,655.44		30,655.44	
Parking Permits		9,025.00		9,025.00	
Planning and Zoning Permits		2,475.00		2,475.00	
Energy Receipts Tax		571,608.00		571,608.00	
Type 1 School Debt Service Aid		28,809.00		28,809.00	
Uniform Construction Code Fees		151,440.00		151,440.00	
Uniform Fire Safety Fees		21,446.70		21,446.70	
Bell Atlantic Nynex Tower		56,546.15		56,546.15	
	<u>\$ 3,744.64</u>	<u>1,106,382.30</u>	<u>86,811.82</u>	<u>1,016,828.10</u>	<u>6,487.02</u>

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT:					
General Administration					
Other Expenses	\$ 185.00	185.00		185.00	
Municipal Clerk					
Salaries and Wages	137.91	137.91		137.91	
Other Expenses	5,103.15	5,103.15	2,057.40	3,045.75	
Elections					
Other Expenses	82.86	82.86		82.86	
Financial Administration					
Salaries and Wages	0.96	0.96		0.96	
Other Expenses	4,030.42	4,030.42	131.00	3,899.42	
Collection of Taxes					
Salaries and Wages	3,567.93	3,567.93		3,567.93	
Other Expenses	3,600.63	3,600.63	18.05	3,582.58	
Assessment of Taxes					
Salaries and Wages	0.96	0.96		0.96	
Other Expenses	2,464.95	2,464.95	1,689.70	775.25	
Paying Agent Fees	2,000.00	2,000.00		2,000.00	
Legal Services					
Other Expenses	14,579.09	14,579.09		14,579.09	
Engineering & Planning Services					
Other Expenses					
Professional Services	8,585.00	8,585.00	5,062.50	3,522.50	
Public Buildings and Grounds					
Other Expenses	7,054.77	7,054.77	6,280.90	773.87	
Shade Tree					
Other Expenses	305.00	305.00		305.00	
INSURANCE					
General Liability	8,098.34	8,098.34		8,098.34	
Employee Group Health	31,319.50	31,319.50	274.28	31,045.22	
LAND USE ADMINISTRATION:					
Planning Board					
Salaries and Wages	0.02	0.02		0.02	
Other Expenses	4,930.14	4,930.14	1,251.25	3,678.89	

See Accompanying Auditor's Report

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
Zoning Board of Adjustment Other Expenses	5,783.14	5,783.14	574.00	5,209.14	
PUBLIC SAFETY:					
Uniform Fire Safety Act Other Expenses	2,055.76	2,055.76	890.57	1,165.19	
Fire					
Salaries and Wages Other Expenses	12,756.45	12,756.45		12,756.45	
Lease of Fire House Misc. Other Expenses	20.00	20.00		20.00	
	27,993.82	27,993.82	26,821.04	1,172.78	
Police					
Salaries and Wages Other Expenses	19,796.35	19,796.35		19,796.35	
Communication Other Expenses	45,391.01	45,391.01	43,692.28	1,698.73	
Emergency Management Services Other Expenses	6,908.68	6,908.68	5,650.94	1,257.74	
	2,125.69	2,125.69	31.98	2,093.71	
SANITATION:					
Road Repair and Maintenance Salaries and Wages	41,107.92	41,107.92		41,107.92	
Other Expenses	17,298.25	17,298.25	14,877.05	2,421.20	
Sewer System Other Expenses					
Finance and Administration Operations and Maintenance	5,484.00	5,484.00	-	5,484.00	
Miscellaneous Other Expenses	46,511.88	46,511.88	46,243.50	268.38	
Landfill - Tipping Fees	6,217.25	6,217.25	-	6,217.25	
Municipal Services Act	10,636.09	10,636.09	6,551.81	4,084.28	
	1,316.20	1,316.20		1,316.20	
HEALTH AND WELFARE:					
Animal Control Service (Dog Regulation) Contractual	800.00	800.00	800.00	-	
Senior Citizens Center Other Expenses	100.00	100.00		100.00	

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
RECREATION AND EDUCATION:					
Parks and Playgrounds					
Salaries and Wages	1,084.00	1,084.00		1,084.00	
Other Expenses	307.39	307.39		307.39	
Historian					
Other Expenses	20.00	20.00		20.00	
STATE UNIFORM CONSTRUCTION CODE					
Construction Official					
Salaries and Wages	5,616.00	5,616.00		5,616.00	
Other Expenses	1,911.09	1,911.09	1,310.95	600.14	
UNCLASSIFIED:					
Utilities					
Gasoline	11,565.15	11,565.15	3,356.80	8,208.35	
Electricity	9,255.04	9,255.04	148.70	9,106.34	
Telephone	2,747.44	2,747.44	1,053.63	1,693.81	
Natural Gas	2,602.04	2,602.04		2,602.04	
Street Lighting	1,633.42	1,633.42		1,633.42	
Fire Hydrant Services	7,003.10	7,003.10	5,817.90	1,185.20	
Water and Sewer	1,194.87	1,194.87	455.93	738.94	
Public Access Channel 2	1,500.00	1,500.00	1,000.00	500.00	
Accumulated Leave					
Salaries and Wages	5.00	5.00		5.00	
Contingent	500.00	500.00		500.00	
Statutory Expenditures:					
Contributions to:					
Social Security System (O.A.S.I)	7,200.56	7,200.56		7,200.56	
Unemployment Compensation Insurance	2,854.94	2,854.94		2,854.94	
Defined Contribution Retirement Program	1,831.40	1,831.40		1,831.40	

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

	Balance Dec. 31, 2017	Balance After Transfers	Paid or Charged	Balance Lapsed	Over- Expended
OPERATIONS EXCLUDED FROM "CAPS"					
GENERAL GOVERNMENT:					
Recycling Tax	365.28	365.28		365.28	
Length of Service Award Program	1,000.00	1,000.00		1,000.00	
NJPDES Landfill Discharge NJSA 40A:4-45.3(cc)					
Landfill Tipping Fees	500.00	500.00		500.00	
NJPDES Stormwater Permit NJSA 40A:4-45.3(cc)					
Municipal Clerk O/E	36.75	36.75		36.75	
	<u>\$ 409,082.59</u>	<u>409,082.59</u>	<u>176,042.16</u>	<u>233,040.43</u>	<u>-</u>

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

Balance December 31, 2017	\$	100.00
Increased by:		
Levy - Calendar Year 2018		<u>11,420,464.00</u>
		11,420,564.00
Decreased by:		
Payments		<u>11,420,564.00</u>
Balance December 31, 2018	\$	<u><u> -</u></u>

**CURRENT FUND
SCHEDULE OF REGIONAL SCHOOL TAX**

Balance December 31, 2017	\$	-
Increased by:		
Levy - Calendar Year 2018		6,714,882.00
		6,714,882.00
Decreased by:		
Payments		6,714,882.00
Balance December 31, 2018	\$	-

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

<u>Purpose</u>	Balance Dec. 31, 2017	Transferred From 2018 Revenues	Received	Cancel	Balance Dec. 31, 2018
FEDERAL GRANTS:					
Federal Emergency Management Assistance Grant #1889	\$ 358.00			358.00	-
Grant #1954	15,381.00			15,381.00	-
Hazard Mitigation Grant Program - Lifeline/ Life Safety Energy Resilience Program	75,000.00				75,000.00
Safe Routes to Schools	35,043.00			35,043.00	-
Safe Routes to Transit - Poplar Avenue	24,120.00			24,120.00	-
Community Development Block Grant	11,314.00				11,314.00
Total Federal	161,216.00	-	-	74,902.00	86,314.00
STATE GRANTS:					
New Jersey Transportation Trust Fund					
Reconstruction of Poplar Avenue	1,528.00			1,528.00	-
Country Club Drive & Delmar Avenue	10,453.00			10,453.00	-
Linwood Bike Path Extension	60,683.17			60,683.17	-
Reconstruction of Woodlynn Blvd.	0.25			0.25	-
Reconstruction of Hamilton, Adams, and Grant Avenues	82,075.00		82,075.00		-
Reconstruction of Bartlett, Marie, Richards, and VanSant Avenues		219,526.00			219,526.00
Clean Communities Program	823.00	16,979.65	16,979.65	823.00	-
Recycling Tonnage Grant	-	7,079.60	7,079.60		-
Body Armor	-	1,946.21	1,946.21		-
Coastal Blue Acres	238,000.00			238,000.00	-
Drunk Driving Enforcement	3,216.00	3,453.52	3,453.52	3,216.00	-
Garden State Historic Preservation Trust Leedsville School Project	2,428.00			2,428.00	-
Total State	399,206.42	248,984.98	111,533.98	317,131.42	219,526.00

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

<u>Purpose</u>	Balance Dec. 31, 2017	Transferred From 2018 Revenues	Received	Adjustments	Balance Dec. 31, 2018
LOCAL GRANTS:					
Atlantic County Drug Alliance	17,928.14	9,007.00	7,629.25		19,305.89
New Jersey Corporate Wetlands Restoration Partnership		17,000.00			17,000.00
Linwood Living Shoreline Restoration		59,835.99	59,835.99		-
Clara Glen Pet Cemetery Grant		10,000.00	5,000.00		5,000.00
The Sustainable Institute of the College of NJ					
Sustainable Jersey Grant					
Total Local	<u>17,928.14</u>	<u>95,842.99</u>	<u>72,465.24</u>	<u>-</u>	<u>41,305.89</u>
\$	<u>578,350.56</u>	<u>344,827.97</u>	<u>183,999.22</u>	<u>392,033.42</u>	<u>347,145.89</u>
		Cash	166,519.89		
		Unappropriated Reserves	17,479.33		
			<u>183,999.22</u>		

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

	Balance December 31, 2017	Reserve for		2018		Adjustment/ Canceled	Balance Dec. 31, 2018
	Appropriated	Encumbrances	Appropriations	Disbursed	Encumbrances		
FEDERAL GRANTS:							
Federal Emergency Management Assistance Grant #1954	\$ 15,381.00	-	-	-	-	15,381.00	-
Hazard Mitigation Grant Program - Lifeline/Life Safety Energy Resilience Program	41,943.00	-	-	-	-	35,043.00	41,943.00
Safe Routes to Schools	35,043.00	-	-	-	-	16,545.00	-
Safe Routes to Transit - Poplar Avenue	16,545.00	-	-	-	-	-	-
Community Development Block Grant	11,137.00	-	-	-	-	-	11,137.00
Total Federal	120,049.00	-	-	-	-	66,969.00	53,080.00
STATE GRANTS:							
New Jersey Transportation Trust Fund							
Reconstruction of Poplar Avenue	16,445.00	-	219,526.00	4,615.75	219,526.00	16,445.00	-
Reconstruction of Maple Avenue	15,347.00	1,215.70	16,979.65	7,848.19	5,979.16	15,347.00	-
Country Club Drive & Delmar Avenue	21,817.00	7,848.19	7,079.60	7,848.19	7,079.60	21,817.00	-
Bike Path Extension	60,683.17	2,922.30	1,946.21	-	2,969.39	60,683.17	-
Reconstruction of Bartlett, Marie, Richards and VanSant Avenues	-	1,542.40	3,453.52	3,453.52	-	-	-
Clean Communities Program	416.79	103.51	-	-	-	-	8,017.23
Recycling Tonnage Grant	8,412.25	0.00	-	-	-	-	8,412.25
Body Armor	2,922.30	0.00	-	-	-	-	1,899.12
Drunk Driving Enforcement 2016	1,542.40	8,020.00	-	-	-	-	1,542.40
Drunk Driving Enforcement 2018	103.51	-	-	-	-	8,020.00	103.51
Drunk Driving Enforcement 2018	0.00	-	-	-	-	-	-
Garden State Historic Preservation Trust	8,020.00	-	-	-	-	-	-
NJ Coastal Blue Acres	247,459.75	-	-	-	-	-	-
Patcong Creek Open Space Acquisition	383,169.17	9,063.89	248,984.98	15,917.46	235,554.15	247,459.75	19,974.51
Total State	1,215,700.00	9,063.89	248,984.98	15,917.46	235,554.15	369,771.92	19,974.51
LOCAL GRANTS:							
Atlantic County Drug Alliance-County	10,897.23	-	9,007.00	8,429.25	-	-	11,474.98
Atlantic County Drug Alliance-Local	10,280.00	-	3,003.00	3,003.00	-	-	10,280.00
New Jersey Corporate Wetlands Restoration Partnership	-	-	17,000.00	10,368.88	2,600.00	-	17,000.00
Linwood Living Shoreline Restoration	-	-	59,835.99	-	-	-	46,867.11
Clara Glen Pet Cemetery Grant	-	-	10,000.00	-	-	-	10,000.00
The Sustainable Institute of the College of NJ	-	-	98,845.99	21,801.13	2,600.00	-	95,622.09
Total Local	21,177.23	-	347,830.97	37,718.59	238,154.15	436,740.92	168,676.60
\$	524,395.40	9,063.89	347,830.97	37,718.59	238,154.15	436,740.92	168,676.60

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

<u>Purpose</u>	<u>Balance Dec. 31, 2017</u>	<u>Transferred To 2018 Appropriations</u>	<u>Received</u>	<u>Adjustments</u>	<u>Balance Dec. 31, 2018</u>
FEDERAL GRANTS:					
None	\$ -				-
Total Federal	-				-
STATE GRANTS:					
Drunk Driving Enforcement	3,453.52	3,453.52			-
Body Armor Grant	1,946.21	1,946.21			-
Recycling Tonnage	7,097.97	7,079.60			18.37
Sustainable Jersey Grant	5,000.00	5,000.00			-
Total State	<u>17,497.70</u>	<u>17,479.33</u>	-	-	<u>18.37</u>
LOCAL GRANTS					
Clara Glen Pet Cemetery Grant			631.80		631.80
Frank H. Stewart Trust Fund			166,000.00		166,000.00
Acquisition of Land					
Total Local	-	<u>-</u>	<u>166,631.80</u>	-	<u>166,631.80</u>
	<u>\$ 17,497.70</u>	<u>17,479.33</u>	<u>166,631.80</u>	-	<u>166,650.17</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

	<u>Dog License</u>	<u>Other</u>
Balance December 31, 2017	\$ 25,403.61	465,302.26
Increased By:		
Dog License Fees	1,706.80	
Cat License Fees	222.00	
Dog License Fees - State Share	334.20	
Bike Path Beautification		451.51
Law Enforcement Trust		1,576.77
Tax Premiums and Redemptions		364,128.46
Municipal Drug Alliance		1,245.35
NJ Water Street Openings		100.83
Street Openings		6,321.72
Uniform Fire Safety Fees		135.85
Traffic Control		1,200.76
Trust Other		2,267.35
SPZ Trust		8,353.45
Developer's Escrow		63,842.90
Individual Developer's Escrow		16,004.41
Parking Offenses Adjudication Act		20.00
Payroll Deposits		3,230,351.37
Payroll Withholdings		1,452,613.94
Police K-9 Donations		2,077.39
Accumulated Absences		10.59
	<u>2,263.00</u>	<u>5,150,702.65</u>
	27,666.61	5,616,004.91
Decreased By:		
Due to State of New Jersey	334.20	
Animal Control Expenditures	1,233.00	
Bike Path Beautification		3,593.32
Law Enforcement Trust		5,134.28
Tax Premiums and Redemptions		479,459.56
Municipal Drug Alliance		1,809.14
NJ Water Street Openings		100.00
Street Openings		6,322.50
Uniform Fire Safety Fees		1,688.99
Traffic Control		1,200.00
Trust Other		2,215.00
SPZ Trust		10,433.53
Developer's Escrow		63,552.38
Individual Developer's Escrow		13,528.00
Accumulated Absences		-
Police K-9 Donations		1,045.48
Payroll Deposits		3,231,770.19
Payroll Withholdings		1,454,294.00
	<u>1,567.20</u>	<u>5,276,146.37</u>
Balance December 31, 2018	\$ <u>26,099.41</u>	<u>339,858.54</u>

**TRUST FUND
SCHEDULE OF CASH - TREASURER**

Exhibit B-1
Sheet 2 of 2

<u>Analysis of Balance @ Dec. 31, 2018</u>	<u>Other</u>
Payroll Agency	(927.95)
Payroll Trust	632.28
Other Miscellaneous Trusts:	
Accumulated Absenses	35,368.54
Bike Path Beautification	3,822.65
Green Trust	0.01
Law Enforcement	6,356.20
Municipal Drug Alliance	3,077.34
NJ American Water Street Openings	2,788.18
Other Trust Disbursement Account	129.19
Parking Offenses Adjudication Act	90.01
Police K-9 Donations	1,031.91
Public Defender	50.01
Recycling	3,490.78
SPZ Trust Fund	22,025.06
Street Openings	25,412.73
Tax Title Lien Redemption	159,467.07
Traffic Control	2,437.41
Uniform Fire Safety	1,402.46
Developer's Trusts:	
Developer's Escrow Disbursement Account	56,850.98
Cornerstone Commerce Center, LLC	14.12
GLB Management LLC	613.09
Peter P. Pindale II	5,319.84
South Jersey Gas Escrow	9,583.81
URS Corporation	822.82
	339,858.54
	339,858.54

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

Balance December 31, 2017	\$	3,502.00
Increased by:		
Dog License Fees Collected		<u>1,706.80</u>
		5,208.80
Decreased by:		
Expenditures Under N.J.S.A. 4:19-15.11	1,087.00	
Statutory Excess Due Current Fund	<u>715.00</u>	
		<u>1,802.00</u>
Balance December 31, 2018	\$	<u><u>3,406.80</u></u>

License Fees Collected	<u>Year</u>	<u>Amount</u>
	2017	1,645.60
	2016	<u>1,761.20</u>
	\$	<u><u>3,406.80</u></u>

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

Balance December 31, 2017	\$	10,280.92
Increased by		
Statutory Excess in Reserve for Dog Fund Expenditures		715.00
		<u>715.00</u>
Balance December 31, 2018	\$	<u><u>10,995.92</u></u>

**TRUST FUND
SCHEDULE OF AMOUNT DUE TO/(FROM) STATE OF NEW JERSEY -
DEPARTMENT OF HEALTH**

Balance December 31, 2017	\$	-
Increased by:		
2018 State License Fee	251.00	
2018 Pilot Clinic Fee	50.20	
2018 Animal Population Control Fee	<u>33.00</u>	
		<u>334.20</u>
		334.20
Decreased By:		
Payments	<u>334.20</u>	
		<u>334.20</u>
Balance December 31, 2018	\$	<u><u>-</u></u>

**TRUST FUND
SCHEDULE OF RESERVE FOR CAT REGISTRATIONS**

Balance December 31, 2017	\$	11,620.69
Increased by:		
Cat License Fees Collected		222.00
Decreased by:		
Disbursements		146.00
Balance December 31, 2018	\$	11,696.69

TRUST FUND
SCHEDULE OF RESERVE FOR TAX TITLE LIEN REDEMPTIONS

Balance December 31, 2017	\$	274,798.17
Increased by:		
Premium Received at Tax Sale	86,700.00	
Tax Title Lien Redemptions Deposited	275,948.24	
Interest Earned	<u>1,480.22</u>	
		<u>364,128.46</u>
		638,926.63
Decreased by Disbursements:		
Refund Upon Redemption	275,948.24	
Premiums Returned	202,600.00	
Interest Paid to Current Fund	<u>911.32</u>	
		<u>479,459.56</u>
Balance December 31, 2018	\$	<u><u>159,467.07</u></u>

TRUST FUND
SCHEDULE OF MISCELLANEOUS TRUST FUND RESERVES

	Balance Dec. 31, 2016	Miscellaneous	Disbursements	Balance Dec. 31, 2017
Reserves for:				
Other Miscellaneous Trusts:				
Public Defender	\$ 1,039.01			1,039.01
Parking Offenses Adjudication Act	70.01	20.00		90.01
SPZ Trust	24,105.14	8,353.45	10,433.53	22,025.06
Other Trust Disbursement Account	124.94	50,271.13	50,266.88	129.19
Bike Path Maint	6,964.46	451.51	3,593.32	3,822.65
NJ Water Street Openings	2,787.35	100.83	100.00	2,788.18
Street Openings	25,413.51	6,321.72	6,322.50	25,412.73
Recycling	3,438.43	2,267.35	2,215.00	3,490.78
Drug Alliance	3,641.13	1,245.35	1,809.14	3,077.34
Law Enforcement	9,913.71	1,576.77	5,134.28	6,356.20
Accumulated Absences	35,357.95	10.59		35,368.54
Uniform Fire Safety Fees	2,955.60	135.85	1,688.99	1,402.46
Traffic Control	2,436.65	1,200.76	1,200.00	2,437.41
Green Trust	0.01			0.01
Police K-9 Donations	-	2,077.39	1,045.48	1,031.91
Developer's Escrow Trusts:				
Developer's Disbursement Account	736.68	13,235.80	13,285.50	686.98
Development Fees Account	55,828.03	335.97		56,164.00
Cornerstone Commerce Center, LLC	14.12			14.12
GLB Management LLC	360.42	1,000.17	747.50	613.09
Peter P. Pindale III	5,318.22	1.62		5,319.84
South Jersey Gas Escrow	764.58	15,001.73	6,182.50	9,583.81
URS Corporation	7,419.93	0.89	6,598.00	822.82
	<u>\$ 188,689.88</u>	<u>103,608.88</u>	<u>110,622.62</u>	<u>181,676.14</u>

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

Balance December 31, 2017		\$ 1,413,093.95
Increased by:		
2018 Budget Appropriation		
Capital Improvement Fund	78,000.00	
Bond Anticipation Notes	2,703,500.00	
Reserve for Payments of Bonds and Notes	38,376.25	
	<hr/>	<hr/>
		2,819,876.25
		4,232,970.20
Decreased by:		
Cancellation of Bond Anticipation Note	750,695.88	
Improvement Authorizations	1,566,790.29	
	<hr/>	<hr/>
		2,317,486.17
Balance December 31, 2018		\$ <u><u>1,915,484.03</u></u>

**GENERAL CAPITAL FUND
ANALYSIS OF CASH**

	Balance		Budget		Receipts		Disbursements		Transfers		Balance	
	Dec. 31, 2017		Appropriation	Miscellaneous	Miscellaneous	Debt Issued	Improvement Authorizations	Miscellaneous	From	To	Dec. 31, 2018	
Fund Balance	\$ 1,290.76											1,290.76
Capital Improvement Fund	143,155.00	78,000.00							103,000.00			118,155.00
Encumbrances Payable	671,332.28								671,332.28			447,529.87
Reserve for payments of Bonds and Notes	86,649.46			38,376.25								125,025.71
Reserve for Improvements to Sewer System	25,000.00											25,000.00
Improvement Authorizations:												
14-07 Various General Improvements	1,167.40						1,597.73			1,597.73		1,167.40
14-08 Various General Improvements	1,260.39						-					1,260.39
11-09 Various General Improvements	2,979.28						-					2,979.28
8-10 Clean Water Project - NJEIF	182,691.19						-					182,691.19
9-10 Purchase of Police Vehicle	413.00						-					413.00
10-10 Various General Improvements	5,763.56						-					5,763.56
17-10 Purchase of Computer Server	-											-
10-11 Various General Improvements	3,916.53						1,540.45			1,540.45		3,916.53
13-12 Various General Improvements	24,069.84						900.00			900.00		24,069.84
10-13 Various Improvements to Schools	750,695.88						-	750,695.88				-
12-14 Demolition of Poplar Avenue School	(564,632.59)					606,000.00			18,451.15	71,026.27		3,299.47
14-14 Various General Improvements	96.05						56,446.07		1,595.00	57,945.02		-
6-15 Various General Improvements	197,630.70						571,515.66		36,624.00	538,322.81		127,813.85
7-16 Various General Improvements	22,115.22						-					22,115.22
6-17 Various General Improvements	(142,500.00)					142,500.00						-
4-18 Various General Improvements						1,480,000.00			36,581.22	78,000.00		704,892.96
9-18 Various Roadway Improvements						475,000.00			354,278.50	25,000.00		118,100.00
				38,376.25		2,703,500.00			1,221,862.15	1,221,862.15		1,915,484.03
	\$ 1,413,093.95	78,000.00					1,566,790.29	750,695.88				

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

Balance December 31, 2017	\$	143,155.00
Increased by:		
2018 Budget Appropriation		78,000.00
		221,155.00
Decreased by:		
Improvement Authorization Funding		103,000.00
Balance December 31, 2018	\$	118,155.00

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

Balance December 31, 2017		\$ 8,830,580.32
Decreased by:		
2018 Budget Appropriation to Pay Bonds:		
Municipal Bonds	1,166,423.00	
Green Trust Loan Principal Paid	13,428.45	
NJEIT Bonds & Loans	73,776.15	
School Bonds	<u>358,577.00</u>	
		<u>1,612,204.60</u>
Balance December 31, 2018		\$ <u><u>7,218,375.72</u></u>

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

Ord #	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Raised in 2018 Budget	Cancelled	Balance Dec. 31, 2018	Analysis of Balance		Unexpended Improvement Authorizations
							Bond Anticipation Notes	Expenditures	
11-2009	Various Improvements (a) Improvements to Roads & Drainage	\$ 223.00				223.00		223.00	
8-2010	Property Acquisition	494,069.00				494,069.00		494,069.00	
10-2010	Various General Improvements (a) Improvements to Roads & Drainage	3,000.00				3,000.00		3,000.00	
10-2011	Various General Improvements	179,701.00		7,400.00		172,301.00	172,300.00	1.00	
15-2011	Refunding Bond Issue	940,000.00			(240,000.00)	700,000.00			700,000.00
13-2012	Various General Improvements	192,068.00		11,500.00		180,568.00	180,565.00	3.00	
10-2013	Various Improvements to Schools	3,472,000.00			(3,472,000.00)	-	-		
12-2014	Demolition of Poplar Avenue School and Related Improvements	606,000.00				606,000.00	606,000.00		
14-2014	Various General Improvements	914,000.00		36,000.00		878,000.00	878,000.00		
6-2015	Various General Improvements	950,000.00		32,500.00		917,500.00	917,500.00		
7-2016	Tax Appeal Refunding Bonds	340,000.00		170,000.00		170,000.00	170,000.00		
6-2017	Construction of Various Capital Improvements to Municipal Buildings and Grounds at the All Wars Memorial Park	142,500.00				142,500.00	142,500.00		
4-2018	Various General Improvements		1,480,000.00			1,480,000.00	1,480,000.00		
9-2018	Roadway Improvements		475,000.00			475,000.00	475,000.00		
		<u>\$ 8,233,561.00</u>	<u>1,955,000.00</u>	<u>257,400.00</u>	<u>(3,712,000.00)</u>	<u>6,219,161.00</u>	<u>5,021,865.00</u>	<u>497,296.00</u>	<u>700,000.00</u>
									<u>1,702,761.87</u>
									<u>1,002,761.87</u>
									<u>\$ 700,000.00</u>

Improvement Authorizations Unfunded
Less:
Unexpended Proceeds of Bond
Anticipation Notes Issued:

Ord. Number	
10-2011	3,917.53
13-2012	24,072.84
12-2014	3,299.47
6-2015	126,363.85
7-2016	22,115.22
14-2018	704,892.96
9-2018	118,100.00

**GENERAL CAPITAL FUND
SCHEDULE OF IMPROVEMENT AUTHORIZATIONS**

Ord #	Improvement Description	Ord. Date	Amount	Authorizations			Paid or Changed	Current Year Encumbrances	Cancelled	Balance December 31, 2018	
				Balance December 31, 2017 Funded	Other Funding	Deferred Charges to Future Taxation				Revenue Prior Year Encumbrances	Funded
14-07	Various Improvements c. Office Equipment and Computers h. Improvements to Bldg & Grounds g. Improvements to Roads	5/9/2007	\$ 1,478,028.00	1,163.00 0.13 4.27			1,597.73			1,163.00 0.13 4.27	
14-08	a Improvements to Bldg and Grounds d Purchase of Various Vehicles e Improvements to Roadways	8/13/2008	910,654.00	1,179.00 80.22						1,179.00 80.22	
11-09	Various General Improvements (a) Improvements to Roads & Drainage (b) Purchase of Trash Truck (c) Purchase of Public Safety Equipment	3/24/2009	546,000.00 70,413.00 33,567.00	0.19 2,857.00 345.09						0.19 2,857.00 345.09	
8-10	Clean Water Project - NEF	3/24/2010	2,010,000.00	676,760.19						676,760.19	
9-10	Purchase of Police Vehicle	7/14/2010	30,000.00	413.00						413.00	
10-10	Various General Improvements (a) Improvements to Roads & Drainage (c) Sewer System Improvements	6/9/2010	225,750.00 48,143.00	4,565.56 4,198.00						4,565.56 4,198.00	
10-11	(a) Improvements to Roads (b) Purchase of public safety equipment	7/13/2011	68,567.00 39,666.00	3,422.53 495.00		1,540.45				3,422.53 495.00	
15-11	Refunding Bond Issue	10/12/2011	940,000.00	940,000.00				(240,000.00)			700,000.00
13-12	Various General Improvements (a) Improvements to Roads (d) Improvements to recreation field	7/11/2012	77,500.00 47,500.00	15,500.00 6,572.84		900.00				15,500.00 8,572.84	
10-2013/ 15-2015	Various School Improvements (a) Belhaven Roof Replacement (b) Belhaven Property Acquisition (c) Seaview Roof Replacement (d) Seaview Bathroom Renovations (e) Belhaven Fire Alarm Project	6/12/2013	1,665,000.00 580,000.00 837,000.00 150,000.00 400,000.00	372,009.14 72,088.19 228,747.00 6,214.40 181,637.15				(372,009.14) (72,088.19) (228,747.00) (6,214.40) (181,637.15)			
12-2014	Demolition of Poplar Avenue School and Related Improvements	6/25/2014	638,000.00	41,367.41			18,451.15				3,299.47
14-2014	Various General Improvements (a) Improvements to Roads (b) Improvements to sanitary sewer system	7/9/2014	875,000.00 1,250,000.00	0.00 96.05		56,350.02 1,595.00				56,350.02 1,595.00	0.00 (0.00)
6-2015	Various General Improvements (a) Various Roadway Improvements (b) Improvements to sanitary sewer system (c) Various Recreation Projects (d) Historical Roof Replacement (e) Purchase In-car video system for police	6/10/2015	780,000.00 169,000.00 21,000.00 29,000.00 21,000.00	146,588.20 21,575.00 -		527,287.05 11,035.76				146,588.20 21,575.00 -	78,808.21 19,538.14 -
7-2016	Tax Appeal Refunding Bonds	11/9/2016	510,000.00	467.50						1,450.00	27,550.00 467.50
4-2018	Various General Improvements (a) Improvements to Recreation Areas (b) Purchase of Fire Truck, Vehicles & Equip (c) Construction of Roadway Sign Improvements and Purchase of Truck for Public Works (d) Improvements to Sewer & Storm Water Sewer System (e) Purchase of Furniture & Portable Mobile Raddos for Police Department	2/14/2018	504,000.00 465,000.00 380,000.00 179,000.00 30,000.00	29,000.00 19,500.00 19,000.00 9,000.00 1,500.00		29,556.40 382,087.82 323,290.80 51,890.80 29,700.00				29,556.40 382,087.82 323,290.80 51,890.80 29,700.00	464,383.60 75,888.97 56,709.20 107,601.19 300.00
9-2018	Various Roadway Improvements	6/12/2018	500,000.00	25,000.00		27,621.50				27,621.50	118,100.00
			\$	683,016.82	2,088,445.63	671,332.28	1,566,790.29	(1,100,695.89)	683,016.82	1,702,761.87	
							1,566,790.29				
											1,566,790.29

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

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
General Improvement Bonds	9/1/2010	4,099,222.00	8/15/2019	620,090.00	2.375%	1,827,136.00		596,423.00	1,230,713.00
			8/15/2020	610,623.00	2.500%				
General Improvement Bonds (Retunding)	2/7/2012	5,960,000.00	7/15/2019	600,000.00	4.000%	3,830,000.00		570,000.00	3,260,000.00
			7/15/2020	625,000.00	4.000%				
			7/15/2021	650,000.00	4.000%				
			7/15/2022	680,000.00	4.000%				
			7/15/2023	705,000.00	4.000%				
						\$ 5,657,136.00	-	1,166,423.00	4,490,713.00

**GENERAL CAPITAL FUND
SCHEDULE OF GREEN TRUST LOAN PAYABLE**

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
Construction of Bike Path	12/22/1997	148,500.00			\$	4,477.88		4,477.88	-
Lighting at All Wars Memorial Park		150,000.00	01/15/19	4,542.53	2.000%	41,718.29		8,950.57	32,767.72
			07/15/19	4,587.96	2.000%				
			01/15/20	4,633.84	2.000%				
			07/15/20	4,680.17	2.000%				
			01/15/21	4,726.98	2.000%				
	07/15/21	4,774.25	2.000%						
	01/15/22	4,821.99	2.000%						
					\$	46,196.17	-	13,428.45	32,767.72

GENERAL CAPITAL FUND
SCHEDULE OF ENVIRONMENTAL INFRASTRUCTURE TRUST LOANS PAYABLE

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Balance Dec. 31, 2018
			Date	Amount					
Infrastructure	5/3/12	1,155,931.00	2/1/19	39,184.10	-	\$ 784,384.15		58,776.15	725,608.00
			8/1/19	19,592.05	-				
			2/1/20	39,184.10	-				
			8/1/20	19,592.05	-				
			2/1/21	39,184.10	-				
			8/1/21	19,592.05	-				
			2/1/22	39,184.10	-				
			8/1/22	19,592.05	-				
			2/1/23	39,184.10	-				
			8/1/23	19,592.05	-				
			2/1/24	39,184.10	-				
			8/1/24	19,592.05	-				
			2/1/25	39,184.10	-				
			8/1/25	19,592.05	-				
			2/1/26	39,184.10	-				
			8/1/26	19,592.05	-				
			2/1/27	39,184.10	-				
			8/1/27	19,592.05	-				
			2/1/28	39,184.10	-				
			8/1/28	19,592.05	-				
2/1/29	39,184.10	-							
8/1/29	19,592.05	-							
2/1/30	39,184.10	-							
8/1/30	19,592.05	-							
2/1/31	20,294.20	-							
Infrastructure	5/3/12	360,000.00	8/1/18-8/1/21	15,000.00	5.00%	285,000.00		15,000.00	270,000.00
			8/1/22-26	20,000.00	5.00%				
			8/1/27-28	25,000.00	3.00%				
			8/1/29	25,000.00	3.13%				
			8/1/30	25,000.00	3.20%				
			8/1/31	25,000.00	3.25%				
						\$ 1,069,384.15	-	73,776.15	995,608.00

**GENERAL CAPITAL FUND
SCHEDULE OF (TYPE I) SCHOOL SERIAL BONDS**

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2018		Int. Rate	Balance Dec. 31, 2017	Issued 2018	Decreased Paid 2018	Balance Dec. 31, 2018
			Date	Amount					
School Bonds	9/1/2010	230,778.00	9/1/19	34,910.00	2.375%	\$ 102,864.00		33,577.00	69,287.00
			9/1/20	34,377.00	2.500%				
School Bonds (Refunding)	2/7/2012	1,280,000.00	7/15/19	170,000.00	4.000%	685,000.00		160,000.00	525,000.00
			7/15/20	175,000.00	4.000%				
			7/15/21	180,000.00	4.000%				
School Bonds (Refunding)	12/3/2014	1,615,000.00	8/01/19	170,000.00	3.000%	1,270,000.00		165,000.00	1,105,000.00
			8/01/20	175,000.00	3.000%				
			8/01/21	185,000.00	3.000%				
			8/01/22	185,000.00	3.000%				
			8/01/23	195,000.00	3.000%				
			8/01/24	195,000.00	3.000%				
						\$ 2,057,864.00	-	358,577.00	1,699,287.00
							Refunded Paid	-	
								358,577.00	
								<u>358,577.00</u>	

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

Improvement Description	Ordinance Number	Date of Original Issue	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2017	Increased	Decreased	Cancellation	Balance Dec. 31, 2018
Various General Improvements	10-2011	9/8/2011	7/24/2018	7/23/2019	2.750% \$	179,700.00		7,400.00		172,300.00
Various General Improvements	13-2012	8/7/2012	7/24/2018	7/23/2019	2.750%	192,065.00		11,500.00		180,565.00
Various Improvements to Schools	10-2013	-	-	-	-	2,155,000.00		2,155,000.00		-
Various Improvements to Schools	10-2013	-	-	-	-	1,207,000.00		1,207,000.00		-
Demolition of Poplar Avenue School and Related Improvements	12-2014	7/24/2018	7/24/2018	7/23/2019	2.750%		606,000.00			606,000.00
Various General Improvements	14-2014	8/1/2014	7/24/2018	7/23/2019	2.750%	914,000.00		36,000.00		878,000.00
Various General Improvements	6-2015	7/30/2015	7/24/2018	7/23/2019	2.750%	950,000.00		32,500.00		917,500.00
Tax Appeal Refunding Bonds/Notes	7-2016	12/20/2016	12/14/2018	12/13/2019	2.800%	340,000.00		170,000.00		170,000.00
Construction of Various Capital Improvements to Municipal Buildings and Grounds at the All Wars Memorial Park	6-2017	7/24/2018	7/24/2018	7/23/2019	2.750%		142,500.00			142,500.00
Various General Improvements	4-2018	7/24/2018	7/24/2018	7/23/2019	2.750%		1,480,000.00			1,480,000.00
Roadway Improvements	9-2018	7/24/2018	7/24/2018	7/23/2019	2.750%		475,000.00			475,000.00
					\$	<u>5,937,765.00</u>	<u>2,703,500.00</u>	<u>3,619,400.00</u>	<u>-</u>	<u>5,021,865.00</u>

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

Ordinance Number	Improvement Description	Balance Dec. 31, 2017	2018 Authorizations	Debt Issued	Cancelled	Balance Dec. 31, 2018
11-2009	Various General Improvements	\$ 223.00				223.00
8-2010	Stormwater Drain System Improvements (Construction of Clean Water Project)	494,069.00				494,069.00
10-2010	Various General Improvements	3,000.00				3,000.00
10-2011	Various General Improvements	1.00				1.00
15-2011	Refunding Bond Ordinance General Obligation Refunding Bonds School Refunding Bonds	700,000.00 240,000.00			240,000.00	700,000.00 -
13-2012	Various General Improvements	3.00				3.00
10-2013	Various Improvements to Schools	110,000.00			110,000.00	-
12-2014	Demolition of Poplar Avenue School and Related Improvements	606,000.00		606,000.00		-
6-2017	Construction of Various Capital Improvements to Municipal Buildings and Grounds at the All Wars Memorial Park	142,500.00		142,500.00		-
4-2018	Various General Improvements		1,480,000.00	1,480,000.00		-
9-2018	Roadway Improvements		475,000.00	475,000.00		-
		<u>\$ 2,295,796.00</u>	<u>1,955,000.00</u>	<u>2,703,500.00</u>	<u>350,000.00</u>	<u>1,197,296.00</u>

CITY OF LINWOOD

PART II

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

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GENERAL COMMENTS

Contracts and Agreements Required to be Advertised for N.J.S. 40A:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding the aggregate of \$17,500 except by contract or agreement".

The governing body of the City of Linwood has the responsibility of determining whether the expenditures in any category will exceed \$17,500 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the district counsel's opinion should be sought before a commitment is made.

The minutes indicate that bids were requested by public advertising for the following items:

Purchase of a used Aerial Ladder for the fire department
Video Inspection and Main Cleaning
Resurfacing of Bartlett, Marie, Richards, and Van Sant Avenues
2018 Road Improvement Program

The minutes indicate resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per NJS 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violations existed.

Our examination of expenditures did not reveal individual payments, contracts or agreements in excess of \$17,500 "for the performance of any work or the furnishing or hiring of any materials or supplies" other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

The governing body, on January 5, 2018, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"WHEREAS, R.S. 54:4-67 permits the governing body of each municipality to fix the rate of interest to be charged for nonpayment of taxes or assessments; and

WHEREAS, R.S. 54:4-67 has been amended to permit the fixing of said rate of 8% per annum on the first \$1,500 of delinquency and 18% per annum on any amount in excess of \$1,500;

NOW, THEREFORE, BE IT RESOLVED, by the Common Council of the City of Linwood, County of Atlantic, State of New Jersey as follows:

The Tax Collector is hereby authorized and directed to charge eight (8) percent per annum on the first \$1,500 of delinquency, and eighteen (18) percent per annum on any amount in excess of \$1,500, said amounts to be calculated from the date the tax is payable until the date of actual payment."

In addition, the governing body, on January 5, 2018, adopted the following resolution authorizing the allowance of a grace period before charging a penalty for late payment of taxes:

“WHEREAS, NJSA 54:4-67 allows the governing body to fix the rate of interest to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent, and may provide that no interest shall be charged if payment of any installment is made within the tenth calendar day following the date upon which the same became payable; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to allow such a grace period of taxes, assessments and sewer charges;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood City Tax Collector is hereby duly authorized, empower and directed to charge a penalty starting on February 10, 2018 for the first quarter, May 10, 2018 for the second quarter, August 10, 2018 for the third quarter and November 10, 2018 for the fourth quarter.”

Further, the governing body on January 5, 2018, adopted the following resolution to impose a penalty on tax delinquencies in excess of \$10,000:

“WHEREAS, NJSA 54:4-67 allows the governing body to charge a taxpayer having a tax delinquency in excess of \$10,000 at the end of the calendar year, an amount not to exceed 6% of said delinquency; and

WHEREAS, the Mayor and Common Council of the City of Linwood are desirous of so authorizing the Linwood Tax Collector to assess such a penalty;

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Linwood, that the Linwood Tax Collector be and is hereby duly authorized, empowered and directed to charge a penalty in the amount of 6% for all delinquent taxes, assessments, or other municipal liens or charges in excess of \$10,000 which have not been paid prior to the end of this calendar year.”

Our examination of interest collected on delinquent taxes did not reveal any charges that were not in agreement with the above resolution.

Delinquent Taxes and Tax Title Liens

Inspection of tax sale certificates on file revealed that all tax sale certificates were available for audit. The last tax sale was held on April 19, 2018 and was complete,

The following comparison is made of the number of tax title liens receivable on December 31st of the last three years:

<u>Year</u>	<u>Tax</u>	<u>Sewer</u>
2018	7	0
2017	5	0
2016	5	1

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Verification of Delinquent Taxes and Other Charges

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

<u>Type</u>	<u>Number Mailed</u>
Payments of 2018 and 2019 Taxes	15
Delinquent Taxes	5
Payment of 2018 and 2019 Sewer Charges	15
Delinquent Sewer Charges	5
Tax Title Liens	2

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>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collections</u>
2018	\$ 32,370,949.24	31,579,466.69	97.55%
2017	32,151,013.18	31,264,050.73	97.24%
2016	31,653,760.36	31,071,506.95	98.16%
2015	31,883,649.00	31,036,195.00	97.34%
2014	31,300,665.00	30,613,776.00	97.80%

Comparative Schedule of Tax Rate Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tax Rate	\$ 3.402	3.334	3.222	3.225	3.100
Apportionment of Tax Rate:					
Municipal	0.917	0.896	0.868	0.867	0.853
Municipal Library	0.031	0.032	0.033	0.035	0.034
County	0.484	0.491	0.465	0.472	0.438
Local School	1.262	1.231	1.211	1.203	1.156
Regional High School	0.708	0.684	0.645	0.648	0.629
Assessed Valuation	949,695,300	961,551,000	978,750,200	986,052,200	1,009,416,904

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>
2018	\$ 42,051.07	334,365.41	376,416.48	1.16%
2017	34,437.40	387,877.40	422,314.80	1.31%
2016	38,454.15	376,439.38	414,893.53	1.31%
2015	81,170.00	524,903.69	606,073.69	1.90%
2013	15,343.00	420,900.00	436,243.00	1.40%

RECOMMENDATIONS

1- That the budget be monitored on a routine basis to ensure appropriation balances are sufficient for all remaining expenditures and that transfers are approved, if needed, between November 1 and December 31.

Should any questions arise as to my comments or recommendations, or should you desire assistance in implementing my recommendations, please do not hesitate to call me.

Very truly yours,

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

Leon P. Costello
Leon P. Costello
Certified Public Accountant
Registered Municipal Accountant
No. 393

July 25, 2019