

BOROUGH OF ALLENHURST

COUNTY OF MONMOUTH

DECEMBER 31, 2018

ROBERT A. HULSART AND COMPANY
Certified Public Accountants

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BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

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BOROUGH OF ALLENHURST

COUNTY OF MONMOUTH

PART I

AUDITOR'S REPORT OF THE BOROUGH'S FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Borough Council
Borough of Allenhurst
County of Monmouth
Allenhurst, New Jersey 07711

Report on the Financial Statements

We have audited the accompanying financial statements - regulatory basis of the various funds and account groups of the Borough of Allenhurst (the "Borough"), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements 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, 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (The "Division"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough'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 Borough'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 opinion.

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

As discussed in Note 1 to the financial statements, the Borough prepares statements using accounting practices that demonstrate compliance with regulatory basis of accounting and budget laws of 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 the State of New Jersey. In addition, the financial statements of the Length of Service Award Program Fund ("LOSAP") have not been audited, and we were not required by the Division to audit the LOSAP fund financial statements as a part of our audit of the Borough's financial statements. The LOSAP fund financial statements are included in the Borough's Trust Fund and represent 59% and 65% of the assets and liabilities as of December 31, 2018 and 2017, respectively, of the Borough's Trust Fund.

The effects on the financial statements of the variances between these 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 the Borough, County of Monmouth, State of New Jersey, as of December 31, 2018 and 2017 or the results of its operations and changes in fund balance for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough as of December 31, 2018 and 2017, the changes in financial position, or where applicable, its cash flows for the years then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic consolidated financial statements.

However, in our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account groups of the Borough, as of December 31, 2018 and 2017, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the consolidated statements of revenues – regulatory basis and consolidated statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2018 on the basis of accounting described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Allenhurst's basis 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.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 15, 2019 on our consideration of the Borough's internal control over financial reporting and 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 reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Robert A. Hulsart and Company

**Robert A. Hulsart
Certified Public Accountant
Registered Municipal Accountant
R.M.A. Number 158**

August 15, 2019

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND****Exhibit A****COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,****Sheet 1 of 2****RESERVES AND FUND BALANCE - REGULATORY BASIS****DECEMBER 31, 2018 AND 2017**

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash	A-4	\$ 1,318,039.23	\$ 1,045,266.72
Cash - Change Fund	A-4	2,600.00	2,600.00
Bond Anticipation Notes - Investment	A-11		600,000.00
		<u>1,320,639.23</u>	<u>1,647,866.72</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-5	34,125.99	17,389.08
Interfunds:			
Animal Control Trust Fund	A-10		320.50
Trust Other Fund	A-10	2,276.40	10,474.41
Water-Sewer Utility Capital Fund	A-10	3,000.00	
General Capital Fund	A-10	162,832.52	9,327.33
		<u>202,234.91</u>	<u>37,511.32</u>
Deferred Charges:			
Special Emergency Authorizations (40A:4-53)	A-3	8,000.00	16,000.00
		<u>8,000.00</u>	<u>16,000.00</u>
		<u>1,530,874.14</u>	<u>1,701,378.04</u>
<u>Grant Fund</u>			
Interfund - Current Fund	A-11	67,859.16	65,254.75
Grants Receivable	A-12	8,326.00	8,326.00
		<u>76,185.16</u>	<u>73,580.75</u>
		<u>\$ 1,607,059.30</u>	<u>\$ 1,774,958.79</u>

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND****Exhibit A****COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,****Sheet 2 of 2****RESERVES AND FUND BALANCE - REGULATORY BASIS****DECEMBER 31, 2018 AND 2017**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Appropriation Reserves	A-3,10	\$ 257,892.15	\$ 138,266.32
Reserve for Encumbrances	A-3,10	433,953.57	195,678.21
Accounts Payable		80,607.48	22,500.30
Due State of New Jersey:			
Veterans and Senior Citizens	A-4,5	440.00	239.59
Prepaid Taxes	A-4	129,911.82	805,040.80
Unallocated Credit Card Deposits	A-6		11,055.37
Tax Overpayments	A-7	162.78	
Local District School Tax Payable	A-9		4,205.00
County Taxes Payable	A-8	8,143.54	1,290.12
Interfunds:			
General Capital Fund	A-10		
Water-Sewer Utility Operating Fund	A-10	33,906.25	28,899.96
Animal Control	A-10	565.96	
Grant Fund	A-11	67,859.16	65,254.75
		<u>1,013,442.71</u>	<u>1,272,430.42</u>
Reserve for Receivables and Other Assets		202,234.91	37,511.32
Fund Balance	A-1	315,196.52	391,436.30
		<u>1,530,874.14</u>	<u>1,701,378.04</u>
<u>Grant Fund</u>			
Appropriated Reserves	A-13	73,685.16	73,580.75
Unappropriated Reserves	A-14	2,500.00	
		<u>76,185.16</u>	<u>73,580.75</u>
Appropriated Reserves		<u>\$ 1,607,059.30</u>	<u>\$ 1,774,958.79</u>

There were deferred school taxes on December 31, 2018 and 2017 of \$12,032.50 (Schedule A-8).

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND**

Exhibit A-1

COMPARATIVE STATEMENT OF OPERATIONS AND

Sheet 1 of 2

CHANGE IN FUND BALANCE - REGULATORY BASIS

	<u>Ref.</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>Revenue and Other Income Realized</u>			
Fund Balance Utilized	A-2	\$ 320,000.00	\$ 300,000.00
Miscellaneous Revenue Anticipated	A-2	2,610,333.25	2,556,688.61
Receipts from Delinquent Taxes	A-2	17,389.08	72,862.39
Receipts from Current Taxes	A-2	4,584,909.54	4,219,820.97
Non-Budget Revenues	A-2	110,922.16	44,994.19
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-9	106,766.78	87,955.30
Cancelled:			
Unallocated Credit Card Deposits	A	11,055.37	
Local School Taxes Payable	A-8	4,205.00	
Interfund Loans Returned			18,265.74
Total Income		<u>7,765,581.18</u>	<u>7,300,587.20</u>
<u>Expenditures</u>			
Budget Appropriations within Caps:			
Operations:			
Salaries and Wages		2,250,750.00	2,190,245.75
Other Expenses		1,783,600.00	1,728,346.25
Deferred Charges and Statutory Expenditures		510,866.00	468,277.00
Budget Appropriations excluded from Caps:			
Operations:			
Salaries and Wages		152,484.00	150,008.00
Other Expenses		97,075.81	116,648.60
Capital Improvements		102,000.00	56,000.00
Municipal Debt Service		453,061.93	449,686.41
Deferred Charges		8,000.00	8,000.00
	A-3	<u>5,357,837.74</u>	<u>5,167,212.01</u>
Prior Year Tax Appeals		15,405.18	
Local District School Taxes	A-8	192,854.00	190,963.00
County Taxes	A-7	1,807,737.36	1,644,298.69
Refund of Prior Year Revenue	A-4		1,835.00
Prior Year Senior Deduction Disallowed			109.59
Interfund Advances		147,986.68	
Total Expenditures		<u>7,521,820.96</u>	<u>7,004,418.29</u>

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND****Exhibit A-1****COMPARATIVE STATEMENT OF OPERATIONS AND****Sheet 2 of 2****CHANGE IN FUND BALANCE - REGULATORY BASIS**

	<u>Ref.</u>	<u>Year 2018</u>	<u>Year 2017</u>
Statutory Excess to Fund Balance		243,760.22	296,168.91
Fund Balance January 1	A	391,436.30	395,267.39
		<u>635,196.52</u>	<u>691,436.30</u>
Decreased by:			
Utilization as Anticipated Revenue	A-2	<u>320,000.00</u>	<u>300,000.00</u>
Fund Balance December 31	A	\$ <u>315,196.52</u>	\$ <u>391,436.30</u>

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 1 of 3

	Ref.	Anticipated Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
	A-1	\$ 320,000.00	\$	\$ 320,000.00	\$
Fund Balance Anticipated					
<u>Miscellaneous Revenues</u>					
Licenses:					
Alcoholic Beverages	A-7	720.00		720.00	
Other	A-7	2,000.00		5,863.00	3,863.00
Fees and Permits	A-7	13,000.00		26,159.69	13,159.69
Interest and Costs on Taxes	A-7	9,000.00		7,482.32	(1,517.68)
Municipal Court Fines and Costs	A-7	115,000.00		107,273.04	(7,726.96)
Interest on Investments and Deposits	A-7	4,000.00		18,983.97	14,983.97
State Aid:					
Energy Receipts Tax (P.L. 1997, Chapter 162 and 167)	A-7	196,033.00		196,033.00	
Beach Revenues	A-7	1,680,000.00		1,716,062.28	36,062.28
Fire and First Aid Services Borough of Interlaken and Village of Loch Arbour	A-7	44,000.00		61,074.14	17,074.14
Garbage and Trash Removal:					
Borough of Interlaken and Village of Loch Arbour	A-7	164,000.00		164,266.00	266.00
Board of Education School Bus Driver	A-7	23,000.00		18,915.00	(4,085.00)
Special Items of Revenue:					
Federal and State Revenues Off-Set with Appropriations:					
Clean Communities Grant	A-13		4,000.00	4,000.00	
Alcohol Education Rehabilitation	A-13		1,830.81	1,830.81	

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-2

STATEMENT OF REVENUES - REGULATORY BASIS

Sheet 2 of 3

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Special N.J.S. 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
<u>Miscellaneous Revenues (Continued)</u>					
Special Items of Revenue (Continued):					
Other Special Items:					
Beach Leases		\$ 65,000.00		76,500.00	\$ 11,500.00
Reserve for Debt Service		60,000.00		60,000.00	
NYNEX Lease for Mobil Telephone Cell Site	A-7	100,000.00		115,170.00	15,170.00
General Capital Surplus		30,000.00		30,000.00	
Total Miscellaneous Revenues	A-1	<u>2,505,753.00</u>	<u>5,830.81</u>	<u>2,610,333.25</u>	<u>98,749.44</u>
Receipts from Delinquent Taxes	A-1, 5	12,000.00		17,389.08	5,389.08
Subtotal General Revenues		<u>2,837,753.00</u>	<u>5,830.81</u>	<u>2,947,722.33</u>	<u>104,138.52</u>
Amount to be Raised by Taxes for Support of Municipal Budget	A-2	<u>2,611,420.41</u>		<u>2,678,546.59</u>	<u>67,126.18</u>
Total General Revenues		<u>5,449,173.41</u>	<u>5,830.81</u>	<u>5,626,268.92</u>	<u>171,264.70</u>
Non-Budget Revenues	A-2			<u>110,922.16</u>	<u>110,922.16</u>
		<u>\$ 5,449,173.41</u>	<u>\$ 5,830.81</u>	<u>\$ 5,737,191.08</u>	<u>\$ 282,186.86</u>
Ref.	A-3		A-3		

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND****Exhibit A-2****STATEMENT OF REVENUES - REGULATORY BASIS****Sheet 3 of 3**

	<u>Ref.</u>	
<u>Analysis of Realized Revenues</u>		
Allocation of Current Tax Collections:		
Revenue from Collections	A-1,5	\$ 4,584,909.54
Allocated to:		
School and County Taxes	A-7, 8	<u>2,000,591.36</u>
Balance for Support of Municipal Budget Appropriations		2,584,318.18
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>94,228.41</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>\$ 2,678,546.59</u></u>
<u>Analysis of Non-Budget Revenue</u>		
Cable Franchise		13,912.40
Sanitation		3,743.33
Rent		4,120.00
NJ DMV Fees		650.00
JIF Dividend		13,664.00
Copies		139.94
Insurance		13,816.00
Recycling		110.80
Court		48.00
Reimbursements		7,912.08
Clerk		1,746.78
Special Events		645.40
Auctions		<u>50,413.43</u>
		<u><u>\$ 110,922.16</u></u>

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-3

Sheet 1 of 7

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>OPERATIONS WITHIN CAPS</u>					
<u>General Government</u>					
<u>Department of Public Safety</u>					
Mayor's Office					
Salaries and Wages	\$ 1,750.00	\$ 1,750.00	\$ 1,750.00	\$	\$
Engineering Services and Costs					
Other Expenses	24,000.00	35,000.00	24,841.25	10,158.75	
Police Department					
Salaries and Wages	1,238,000.00	1,226,000.00	1,156,787.48	69,212.52	
Other Expenses	65,000.00	77,000.00	72,823.20	4,176.80	
Emergency Management Services					
Salaries and Wages	3,050.00	3,050.00		3,050.00	
Other Expenses	200.00	200.00	102.43	97.57	
Fire Bureau					
Salaries and Wages	5,000.00	5,000.00	4,397.49	602.51	
Other Expenses	500.00	500.00	454.50	45.50	
Fire					
Other Expenses	28,800.00	28,800.00	25,625.70	3,174.30	
Aid to Volunteer Ambulance Company					
Other Expenses	2,000.00	2,000.00	1,137.30	862.70	
Municipal Prosecutor					
Other Expenses	14,000.00	14,000.00	13,848.00	152.00	
Deal Lake Weed Control					
Other Expenses	2,750.00	2,750.00	2,750.00		
<u>Department of Revenue and Finance</u>					
Commissioners Office					
Salaries and Wages	1,500.00	1,500.00	1,500.00		
Municipal Clerk					
Salaries and Wages	106,000.00	106,000.00	101,978.24	4,021.76	
Other Expenses	45,000.00	45,000.00	31,299.56	13,700.44	

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Exhibit A-3

Sheet 2 of 7

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Elections	\$ 2,000.00	\$ 500.00	\$ 495.10	\$ 4.90	\$
Other Expenses					
Financial Administration					
Salaries and Wages	65,000.00	77,500.00	76,798.44	701.56	
Other Expenses	64,000.00	51,500.00	35,447.05	16,052.95	
Audit Services					
Other Expenses	17,200.00	17,200.00	17,200.00		
Collection of Taxes					
Salaries and Wages	5,800.00	5,800.00	5,748.00	52.00	
Other Expenses	200.00	200.00	200.00		
Assessment of Taxes					
Salaries and Wages	6,200.00	6,200.00	5,952.92	247.08	
Other Expenses	2,000.00	2,000.00	786.01	1,213.99	
Other Expenses - Tax Appeals	15,000.00	15,000.00	14,997.70	2.30	
Legal Services and Costs					
Other Expenses	118,000.00	118,000.00	102,166.19	15,833.81	
Planning Board					
Salaries and Wages	13,000.00	13,000.00	12,916.62	83.38	
Other Expenses	15,000.00	14,000.00	12,719.79	1,280.21	
Insurance					
General Liability	86,000.00	79,490.66	79,490.66		
Workers' Compensation	94,000.00	93,510.21	93,510.21		
Employee Group Health	728,000.00	687,701.13	665,034.99	22,666.14	
<u>Public Works Functions</u>					
Solid Waste Collection					
Salaries and Wages	340,000.00	340,000.00	334,230.71	5,769.29	
Other Expenses	24,000.00	34,000.00	31,743.79	2,256.21	
<u>Health and Welfare</u>					
Board of Health					
Other Expenses	15,000.00	13,648.00	13,648.00		

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Exhibit A-3

Sheet 3 of 7

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Monmouth County Organization of Social Services (N.J.S. 40:13)	\$ 625.00	\$ 625.00	\$ 604.00	\$ 21.00	\$
Blood Borne Pathogens					
Other Expenses	400.00	400.00		400.00	
Beach Facilities					
Salaries and Wages	390,000.00	356,000.00	355,036.58	963.42	
Other Expenses	96,000.00	132,000.00	119,711.85	12,288.15	
<u>Department of Public Works, Parks and Public Property</u>					
Commissioners Office	1,500.00	1,500.00	1,500.00		
Salaries and Wages					
Streets and Road Maintenance					
Other Expenses	12,000.00	14,500.00	11,881.90	2,618.10	
Snow Removal					
Salaries and Wages	2,000.00	2,000.00	2,000.00		
Other Expenses	3,500.00	3,500.00	3,480.42	19.58	
Recycling					
Other Expenses	23,000.00	29,500.00	27,382.56	2,117.44	
<u>Public Property</u>					
Building and Grounds					
Other Expenses	10,000.00	20,000.00	11,528.43	8,471.57	
Maintenance of Motor Vehicles					
Other Expenses	41,000.00	41,000.00	39,996.16	1,003.84	
Parks and Playgrounds					
Other Expenses	10,500.00	11,000.00	10,811.16	188.84	
Celebration of Public Events					
Other Expenses	8,000.00	6,500.00	5,816.38	683.62	
Municipal Court					
Salaries and Wages	93,000.00	93,000.00	91,166.94	1,833.06	
Other Expenses	7,000.00	7,000.00	6,513.72	486.28	
Public Defender					
Salaries and Wages	1,600.00	1,600.00	1,545.03	54.97	

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Exhibit A-3

Sheet 4 of 7

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
Animal Control	\$ 3,000.00	\$ 3,000.00	\$ 897.54	\$ 2,102.46	\$
Other Expenses					
Construction Official	9,000.00	10,850.00	10,839.18	10.82	
Salaries and Wages	275.00	275.00	174.50	100.50	
Other Expenses					
<u>Unclassified</u>					
Utilities					
Electricity	26,000.00	26,000.00	23,135.22	2,864.78	
Street Lighting	26,000.00	27,000.00	24,325.73	2,674.27	
Telephone	35,000.00	32,000.00	28,554.00	3,446.00	
Natural Gas	9,500.00	9,500.00	5,959.46	3,540.54	
Water	25,000.00	27,000.00	22,935.12	4,064.88	
Gasoline	35,500.00	42,500.00	37,652.68	4,847.32	
Fire Hydrant Service	17,000.00	18,300.00	17,774.39	525.61	
Total Operations within Caps	<u>4,034,350.00</u>	<u>4,034,350.00</u>	<u>3,803,604.28</u>	<u>230,745.72</u>	
Detail:					
Salaries and Wages	2,282,400.00	2,250,750.00	2,164,147.63	86,602.37	
Other Expenses	<u>1,751,950.00</u>	<u>1,783,600.00</u>	<u>1,639,456.65</u>	<u>144,143.35</u>	
<u>STATUTORY EXPENDITURES WITHIN CAPS</u>					
Statutory Expenditures:					
Contribution to:					
Public Employees Retirement System	131,531.00	131,531.00	131,530.82	.18	
Social Security System (O.A.S.I.)	130,000.00	130,000.00	129,535.07	464.93	
Police and Firemen's Retirement System of NJ	234,835.00	234,835.00	234,835.00		
Unemployment Insurance	12,000.00	12,000.00	11,564.09	435.91	
Deferred Contribution Retirement Program	2,500.00	2,500.00	2,383.98	116.02	
Total Statutory Expenditures within Caps	<u>510,866.00</u>	<u>510,866.00</u>	<u>509,848.96</u>	<u>1,017.04</u>	
Total Appropriations within Caps	<u>4,545,216.00</u>	<u>4,545,216.00</u>	<u>4,313,453.24</u>	<u>231,762.76</u>	

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Exhibit A-3

Sheet 5 of 7

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
<u>OPERATIONS EXCLUDED FROM CAPS</u>					
911 Emergency Services	\$ 1,200.00	\$ 1,200.00	\$	1,200.00	\$
Other Expenses	7,200.00	7,200.00	6,714.25	485.75	
LOSAP Program					
Employee Group Health Insurance					
Snow Removal					
Other Expenses					
Interlocal Municipal Service Agreements:					
Garbage and Trash Removal					
Salaries and Wages	126,284.00	126,284.00	126,283.92	.08	
Other Expenses	37,982.00	37,982.00	32,085.59	5,896.41	
Contractual					
Fire					
Other Expenses	37,400.00	37,400.00	32,971.21	4,428.79	
LOSAP Program	8,663.00	8,663.00	8,085.00	578.00	
School Bus Driver					
Salaries and Wages	25,000.00	25,000.00	25,000.00		
Garbage and Trash Removal - Loch Arbour					
Salaries and Wages					
Other Expenses					
<u>Public and Private Programs Offset by Revenues</u>					
Clean Communities Grant	4,000.00	4,000.00	4,000.00		
Alcohol Education Rehabilitation	1,830.81	1,830.81	1,830.81		
Total Operations excluded from Caps	<u>249,559.81</u>	<u>249,559.81</u>	<u>236,970.78</u>	<u>12,589.03</u>	
Detail:					
Salaries and Wages	152,484.00	152,484.00	151,283.92	.08	
Other Expenses	<u>97,075.81</u>	<u>97,075.81</u>	<u>85,686.86</u>	<u>12,588.95</u>	

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Exhibit A-3

Sheet 6 of 7

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
<u>CAPITAL IMPROVEMENTS EXCLUDED</u>					
<u>FROM CAPS</u>					
Capital Improvement Fund	\$	\$	\$	\$	\$
Office Equipment	15,000.00	15,000.00	5,000.00	10,000.00	
Police SUV	20,000.00	20,000.00	20,000.00		
Police Equipment	10,000.00	10,000.00	10,000.00		
Beach Equipment and Improvements	20,000.00	20,000.00	19,999.60	.40	
Public Works Equipment	15,000.00	15,000.00	15,000.00		
Hazardous Site Remediation	22,000.00	22,000.00	18,460.04	3,539.96	
Total Capital Improvements excluded from Caps	<u>102,000.00</u>	<u>102,000.00</u>	<u>88,459.64</u>	<u>13,540.36</u>	
<u>MUNICIPAL DEBT SERVICE EXCLUDED</u>					
<u>FROM CAPS</u>					
Payment of Bond Anticipation Notes and Capital Notes	175,000.00	175,000.00	175,000.00		873.33
Interest on Bonds	211,000.00	211,000.00	210,126.67		1,150.99
Interest on Notes	38,000.00	38,000.00	36,849.01		913.75
Capital Lease Obligations	32,000.00	32,000.00	31,086.25		
Total Municipal Debt Service excluded from Caps	<u>456,000.00</u>	<u>456,000.00</u>	<u>453,061.93</u>		<u>2,938.07</u>
<u>DEFERRED CHARGES EXCLUDED FROM CAPS</u>					
Emergency Authorization					
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)	8,000.00	8,000.00	8,000.00		
Total General Appropriations excluded from Caps	<u>815,559.81</u>	<u>815,559.81</u>	<u>786,492.35</u>	<u>26,129.39</u>	<u>2,938.07</u>
Subtotal General Appropriations	5,360,775.81	5,360,775.81	5,099,945.59	257,892.15	2,938.07
Reserve for Uncollected Taxes	94,228.41	94,228.41	94,228.41		
Total General Appropriations	<u>\$ 5,455,004.22</u>	<u>\$ 5,455,004.22</u>	<u>\$ 5,194,174.00</u>	<u>\$ 257,892.15</u>	<u>\$ 2,938.07</u>
Ref.		A-1		A	A-1

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS

Exhibit A-3
Sheet 7 of 7

	Appropriated		Expended		Unexpended Balance Cancelled
	Budget	Budget After Modification	Paid or Charged	Reserved	
Adopted Budget					
Appropriation by 40A-4-87		\$ 5,449,173.41			
		5,830.81			
		<u>\$ 5,455,004.22</u>			
Disbursements	A-4		\$ 4,232,048.84		
Interfunds:					
Interfunds:	A-12				
Other	A-13		420,112.37		
Grant Fund			5,830.81		
Special Emergency Authorizations:					
Raised in Budget	A		8,000.00		
Reserve for Encumbrances	A-3		433,953.57		
Reserve for Uncollected Taxes	A-2		94,228.41		
			<u>\$ 5,194,174.00</u>		

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**TRUST FUNDS****Exhibit B****COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,****RESERVES AND FUND BALANCE - REGULATORY BASIS****DECEMBER 31, 2018 AND 2017**

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Animal Control Trust Fund</u>			
Cash	B-1	1,148.64	1,618.00
Change Fund		25.00	25.00
		<u>1,173.64</u>	<u>1,643.00</u>
<u>Other Trust</u>			
Cash		<u>203,309.22</u>	<u>157,752.49</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Funds Held by Trustee	B-5	290,802.83	290,083.36
		<u>\$ 495,285.69</u>	<u>\$ 449,478.85</u>
<u>Liabilities and Reserves</u>			
<u>Animal Control Trust Fund</u>			
Interfund - Current Fund	A	331.58	320.50
Reserve for Animal Control Trust Fund Expenditures	B-2	842.06	1,322.50
		<u>1,173.64</u>	<u>1,643.00</u>
<u>Other Trust</u>			
Reserve for:			
Other Trust Fund Expenditures	B-3	201,032.82	147,278.08
Interfunds:			
Current Fund	B-4	2,276.40	10,474.41
		<u>203,309.22</u>	<u>157,752.49</u>
<u>Length of Service Awards Program Fund</u>			
<u>(LOSAP) - Unaudited</u>			
Reserve for Length of Service Awards Program (LOSAP)	B-5	290,802.83	290,083.36
		<u>\$ 495,285.69</u>	<u>\$ 449,478.85</u>

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**GENERAL CAPITAL FUND****Exhibit C****COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,****RESERVES AND FUND BALANCE - REGULATORY BASIS****DECEMBER 31, 2018 AND 2017**

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash	C-2	\$ 736,180.56	\$ 413,524.45
Grant Receivable	C-3	140,000.00	265,000.00
Deferred Charges to Future Taxation:			
Funded	C-8	5,045,000.00	
Unfunded	C-4	1,439,251.31	6,787,023.31
Leased Assets Under Capital Lease	C-8	82,631.24	161,643.72
		<u>\$ 7,443,063.11</u>	<u>\$ 7,627,191.48</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Improvement Authorizations:			
Funded	C-5	\$ 238,844.72	\$ 125,000.00
Unfunded	C-5	985,006.30	1,046,844.53
Reserve for Encumbrances	C-5	128,714.93	18,045.02
Reserve for Debt Service	C-3	492,874.94	1,213,822.42
Interfund - Current Fund	C-6	162,832.52	9,327.33
Capital Improvement Fund	C-7	30,767.91	55,767.91
Leases Payable	C-10	82,631.24	161,643.72
Bond Anticipation Notes	C-9	275,000.00	4,965,350.00
Serial Bonds	C-8	5,045,000.00	
Reserve for Bench Deposits		500.00	500.00
Fund Balance	C-1	890.55	30,890.55
		<u>\$ 7,443,063.11</u>	<u>\$ 7,627,191.48</u>

There were bonds and notes authorized but not issued on December 31, 2017 and 2018 of \$1,821,673.31 and \$1,164,251.31 (Schedule C-11).

STATEMENT OF FUND BALANCE - REGULATORY BASIS**Exhibit C-1**

	<u>Ref.</u>	
Balance December 31, 2017	C	\$ 30,890.55
Decreased by:		
Utilized as Current Fund Revenue	C-6	30,000.00
Balance December 31, 2018	C	<u>890.55</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**WATER-SEWER UTILITY FUND****Exhibit D****COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,****Sheet 1 of 2****RESERVES AND FUND BALANCE - REGULATORY BASIS****DECEMBER 31, 2018 AND 2017**

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
<u>Operating Fund</u>			
Cash	D-5	\$ 19,917.07	\$ 24,954.62
Interfund-Current Fund	D-4	33,906.25	28,899.96
Interfund - Utility Capital Fund		18,567.65	25,533.73
Receivables with Full Reserves:			
Consumer Accounts Receivable	D-7	12,021.09	11,057.57
Total Operating Fund		<u>84,412.06</u>	<u>90,445.88</u>
<u>Capital Fund</u>			
Cash	D-5	2,875.24	2,796.92
Fixed Capital	D-10	638,908.44	638,908.44
Fixed Capital Authorized and Uncompleted		100,000.00	100,000.00
Total Capital Fund		<u>741,783.68</u>	<u>741,705.36</u>
		<u>\$ 826,195.74</u>	<u>\$ 832,151.24</u>
<u>Liabilities, Reserves and Fund Balance</u>			
<u>Operating Fund</u>			
Appropriation Reserves	D-4,8	\$ 6,472.36	\$ 12,865.89
Reserve for Encumbrances	D-4,5	4,527.50	1,746.69
Utility Overpayments	D-5	2,814.25	3,085.92
		<u>13,814.11</u>	<u>17,698.50</u>
Reserve for Receivables		12,021.09	11,057.57
Fund Balance	D-1	58,576.86	61,689.81
Total Operating Fund		<u>84,412.06</u>	<u>90,445.88</u>

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**WATER-SEWER UTILITY FUND****Exhibit D****COMPARATIVE STATEMENT OF ASSETS, LIABILITIES,****Sheet 2 of 2****RESERVES AND FUND BALANCE - REGULATORY BASIS****DECEMBER 31, 2018 AND 2017**

<u>Liabilities, Reserves and Fund Balance (Continued)</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Capital Fund</u>			
Interfund - Current Fund	D-6	\$ 3,000.00	\$
Interfund - Utility Operating Fund		18,567.65	25,533.73
Capital Improvement Fund	D-6	28,500.00	28,500.00
Reserve for Amortization	D-10	638,908.44	638,908.44
Deferred Reserve for Amortization	D-9	48,000.00	41,000.00
Improvement Authorizations:			
Unfunded	D-11	4,806.79	7,762.39
Fund Balance	D-1	.80	.80
Total Capital Fund		<u>741,783.68</u>	<u>741,705.36</u>
		<u>\$ 826,195.74</u>	<u>\$ 832,151.24</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 of \$52,000.00 and \$59,000.00 (Schedule D-12).

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**WATER-SEWER UTILITY CAPITAL FUND****Exhibit D-1****COMPARATIVE STATEMENT OF FUND BALANCE - REGULATORY BASIS**

Balance December 31, 2018 and 2017	<u>Ref.</u> <u>D</u>	\$ <u>.80</u>
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WATER-SEWER UTILITY OPERATING FUND**COMPARATIVE STATEMENT OF OPERATIONS AND****Exhibit D-2****CHANGE IN FUND BALANCE - REGULATORY BASIS**

	<u>Ref.</u>	<u>Year 2018</u>	<u>Year 2017</u>
<u>Revenue and Other Income Realized</u>			
Surplus Anticipated	D-3	\$ 20,500.00	\$ 20,500.00
Water and Sewer Rents	D-3	282,952.58	279,859.43
Non-Budget Revenue	D-3	2,202.33	1,727.37
Appropriations Reserves Balances Lapsed	D-8	10,232.14	47,514.58
Total Income		<u>315,887.05</u>	<u>349,601.38</u>
<u>Expenditures</u>			
Operating		285,800.00	282,800.00
Capital Improvements		7,000.00	1,000.00
Debt Service			9,000.00
Deferred Charges and Statutory Expenditures		5,700.00	7,700.00
Total Expenditures	D-4	<u>298,500.00</u>	<u>300,500.00</u>
Excess in Revenue		17,387.05	49,101.38
Fund Balance January 1	D	<u>61,689.81</u>	<u>33,088.43</u>
		79,076.86	82,189.81
Decreased by:			
Utilized as Anticipated Revenue	D-2	<u>20,500.00</u>	<u>20,500.00</u>
Fund Balance December 31	D	<u>\$ 58,576.86</u>	<u>\$ 61,689.81</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**WATER-SEWER UTILITY OPERATING FUND****Exhibit D-3****STATEMENT OF REVENUES - REGULATORY BASIS**

	<u>Ref.</u>	<u>Anticipated Budget</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	D-2	\$ 20,500.00	20,500.00	\$
Rents - Water-Sewer	D-2,7	278,000.00	282,952.58	4,952.58
		<u>298,500.00</u>	<u>303,452.58</u>	<u>4,952.58</u>
Non-Budget Revenue	D-2,3		2,202.33	2,202.33
		<u>\$ 298,500.00</u>	<u>\$ 305,654.91</u>	<u>\$ 7,154.91</u>

Ref.

D-4

Analysis of Non-Budget Revenue

Interest and Costs on Delinquent Accounts

\$ 1,899.86

Interest on Deposits

302.47

D-3

\$ 2,202.33

Receipts

D-5

\$ 2,162.12

Interfunds:

Current Fund

6.29

Water-Sewer Capital Fund

33.92

D-3

\$ 2,202.33

The accompanying Notes to Financial Statements are an integral part of these statements.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

WATER-SEWER UTILITY OPERATING FUND

Exhibit D-4

STATEMENT OF EXPENDITURES - REGULATORY BASIS

	Appropriated		Expended	
	Budget	Budget After Modification	Paid or Charged	Reserved
Operating				
Salaries and Wages	\$ 105,300.00	\$ 105,300.00	\$ 104,503.00	\$ 797.00
Other Expenses	180,500.00	180,500.00	180,499.64	.36
Capital Improvements				
Deficit in Capital Ordinance 05-11	7,000.00	7,000.00	7,000.00	
Deferred Charges and Statutory Expenditures:				
Contribution to:				
Public Employees' Retirement System	5,000.00	5,000.00		5,000.00
Social Security System (O.A.S.I.)	700.00	700.00	25.00	675.00
Total Water-Sewer Utility Appropriations	\$ 298,500.00	\$ 298,500.00	\$ 292,027.64	\$ 6,472.36
				D
Disbursements			\$ 280,500.14	
Reserve for Encumbrances			4,527.50	
Interfunds:				
Water-Sewer Utility Capital Fund			7,000.00	
			\$ 292,027.64	

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH
COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES
REGULATORY BASIS
DECEMBER 31, 2018 AND 2017

Exhibit H

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
General Fixed Assets:		
Buildings and Building Improvements	\$ 3,330,774.00	\$ 3,330,774.00
Machinery and Equipment	<u>4,529,920.00</u>	<u>4,438,118.00</u>
	<u>\$ 7,860,694.00</u>	<u>\$ 7,768,892.00</u>
<u>Liabilities</u>		
Investment in General Fixed Assets	<u>\$ 7,860,694.00</u>	<u>\$ 7,768,892.00</u>

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the Borough of Allenhurst, County of Monmouth, New Jersey (the "Borough"), include every board, body, office or commission supported and maintained wholly or in part by funds appropriated by the Borough as required by N.J.S. 40A:5-5. The financial statements of the Borough do not include the operations of the Board of Education, first aid organization or volunteer fire companies which are subject to separate audits.

The Governmental Accounting Standards Board ("GASB") Statement 14 established criteria to be used to determine which component units should be included in the financial statements of the oversight entity. The criteria differ from the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") requirements where certain boards, commissions, and agencies of the Borough, by statute or other directive, report separately on their financial statements. The Borough had no component units during 2018.

B. Descriptions of Funds

The GASB is the recognized standard-setting body for establishing governmental generally accepted accounting and financial reporting principles.

The accounting policies of the Borough conform to the accounting principles applicable to municipalities which have been prescribed by the Division. 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 respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differs from the fund structure required by generally accepted accounting principles ("GAAP"):

Current Fund - revenues and expenditures for governmental operations of a general nature, including federal and state grant funds.

Assessment Trust Fund - used to account for the financing of local improvements deemed to benefit the properties against which assessments are levied.

Animal Control Trust Fund - animal control license revenues and expenditures.

Other Trust Fund - sundry deposits held for satisfactory completion of specific work; receipts and disbursements for dedicated purposes and receipts and disbursements for payroll withholdings.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

General Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of general capital facilities, other than those acquired through the Current Fund, including the status of bonds and notes authorized for said purposes.

Water-Sewer Utility Operating Fund - revenues and expenditures necessary to operate a municipally-owned sewer collection system from user fees.

Water-Sewer Utility Capital Fund - resources, including Federal and State Grants in aid of construction, and expenditures for the acquisition of sewer capital facilities, other than those acquired through the Water-Sewer Utility Operating Fund, including the status of bonds and notes authorized for said purposes.

General Fixed Assets Account Group - used to account for fixed assets used in general government operations.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from GAAP applicable to local governmental units. The more significant differences are as follows:

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

Property Taxes and Other Revenues - property taxes and other revenues are recognized on a cash basis. Receivables for property taxes and other items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund. GAAP requires such revenue to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Grant Revenues - Federal and State grants, entitlement or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. Federal and State grant revenues received for purposes of capital projects financed by capital ordinances are recognized when received. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Expenditures - unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless cancelled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Encumbrances - contractual orders at December 31, are reported as expenditures through the establishment of a reserve for encumbrances. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Deferred Charges - the regulatory basis of accounting utilized by the Borough requires that certain expenditures be deferred, and raised as items of appropriation in budgets of succeeding years. These deferred charges include the two general categories, overexpenditures and emergency appropriations. Overexpenditures occur when expenditures recorded as "paid or charged" exceed available appropriation balances. Emergency appropriations occur when, subsequent to the adoption of a balanced budget, the governing body authorizes the establishment of additional appropriations based on unforeseen circumstances or for other special purposes as defined by statute. Overexpenditures and emergency appropriations are deducted from total expenditures in the calculation of operating results and are established as assets for Deferred Charges on the respective balance sheets. GAAP does not permit the deferral of overexpenditures to succeeding budgets. In addition, GAAP does not recognize expenditures based on the authorization of an appropriation. Instead, the authorization of special purpose expenditures, such as the preparation of tax maps or revaluation of assessable real property, would represent the designation of fund balance.

Compensated Absences - expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount which would normally be liquidated with expendable available financial resources be recorded as an expenditure in the Current Fund and the remaining obligations be recorded as a long-term obligation. The expenditures in the Water Utility Operating Fund would be on a full accrual basis. The compensated absence liability at December 31, 2018 is set forth in Note 4.

Property Acquired for Taxes - is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded at its market value.

Sale of Municipal Assets - Cash proceeds from the sale of Borough owned property may be reserved until utilized as an item of anticipated revenue in a subsequent year budget. Year end balances of such proceeds are reported as a cash liability in the Current Fund. GAAP requires that revenue be recognized in the accounting period that the terms of sales contracts become legally enforceable.

Interfunds - advances in the Current Fund are reported as interfund receivables with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. GAAP does not require the establishment of an offsetting reserve.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Capital Leases - the Borough is obligated under lease agreements with the Monmouth County Improvement Authority and Leasing 2, Inc. The related obligations are presented in Note 15 and also presented on the General Capital Fund Balance Sheet in accordance with the regulatory reporting requirements. Interest and principal are charged to the budget based upon the cash basis. GAAP requires that the leased assets and related obligations be accounted for at present value in the General Fixed Assets Account Group and the General Long-Term Debt Group, respectively. GAAP also requires that the effective interest method be utilized to determine the interest expense.

General Fixed Assets - In accordance with the New Jersey Administrative Code, as promulgated by the Division, which differs in certain respects from GAAP, the Borough has developed a fixed assets accounting and reporting system.

Fixed assets used in governmental operations (general fixed assets) are required to be 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.

GAAP does not require utilization of a general fixed asset account group.

Machinery and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Buildings are presented at assessed valuation.

Depreciation is not recorded in the General Fixed Assets Account Group.

Expenditures for construction in progress are required to be recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

Utility Fixed Assets - Accounting for utility fund "fixed capital" remains unchanged.

Property and equipment purchased by the Water-Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represent charges to operations for the costs of acquisitions of property, equipment and improvements.

Property and equipment of the Water-Sewer Utility Fund are not depreciated. Principal payments for Water-Sewer Utility debt are recorded as expenditures in the Water-Sewer Utility Statement of Operations.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Utility Fixed Assets (Continued)

During 2018 and 2017 the following changes occurred in the fixed assets of the Borough:

	<u>Balance</u> <u>Jan.1 , 2018</u>	<u>Additions</u>	<u>Balance</u> <u>Dec.31 , 2018</u>
General Fixed Assets Account Group			
Buildings	\$ 3,330,774	\$	\$ 3,330,774
Machinery and Equipment	4,529,920		4,529,920
Water-Sewer Utility Fund:			
Fixed Capital	638,908		638,908
Fixed Capital Authorized and Uncompleted	<u>100,000</u>		<u>100,000</u>
	\$ <u>8,599,602</u>	\$ <u>-0-</u>	\$ <u>8,599,602</u>
	<u>Balance</u> <u>Jan.1 , 2017</u>	<u>Additions</u>	<u>Balance</u> <u>Dec.31 , 2017</u>
General Fixed Assets Account Group			
Buildings	\$ 3,330,774	\$	\$ 3,330,774
Machinery and Equipment	4,438,118	91,802	4,529,920
Water-Sewer Utility Fund:			
Fixed Capital	638,908		638,908
Fixed Capital Authorized and Uncompleted	<u>100,000</u>		<u>100,000</u>
	\$ <u>8,507,800</u>	\$ <u>91,802</u>	\$ <u>8,599,602</u>

D. Financial Statements

The GASB Codification requires the financial statements of a governmental unit to be presented in accordance with GAAP. The Borough presents its financial statements in accordance with another comprehensive basis of accounting as promulgated by the Division which differs from the financial statements required by GAAP. In addition, the Division requires the financial statements to be referenced to the supplementary schedules. This practice differs from GAAP.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the Division in accordance with applicable statutes.

NOTE 2. CASH AND CASH EQUIVALENTS

A. Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal five percent of the average daily balance of public funds; or

If the public funds deposited exceed 75 percent of the funds of the depository, the depository must provide collateral having a market value equal to 100 percent of the amount exceeding 75 percent.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

At year-end the carrying amount of the Borough's deposits was \$2,296,249 and the bank balance amount was \$2,331,602. Of this amount \$250,000 was covered by federal depository insurance and a collateral pool under New Jersey's Governmental Unit Deposit Protection Act covered \$2,081,602.

B. Investments

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Borough may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Borough:

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

a. When authorized by a cash management plan approved pursuant to N.J.S. 40A:5-14, the Borough may use available funds for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the Borough:

- (1) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (2) Government money market mutual funds.
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (4) Bonds or other obligations of the Borough, or bonds or other obligations of school districts of which the Borough is a part or within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investments, New Jersey Department of the Treasury.
- (6) Municipal investment pools.
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c. 281; or
- (8) Agreements for the repurchase of fully collateralized securities, if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this section;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41);
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

b. Any investment instruments in which the security is not physically held by the Borough shall be covered by a third party custodial agreement, which shall provide for the designation of such investments in the name of the Borough and prevent unauthorized use of such investments.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

- c. Investments are further regulated and restricted in accordance with N.J.S. 40A:5-15.1.

At year-end, the Borough had no investment in the State of New Jersey Cash Management Fund.

The State of New Jersey Cash Management Fund is authorized by statute and regulations of the State Investment Council to invest in fixed income and debt securities which mature within one year. Collateralization of Fund investments is generally not required. "Other Than State" participants contribute up to one tenth of one percent per year of the value of the aggregate units owned by them to establish a Reserve Fund, which is supplemented by the proportional interest of "Other Than State" participants in gains on investment transactions realized. The Reserve Fund is available to cover losses of "Other Than State" participants occasioned by the bankruptcy of an issuer of an investment held by the Fund and losses on sales of securities.

C. Cash Management Plan

In accordance with N.J.S. 40A:5-14, every municipality shall adopt a cash management plan and shall deposit and invest its funds pursuant to that plan. The plan shall be approved annually by majority vote of the governing body and may be modified from time to time in order to reflect changes in federal or state law or regulations. The chief financial officer shall be charged with administering the plan.

When an investment in bonds maturing in more than one year is authorized, the maturity of those bonds shall approximate the prospective use of the funds invested.

The plan also requires a monthly report to the governing body summarizing all investments made or redeemed since the previous report and shall include, at a minimum, the specific detailed information as set forth in the statute.

D. Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2018</u>	<u>2017</u>
Insured:		
FDIC	\$ 250,000	\$ 250,000
GUDPA	<u>2,081,602</u>	<u>1,361,018</u>
	\$ <u>2,331,602</u>	\$ <u>1,611,018</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

D. Credit Risk Categories (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk.

State law limits investments as noted above.

During the year, the Borough had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the Borough.

NOTE 3. DEBT

The Local Bond Law governs the issuance of bonds and notes to finance general municipal capital expenditures. Bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes are issued to temporarily finance capital projects, prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. All such notes must be paid no later than the tenth anniversary of the date of the original note. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid. A second legal installment must be paid if the notes are to be renewed beyond the fourth anniversary date of the original issuance and so on. Tax anticipation notes are issued if the cash on hand is not sufficient to carry on normal operations of the municipality at any time during the year. Such notes are authorized by a resolution adopted by the governing body.

A. Long-Term Debt

On December 31, 2018 the Borough's outstanding long-term debt was as follows:

3.00% to 5.00% General Improvement Bonds issued for	
\$5,220,000 on February 1, 2018, installment maturities	
to January 15, 2038	\$ <u>5,045,000</u>

The bonds mature serially in installments to the year 2038. Aggregate debt service requirements during the next five fiscal years and thereafter are as follows:

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 3. DEBT (CONTINUED)

A. Long-Term Debt

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$	\$
2020	175,000	212,900
2021	180,000	204,150
2022	190,000	195,150
2023	200,000	185,650
2024-2028	1,145,000	769,250
2029-2033	1,445,000	470,200
2034-2038	<u>1,710,000</u>	<u>165,750</u>
	\$ <u>5,045,000</u>	\$ <u>2,203,050</u>

B. Short-Term Debt

On December 31, 2018, the Borough's outstanding bond anticipation notes were as follows:

<u>Ordinance Number</u>	<u>Description</u>	<u>General Capital Fund</u>	
		<u>Ordinance Amount</u>	<u>Interest Rate</u>
17-13	Improvements to Railroad Plaza Park	\$ 275,000	2.25%

C. Bonds and Notes Authorized but not Issued

At December 31 the Borough had authorized but not issued bonds and notes as follows:

	<u>2018</u>	<u>2017</u>
General Capital Fund	\$ 1,164,251	\$ 1,821,673
Water Utility Capital Fund	52,000	59,000

D. Borrowing Power

New Jersey statutes limit the debt of a municipality to 3.5% of the average of the last three preceding years equalized valuations of the taxable real estate and improvements. The Borough's statutory net debt at December 31, 2018 was 1.16%. The Borough's remaining borrowing power is 2.34%.

The summary of municipal debt for the last three years and the calculation of statutory net debt is presented in the Supplementary Data section of this report.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 3. DEBT (CONTINUED)

E. Summary of Debt Service

During 2018 and 2017 the following changes occurred in the outstanding debt of the Borough:

	<u>Balance</u> <u>Jan.1 , 2018</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31 , 2018</u>	<u>Due in</u> <u>One Year</u>
General Debt:					
Bond Anticipation Notes	\$ 4,965,350	\$ 275,000	\$ 4,965,350	\$ 275,000	\$ 275,000
Serial Bonds		5,220,000	175,000	5,045,000	
	<u>\$ 4,965,350</u>	<u>\$ 5,495,000</u>	<u>\$ 5,140,350</u>	<u>\$ 5,320,000</u>	<u>\$ 275,000</u>
	<u>Balance</u> <u>Jan.1 , 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>Dec. 31 , 2017</u>	<u>Due in</u> <u>One Year</u>
General Debt:					
Bond Anticipation Notes	\$ 4,726,850	\$ 4,965,350	\$ 4,726,850	\$ 4,965,350	\$ 4,965,350
Water-Sewer Utility Fund Debt:					
Bond Anticipation Notes	10,500		10,500		
	<u>\$ 4,737,350</u>	<u>\$ 4,965,350</u>	<u>\$ 4,737,350</u>	<u>\$ 4,965,350</u>	<u>\$ 4,965,350</u>

NOTE 4. ACCRUED SICK AND VACATION BENEFITS

As discussed in Note 1 and in accordance with accounting principles prescribed by the State of New Jersey, the cash basis of accounting is followed for recording the Borough's liability related to unused vacation and sick pay. The Borough permits certain employees within limits to accumulate unused vacation and sick pay, which may be taken as time off or paid at a later date at an agreed upon rate. The estimated current cost of such unpaid compensation approximates \$143,962 and \$131,269 at December 31, 2018 and 2017, respectively. In accordance with New Jersey accounting principles, this amount is not reported as an expenditure or liability in the accompanying financial statements.

NOTE 5. FUND BALANCES APPROPRIATED

The fund balances at December 31 which have been appropriated and included as anticipated revenue in the municipal budget for the year ending December 31 of the succeeding years are as follows:

	<u>2018</u>	<u>2017</u>
Current Fund	\$ 300,000	\$ 320,000
Water Utility Fund	37,500	20,500

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 6. TAXES COLLECTED IN ADVANCE

Taxes collected in advance set forth as cash liabilities in the financial statements, are as follows:

	<u>Balance December 31</u>	
	<u>2018</u>	<u>2017</u>
Prepaid Taxes	\$ 129,912	\$ 805,041

NOTE 7. ASSESSMENT AND COLLECTION OF PROPERTY TAXES

New Jersey statutes require that taxable valuation of real property be prepared by the Borough Tax Assessor as of October 1 in each year and filed with the County Board of Taxation (the "Board") by January 10 of the following year. Upon the filing of certified adopted budgets by the Borough, Regional School District and County, the tax rate is struck by the Board based on the certified amounts in each of the taxing districts for collection to fund the budgets. Pursuant to statute, this process is to be completed on or before May 3, with a completed duplicate of the tax rolls to be delivered to the Borough Tax Collector (the "Collector") on or before May 13th.

Tax bills are prepared then mailed by the Collector of the Borough annually and set forth the final tax for the tax year. The bill contains a credit for preliminary amounts billed previously with the balance payable in equal installments on August 1st and November 1st of the tax year. In addition the property owner receives a preliminary bill for the succeeding year based on one half of the prior year's tax. The preliminary payments are due and payable on February 1st and May 1st. The N.J. Statutes allow a grace period of 10 days for each payment period and the Borough granted this option to taxpayers. Taxes become delinquent if not paid on the installment dates and become subject to interest penalties of 8% or 18% of the amount delinquent. If taxes are delinquent on or after April 1st of the succeeding year, the delinquent amount is subject to "Tax Sale" which places a tax lien on the property allowing the holder to enforce the tax lien by collection or foreclosure. New Jersey property tax laws establish a tax lien on real estate as of January 1st of the current tax year even though the amount due is not known.

NOTE 8. DEFERRED CHARGES TO FUTURE TAXATION FUNDED AND UNFUNDED

Upon the authorization of capital projects, the Borough establishes deferred charges for the cost of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to the New Jersey Statutes Annotated 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for the particular year in the current budget. As funds are raised, the deferred charges are reduced.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS

A. Public Employees' Retirement System (PERS)

Plan Description - The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Plan Description (Continued)

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/5 5th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (Continued)

Contributions - The contribution policy for PERS is set by *N.J.S.A. 15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PERS amounted to \$131,531 for 2018.

The employee contribution rate was 7.20% effective July 1, 2017 and increased to 7.34% effective July 1, 2018. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Net Pension Liability and Pension Expense - At December 31, 2018, the Borough's proportionate share of the PERS net pension liability is valued to be \$2,556,666. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The Borough's proportion measured as of June 30, 2018, was .01298%, which was a decrease of .00106% from its proportion measured as of June 30, 2017.

Collective Balances at December 31, 2018 and December 31, 2017

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Actuarial Valuation Date	July 1, 2018	July 1, 2017
Net Pension Liability	\$ 2,556,666	\$ 3,268,222
Borough's Portion of the Plans Total		
Net Pension Liability	0.01298%	0.01404%

For the year ended December 31, 2018, the Borough had an allocated pension expense of \$140,026.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>PERS</u>
Inflation	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%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were based	July 1, 2011 - June 30, 2014

Mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

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 the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments 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:

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return (Continued)

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 asset	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%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. The 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 municipals 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 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 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

A. Public Employees' Retirement System (PERS) (Continued)

Sensitivity of the Borough's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

	<u>Decrease</u> <u>(4.66%)</u>	<u>Discount</u> <u>(5.66%)</u>	<u>Increase</u> <u>(6.66%)</u>
Borough Proportionate Share of the Net Pension Liability	\$ 3,214,713	\$ 2,556,666	\$ 2,004,601

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Police and Firemen's Retirement System (PFRS)

Plan Description - The State of New Jersey, Police and Firemen's Retirement System (PFRS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to May 22, 2010.
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1 % for each year if creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

B. Police and Firemen's Retirement System (PFRS) (Continued)

Contributions - The contribution policy for PFRS is set by *N.J.S.A. 43:16A* and requires 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 2018, the State contributed an amount less than the actuarially determined amount. The Local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PFRS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Borough contributions to PFRS amounted to \$234,835 for 2018.

The employee contributions for PFRS are 10.00% of employees' annual compensation, as defined.

Special Funding Situation - Under *N.J.S.A. 43:16A-15*, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the state is as follows: 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 amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 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 (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation.

Net Pension Liability and Pension Expense - At December 31, 2018, the Borough's proportionate share of the PFRS net pension liability is valued to be \$3,663,998. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The Borough's proportion of the net pension liability was based on the Borough's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The Borough's proportion measured as of June 30, 2018, was .02708%, which was an increase of .00055% from its proportion measured as of June 30, 2017.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

B. Police and Firemen's Retirement System (PFRS) (Continued)

Net Pension Liability and Pension Expense (Continued)

Collective Balances at December 31, 2018 and December 31, 2017

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Actuarial Valuation Date	July 1, 2018	July 1, 2017
Net Pension Liability	\$ 3,663,998	\$ 4,096,410
Borough's Portion of the Plans Total		
Net Pension Liability	0.02708%	0.02653%

For the year ended December 31, 2018, the Borough had an allocated pension expense of \$417,484.

Additionally, the State's proportionate share of the net pension liability attributable to the Borough is \$497,694 as of December 31, 2018. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The State's proportion of the net pension liability associated with the Borough was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. The State's proportion measured as of June 30, 2018 was .02708%, which was an increase of .00055% from its proportion measured as of June 30, 2017, which is the same proportion as the Borough's.

Borough's Proportionate Share of the Net Pension Liability	\$ 3,663,998
State's Proportionate Share of the Net Pension Liability	
Associated with the Borough	<u>497,694</u>
Total Net Pension Liability	\$ <u>4,161,692</u>

For the year ended December 31, 2018, the Borough's total allocated pension expense was \$476,435.

Actuarial Assumptions - The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

B. Police and Firemen's Retirement System (PFRS) (Continued)

Actuarial Assumptions (Continued)

	<u>PFRS</u>
Inflation	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%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study upon which Actuarial Assumptions were based	July 1, 2010 - June 30, 2013

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and one year using Projection Scale BB for male service retirements with adjustments for mortality improvements from the base year based on Projection Scale BB. Mortality rates were based on the RP-2000 Combined Health Mortality Tables projected fourteen years using Projection Scale BB for female service retirements and beneficiaries with adjustments for mortality improvements from the base year of 2014 based on Projection Scale BB.

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. 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 either be higher or lower than anticipated. The more experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments 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 PFRS's target asset allocation as of June 30, 2017 are summarized in the following table:

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

B. Police and Firemen's Retirement System (PFRS) (Continued)

Long-Term Expected Rate of Return (Continued)

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 asset	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%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. The 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 municipals 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 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 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 9. PENSION OBLIGATIONS (CONTINUED)

B. Police and Firemen's Retirement System (PFRS) (Continued)

Sensitivity of the Borough's Proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.51%) or 1-percentage-point higher (7.51%) than the current rate:

	<u>Decrease (5.51%)</u>	<u>Discount (6.51%)</u>	<u>Increase (7.51%)</u>
Borough Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Position Liability Associated with the Borough	\$ 4,903,807	\$ 3,663,998	\$ 2,641,382

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program (DCRP) is a cost-sharing multiple-employer defined contribution pension fund which was established in 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.) and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. 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 N.J.S.A. 43:15C-1 et. seq.

The Borough's contributions to DCRP for the years ended December 31, 2018, 2017 and 2016 were \$2,384, \$2,021 and \$1,133, respectively, which equaled the required contributions for each year. There was 3, 3 and 1 eligible participants at December 31, 2018, 2017 and 2016, respectively.

Related Party Investments - The Division of Pensions and Benefits does not invest in securities issued by the Borough.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Borough contributes to the State Health Benefits Program ("SHBP"), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. On October 1, 2000, the Borough authorized participation in the SHBP's post-retirement benefit program through Resolution Number 4. The Borough adopted the provisions of Chapter 88, P.L. 1974 that provides medical benefits to any employee who has over 25 years of pension service credit.

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

Funding Policy

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

Contributions to pay for health premiums of participating retirees in the SHBP are billed to the Borough on a monthly basis.

The Borough contributions to SHBP for the years ended December 31, 2018, 2017 and 2016 were \$230,978, \$214,379 and \$181,223, respectively, which equaled the required contributions for each year. There were approximately 17, 14 and 12 retired participants eligible at December 31, 2018, 2017 and 2016, respectively.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 11. SCHOOL TAXES

Local District School Taxes have been raised and liabilities deferred. Section 13 of P.L. 1991, C. 63 required that any municipality that levied school taxes on a school year basis shall defer from the 1991 municipal purposes tax levy at least 25% of the amount allowable to be deferred (which is 50% (fifty percent) of the levy). The remainder of the allowable amount shall be deferred from the levy in each of the next three years (1992-1994). The amounts so deferred shall be regarded as fund balance and shall be used to offset the local property tax levy for local purposes. In 1992 at least 50% of the amount allowable to be deferred from the 1992 tax levy was required to offset the 1993 local property tax levy and the total amount of deferral at December 31, 1993 was 75% of the amount allowable to be deferred based on the 1993 tax levy.

In 1994 Section 13, P.L. 1991, C. 63 was amended to provide municipalities with the option to determine the percentage if any of the amount allowable to be deferred to offset the local property tax levy for local purposes.

	<u>Local District School Tax</u>	
	<u>Balance December 31</u>	
	<u>2018</u>	<u>2017</u>
Balance of Tax	\$ 12,033	\$ 16,238
Deferred	<u>12,033</u>	<u>12,033</u>
Tax Payable	\$ <u>-0-</u>	\$ <u>4,205</u>

NOTE 12. RISK MANAGEMENT

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough is a member of the Monmouth County Municipal Joint Insurance Fund, and the Municipal Excess Liability Fund, public entity risk pools currently operating as a common risk management and insurance programs for municipalities within the state. The Borough pays an actuarially determined annual assessment to Monmouth County Municipal Joint Insurance Fund for its insurance coverage and that of the Municipal Excess Liability Fund. Supplemental assessments may be levied to supplement the funds. The Borough has not been notified on any supplemental assessments.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2018:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Current Fund	\$ 168,109	\$ 102,331
Grant Fund	67,859	
Animal Control Trust Fund	566	
Other Trust Fund		2,276
General Capital Fund		162,833
Water-Sewer Utility Operating Fund	52,474	
Water-Sewer Utility Capital Fund	<u> </u>	<u>21,568</u>
	\$ <u>289,008</u>	\$ <u>289,008</u>

Interfund balances remaining at year-end were primarily caused by the Grant Fund not having a separate bank account and temporary short-term advances between funds.

NOTE 14. SALE OF WATER PLANT

In 1993 the Borough sold the Municipal Water Plant and the Borough water consumers became customers of New Jersey American Water Company. Although the local municipal utility is legally called the Water-Sewer Utility all revenues generated are from sewer activities only.

NOTE 15. CAPITAL LEASES

As described in Note 1, the obligations under the Capital Leases based upon the statutory basis of accounting is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 82,632	\$ 3,786

NOTE 16. FIRE APPARATUS LEASE

The Borough provides the Borough of Interlaken and the Village of Loch Arbour with certain emergency services. During 2010 fire apparatus was purchased under this joint service agreement. The total cost of the fire apparatus was \$709,948, which has been financed by a ten year lease/purchase plan at an interest rate of 4.58%. The Borough, the Borough of Interlaken and the Village of Loch Arbour along with the fire department are sharing in the asset purchase and related financing costs over the ten year lease year period with annual payments until 2019. The principal balance at December 31, 2018 and 2017 is \$82,632 and \$161,644, respectively.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 17. CONTINGENT LIABILITIES

State and Federal Financial Assistance

The Borough receives financial assistance from the State of New Jersey and the U.S. government in the form of grants. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the financial assistance agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by grantors. As a result of these audits, costs previously reimbursed could be disallowed and require repayment to the grantor agency. As of December 31, 2018, the Borough estimates that no material liabilities will result from such audits.

Pending Litigation

There are actions which have been instituted against the Borough which are either in the discovery stage or whose final outcome cannot be determined at the present time. In the opinion of the administration, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Borough.

It is the opinion of the Borough officials that there is no litigation threatened or pending that would materially affect the financial position of the Borough or adversely affect the Borough's ability to levy, collect and enforce the collection of taxes or other revenue for the payment of its bonds or other obligations.

The Borough officials believe that negligence and other types of liability suits, of which the Borough is aware, appear to be within the stated policy limits and would be deferred by the respective carriers.

NOTE 18. LENGTH OF SERVICE AWARD PROGRAM ("LOSAP") - UNAUDITED

The Borough has established a Volunteer Length of Service Award Plan ("LOSAP") ("Plan") to ensure retention of the Borough's volunteer firefighters and emergency service squad members. The Plan shall be construed under the laws of the State of New Jersey and is established with the intent that it meets the requirements of a length of service award plan under Section 457(e)11 of the Internal Revenue Code".

Annual Contributions - The annual contribution to be made by the Borough for each active volunteer member shall be \$1,050 per year of active emergency service, commencing with the year 2002.

Appropriations - Appropriations for the purpose of funding the Borough's LOSAP shall be included as a separate line item in the Borough's budget, commencing with the year 2002.

Periodic Increases - Notwithstanding the provisions above, the annual contribution to be made by the Borough for each active volunteer member shall be subject to periodic increases based upon the "consumer price index factor" pursuant to subsection f. of section 3 of P.L. 1997, c. 388 (N.J.S.A. 40A:14-185).

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 18. LENGTH OF SERVICE AWARD PROGRAM ("LOSAP") – UNAUDITED
(CONTINUED)

Criteria for Eligibility; Contributions; Points - Any active volunteer member shall be eligible to participate in the LOSAP Plan immediately upon commencement of the member's performance of active voluntary services in the emergency service organization. Annual contributions shall only be made by the Borough, however, for those active volunteer members who have earned the minimum number of points for performing certain volunteer services on a yearly basis.

Determination as to Eligibility - Each emergency service organization shall provide to the Borough Administrator, acting as the Plan Administrator of LOSAP Plan, a certified list as to the active volunteer members who are initially eligible to participate in the Plan and those who are eligible to participate as each January 1 thereafter. The Plan Administrator shall forward said certified list to the Board of Commissioners for approval, in accordance with the provision of N.J.A.C. 5:30-14.10. The decision of the Board of Commissioners as to such active member's eligibility shall be binding upon the Plan Administrator, participants, beneficiaries and any and all other persons having an interest hereunder, subject to appropriate judicial review.

Terms of Participation - The Plan Administrator shall have the right to require any active volunteer member at the time of his or her becoming a participant to agree, in writing, to be bound by the terms, covenants and conditions of the LOSAP and accompanying trust. Each participant shall furnish to the Plan Administrator all pertinent information required for the administration of the LOSAP. The Plan Administrator shall rely upon all such information furnished.

Vesting - The active volunteer member shall not be permitted to receive a distribution of the fund in his or her LOSAP account until the completion of a five-year vesting period.

Termination of Service - Any participant who terminates service as an active volunteer member shall cease to participate hereunder. A former participant may resume participation immediately upon returning to the service of the emergency service organization as an active volunteer member. Any active volunteer member who terminates service with the emergency service organization, subsequently returns to service and again becomes a participant shall be treated as a new participant for purposes of eligibility unless said participant was fully vested prior to his or her termination from service.

Reporting Requirements - N.J.A.C. 5:30-14.49 requires that the Borough perform a separate review report of the Plan in accordance with the American Institute of Certified Public Accountants Statements for Accounting and Auditing Review Services.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 19. HURRICANE SANDY

On October 29, 2012 Hurricane "Sandy" struck the state of New Jersey and the Borough of Allenhurst being a coastal community suffered damages as did certain residents. As a result the Borough adopted an emergency appropriation to pay for necessary related expenditures in the amount of \$1,500,000. Although the exact Federal reimbursement is not yet known it is anticipated that 90% of the approved expenditures will be recovered. In addition, insurance recoveries will also be applied.

It is also anticipated that any loss of ratables will be temporary as most properties will be repaired.

NOTE 20. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 20. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

General Information about the OPEB Plan (Continued)

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.

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

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. 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 total OPEB liabilities for the year ended June 30, 2018 were \$6,338,578,586 and \$9,642,524,641, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2017 through June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 20. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Net OPEB Liability

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 defined benefit plan that the member is enrolled in and his or her age.

OPEB Obligation and OPEB Expense

The State's proportionate share of the total Other Post-Employment Benefits Obligations, attributable to the Borough's as of June 30, 2018 was \$-0-, the Borough's proportionate share was \$5,597,213.

The OPEB Obligation was measured as of June 30, 2018, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The State's proportionate share of the OPEB Obligation associated with the Borough was based on projection of the State's long-term contributions to the OPEB plan associated with the Borough relative to the projected contributions by the State associated with all participating Municipalities, actuarially determined. At June 30, 2018, the State proportionate share of the OPEB Obligation attributable to the Borough was 0.035727%, which was a decrease of 0.000492% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2018, the State of New Jersey recognized an OPEB expense in the amount of \$217,841 for the State's proportionate share of the OPEB expense attributable to the Borough. This OPEB expense was based on the OPEB plans June 30, 2018 measurement date.

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.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 20. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

OPEB Obligation and OPEB Expense (Continued)

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

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

Health Care Trend Assumptions

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

Discount Rate

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

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB 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 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>At 1% Decrease (2.875)</u>	<u>At Discount Rate (3.875)</u>	<u>At 1% Increase (4.875)</u>
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the Borough	\$ 6,567,010	\$ 5,597,213	\$ 4,822,564
State of New Jersey's Total Nonemployer OPEB Liability	18,381,085,096	15,666,618,141	13,498,373,388

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2018

NOTE 20. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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 Trend Rate</u>	<u>1% Increase</u>
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the Borough	\$ 4,668,973	\$ 5,597,213	\$ 6,798,514
State of New Jersey's Total Nonemployer OPEB Liability	13,068,471,450	15,666,618,141	19,029,066,023

Additional Information - The following is a summary of the collective balances of the local group at June 30, 2018:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Collective Deferred Outflows of Resources	\$ 2,115,007,508	\$ 1,151,561,955
Collective Deferred Inflows of Resources	9,261,653,464	3,414,042,238
Collective Net Pension Liability	15,666,618,141	20,415,788,739
Borough's Portion	0.035727	0.036219%

The collective amounts reported as a deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	
2019	\$ (1,049,390,011)
2020	(1,049,390,011)
2021	(1,049,390,011)
2022	(1,050,264,681)
2023	(1,051,678,489)
Thereafter	(1,896,532,753)
	<u>\$ (7,146,645,956)</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
YEAR ENDED DECEMBER 31, 2018**NOTE 20. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)****Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.14 and 8.04 years for the 2018 and 2017 amounts, respectively.

Plan Membership

At June 30, 2017, the Program membership consisted of the following:

	<u>June 30, 2017</u>
Active Plan Members	\$ 61,789
Retirees Currently Receiving Benefits	<u>26,277</u>
	<u>\$ 88,066</u>

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

Service Cost	\$ 896,235,148
Interest on the Total OPEB Liability	764,082,232
Differences Between Expected and Actual Experiences	(3,626,384,047)
Changes of Assumptions	(2,314,240,675)
Contributions from the Employer	(421,194,662)
Contributions from Non-Employer Contributing Entity	(53,548,285)
Net Investment Income	(2,320,422)
Administrative Expenses	8,200,113
Net Change in Total OPEB Liability	<u>(4,749,170,598)</u>
Total OPEB Liability (Beginning)	<u>20,415,788,739</u>
Total OPEB Liability (Ending)	<u>\$ 15,666,618,141</u>

BOROUGH OF ALLENHURST

COUNTY OF MONMOUTH

PART II

SUPPLEMENTARY DATA

SUPPLEMENTARY SCHEDULES

YEAR ENDED DECEMBER 31, 2018

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax Rate	\$ <u>.796</u>	\$ <u>.778</u>	\$ <u>.832</u>
Apportionment of Tax Rate			
Municipal	.451	.441	.461
County	.311	.302	.333
Local School District	.034	.035	.038
Assessed Valuation			
2017	\$ 578,721,189		
2016		\$ 543,443,852	
2015			\$ 501,316,284

COMPARISON OF TAX LEVIES AND COLLECTION 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 levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Cash Collection</u>	<u>Percentage of Collection</u>
2018	\$ 4,627,503	\$ 4,584,910	99.08%
2017	4,237,210	4,219,821	99.59%
2016	4,188,004	4,118,962	98.35%

DELINQUENT TAXES AND TAX TITLE LIENS

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

<u>Year Ended December 31</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2018	\$ 34,126	\$ 34,126	.74%
2017	17,389	17,389	.41%
2016	72,753	72,753	1.74%

COMPARISON OF WATER-SEWER RENTS LEVIED

<u>Year</u>	<u>Levy</u>	<u>Prior Year Balance</u>	<u>Cash Collection</u>
2018	\$ 283,916	\$ 11,058	\$ 282,953
2017	282,828	8,089	279,859
2016	284,615	3,800	280,326

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Year</u> <u>Current Fund</u>	<u>Balance December 31</u>	<u>Utilized in in Budget Succeeding Year</u>
2018	\$ 315,197	\$ 300,000
2017	391,436	320,000
2016	395,267	300,000
2015	671,970	596,600
2014	829,598	500,000
<u>Water-Sewer Utility Operating Fund</u>		
2018	\$ 58,577	\$ 37,500
2017	61,690	20,500
2016	33,088	20,500
2015	33,011	20,413
2014	26,228	22,413

SUMMARY OF MUNICIPAL DEBT

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
<u>Issued</u>			
General			
Bonds and Notes	\$ 5,320,000	\$ 4,965,350	\$ 4,726,850
Water-Sewer Utility:			
Bonds and Notes			10,500
Total Issued	<u>5,320,000</u>	<u>4,965,350</u>	<u>4,737,350</u>
<u>Authorized but not Issued</u>			
General:			
Bonds and Notes	1,164,251	1,821,673	2,146,673
Water-Sewer Utility:			
Bonds and Notes	<u>52,000</u>	<u>59,000</u>	<u>57,500</u>
Total Authorized but not Issued	<u>1,216,251</u>	<u>1,880,673</u>	<u>2,204,173</u>
Net Bonds and Notes Issued and Authorized but not Issued	\$ <u>6,536,251</u>	\$ <u>6,846,023</u>	\$ <u>6,941,523</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a Statutory Net Debt of 1.06%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 6,484,251	\$	\$ 6,484,251
Water-Sewer Utility Debt	<u>52,000</u>	<u>52,000</u>	<u></u>
	\$ <u>6,536,251</u>	\$ <u>52,000</u>	\$ <u>6,484,251</u>

Net Debt \$6,484,251 divided by Equalized Valuation basis per N.J.S.A. 40A:2-6 as amended \$612,799,594 = 1.06%.

BORROWING POWER UNDER N.J.S.A. 40A:2-6

3.5% of Equalized Valuation Basis	\$ 21,447,986
Net Debt	<u>6,484,251</u>
Remaining Borrowing Power	\$ <u>14,963,735</u>

CALCULATION OF "SELF-LIQUIDATING PURPOSE" WATER-SEWER UTILITY PER N.J.S. 40A:2-45

Cash Receipts from Fees, Rents or Other	
Charges for the Year	\$ 305,655
Deductions:	
Operating and Maintenance Cost	<u>291,500</u>
Excess in Revenue	\$ <u>14,155</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

OFFICIALS IN OFFICE AND SURETY BONDS

The following officials were in office at December 31, 2018:

<u>Name</u>	<u>Position</u>	<u>Amount of Bond</u>
David J. McLaughlin	Mayor, Director of Public Affairs and Public Safety	
Christopher McLoughlin	Deputy Mayor, Director of Revenue and Finance	
Terrence Bolan	Commissioner, Director of Public Works, Parks and Public Property	
Donna Campagna	Borough Clerk, Business Administrator, Water-Sewer Utility Collector, Officer for Searches for Municipal Improvements	(A)
Carla Tomas	Tax Collector, Tax Search Officer	(A)
David Laughlin	Attorney	
Paul J. Capotorto	Magistrate	(B)
Robin Deibert	Municipal Court Administrator	(B)
Mary Ellen Supon	Violations Clerk	(B)
Kevin G. Rogers	Treasurer	(A)
Veronica Dahl	Deputy Clerk	(A)
Edward Simone	Chief Financial Officer	(B)
Peter Barnett	Tax Assessor	(B)

(A) \$1,000,000 Blanket Bond with Monmouth County Joint Insurance Fund.

(B) \$200,000 each occurrence general liability policy with Monmouth County Joint Insurance Fund.

There was Public Employee Dishonesty, Forgery, Theft and Robbery surety coverage by the Monmouth Municipal Joint Insurance Fund at a limit of \$950,000 with an additional \$50,000 coverage provided by the Municipal Excess Liability Joint Insurance Fund.

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND****Exhibit A-4****SCHEDULE OF CASH - TREASURER**

Balance December 31, 2017		\$ 1,045,266.72
Increased by Receipts:		
Taxes Receivable	\$ 3,789,776.02	
Revenue Accounts Receivable	2,504,969.35	
NJ Veterans and Senior Citizens	2,950.41	
Interfunds:		
Other	140,006.29	
Grant Fund	8,330.81	
Miscellaneous Revenue not Anticipated	110,922.16	
Tax Overpayments	3,735.36	
Prepaid Taxes	129,911.82	
		<u>6,690,602.22</u>
		<u>7,735,868.94</u>
Decreased by Disbursements:		
Current Year Budget Appropriations	4,232,048.84	
Appropriation Reserves	169,070.57	
County Taxes Payable	1,800,883.94	
Local District School Tax	192,854.00	
Interfunds:		
Other	3,000.00	
Grant Fund	5,726.40	
Tax Overpayments	14,245.96	
		<u>6,417,829.71</u>
Balance December 31, 2018		\$ <u><u>1,318,039.23</u></u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-5

SCHEDULE OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY

Year	Balance Dec. 31, 2017	2018 Levy	2018	2017	Veterans and Senior Citizens	Cancelled	Balance Dec. 31, 2018
2018		\$ 4,627,503.38	\$ 3,772,386.94	809,772.60	2,750.00	8,467.85	34,125.99
2017	17,389.08		17,389.08				
Ref.	\$ 17,389.08	\$ 4,627,503.38	\$ 3,789,776.02	\$ 809,772.60	\$ 2,750.00	\$ 8,467.85	\$ 34,125.99
	A	A-7			A-6		A
Ref.							
<u>Analysis of 2018 Property Tax Yield and Tax Levy</u>							
Tax Yield:							
2018 Levy					\$ 4,606,620.75		
Added and Omitted Taxes					20,882.63		
							\$ 4,627,503.38
							A-7
Tax Levy:							
Local District School Tax (Abstract)					\$ 192,854.00		
County Taxes:							
2018 Levy			\$ 1,799,593.82				
Added			8,143.54				
					1,807,737.36		
Local Tax for Municipal Purposes			2,611,420.41				
Add: Additional Tax Levied			15,491.61				
					2,626,912.02		
							\$ 4,627,503.38
							A-7

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND****Exhibit A-6****SCHEDULE OF REVENUE ACCOUNTS RECEIVABLE**

	<u>Accrued in 2018</u>	<u>Realized</u>
Licenses:		
Alcoholic Beverages	\$ 720.00	\$ 720.00
Other	5,863.00	5,863.00
Fees and Permits	26,159.69	26,159.69
Interest and Costs on Taxes	7,482.32	7,482.32
Municipal Court Fines and Costs	107,273.04	107,273.04
Interest on Investments and Deposits	18,983.97	18,983.97
State Aid:		
Energy Receipts Tax (P.L. 1997, Chapter 162 and 167)	196,033.00	196,033.00
Beach Revenues	1,716,062.28	1,716,062.28
Fire and First Aid Services Borough of Interlaken and Village of Loch Arbour	61,074.14	61,074.14
Garbage and Trash Removal:		
Borough of Interlaken and Village of Loch Arbour	164,266.00	164,266.00
Board of Education School Bus Driver	18,915.00	18,915.00
Beach Leases	76,500.00	76,500.00
Reserve for Debt Service	60,000.00	60,000.00
NYNEX Lease for Mobil Telephone Cell Site	115,170.00	115,170.00
General Capital Surplus	30,000.00	30,000.00
	<u>\$ 2,604,502.44</u>	<u>\$ 2,604,502.44</u>
Receipts		\$ 2,504,969.35
Interfunds		<u>99,533.09</u>
		<u>\$ 2,604,502.44</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND****Exhibit A-7****SCHEDULE OF COUNTY TAXES PAYABLE**

Balance December 31, 2017		\$	1,290.12
Increased by:			
2018 Levy:			
County Tax	\$	1,522,815.57	
County Library Tax		107,932.24	
County Open Space Tax		168,846.01	
Added and Omitted Taxes		<u>8,143.54</u>	
			<u>1,807,737.36</u>
			<u>1,809,027.48</u>
Decreased by:			
Disbursed			<u>1,800,883.94</u>
Balance December 31, 2018		\$	<u><u>8,143.54</u></u>

SCHEDULE OF LOCAL DISTRICT SCHOOL TAX PAYABLE**Exhibit A-8**

Balance December 31, 2007			
School Tax Payable	\$	4,205.50	
School Tax Deferred		<u>12,032.50</u>	
			\$ 16,238.00
Increased by:			
Levy - School Year July 1, 2018 to June 30, 2019			<u>192,854.00</u>
			<u>209,092.00</u>
Decreased by:			
Payments		192,854.00	
Adjust to Actual		<u>4,205.50</u>	
			<u>197,059.50</u>
Balance December 31, 2008			
School Tax Deferred			\$ <u><u>12,032.50</u></u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND****Exhibit A-9****SCHEDULE OF APPROPRIATION RESERVES**

Balance December 31, 2017		\$ 138,266.32
Increased by:		
Reserve for Encumbrances		<u>195,678.21</u>
		333,944.53
Decreased by:		
Disbursed	169,070.57	
Accounts Payable	<u>58,107.18</u>	
		<u>227,177.75</u>
Lapsed		\$ <u><u>106,766.78</u></u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-10

SCHEDULE OF INTERFUNDS

	Total (Memo Only)	Animal Control Trust Fund	Trust Other Fund	General Capital Fund	Water-Sewer Utility Operating Fund	Water-Sewer Utility Capital Fund
Balance December 31, 2017 - Due To (Due From)	\$ 8,777.72	\$ (320.50)	\$ (10,474.41)	\$ (9,327.33)	\$ 28,899.96	\$
Increased by:						
Deposits	140,006.29			140,000.00	6.29	
Current Year Budget Appropriations	420,112.37	897.54	11,000.00	403,214.83	5,000.00	
Total Increases	560,118.66	897.54	11,000.00	543,214.83	5,006.29	
Total Increases and Balances	568,896.38	577.04	525.59	533,887.50	33,906.25	
Decreased by:						
Disbursements	3,000.00					3,000.00
Investment in Notes	600,000.00			600,000.00		
Revenue Accounts Receivable	99,533.09	11.08	2,801.99	96,720.02		
Total Decreases	702,533.09	11.08	2,801.99	696,720.02		3,000.00
Balance December 31, 2018 - Due To (Due From)	\$ (133,636.71)	\$ 565.96	\$ (2,276.40)	\$ (162,832.52)	\$ 33,906.25	\$ (3,000.00)

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND****Exhibit A-11****SCHEDULE OF INTERFUND****GRANT FUND**

Balance December 31, 2017 - Due To		\$ 65,254.75
Increased by:		
Receipts:		
Grants Receivable	\$ 5,830.81	
Unappropriated Reserves	2,500.00	
Transferred from Current Year Budget Appropriations	<u>5,830.81</u>	
		<u>14,161.62</u>
		79,416.37
Decreased by:		
Grant Expenditures	5,726.40	
Current Year Anticipated Revenue	<u>5,830.81</u>	
		<u>11,557.21</u>
Balance December 31, 2018 - Due To		\$ <u><u>67,859.16</u></u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-12

SCHEDULE OF FEDERAL AND STATE GRANTS RECEIVABLE

GRANT FUND

<u>Grant</u>	Balance Dec. 31, 2017	2018 Budget Revenue	Realized	Balance Dec. 31, 2018
	\$ 4,326.00		\$	\$ 4,326.00
Community Development Block Grant	4,000.00			4,000.00
Click it or Ticket		1,830.81	1,830.81	
Alcohol Education/Rehabilitation Fund		4,000.00	4,000.00	
Clean Communities Program				
	\$ 8,326.00	5,830.81	\$ 5,830.81	\$ 8,326.00
	A	A-2,15		A

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

CURRENT FUND

Exhibit A-13

SCHEDULE OF APPROPRIATED RESERVES

GRANT FUND

Grant	Balance Dec. 31, 2017 \$	Transfer from 2018 Budget Appropriation \$	Expended \$	Balance Dec. 31, 2018 \$
Alcohol Education/Rehabilitation Fund	3,817.90	1,830.81	950.00	4,698.71
Body Armor Fund	1,870.74		1,809.30	61.44
Clean Communities Program	25,629.84	4,000.00	833.40	28,796.44
Community Development Block Grant	10,472.65			10,472.65
Drunk Driving Enforcement Fund	13,923.76		2,133.70	11,790.06
Recycling Tonnage Grant	9,561.88			9,561.88
Smart Growth	260.30			260.30
Stormwater Grant	4,043.68			4,043.68
Click it or Ticket	4,000.00			4,000.00
	<u>\$ 73,580.75</u>	<u>\$ 5,830.81</u>	<u>\$ 5,726.40</u>	<u>\$ 73,685.16</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**CURRENT FUND**

Exhibit A-14

SCHEDULE OF UNAPPROPRIATED RESERVES**GRANT FUND**

<u>Grant</u>	<u>Received</u>	<u>Balance Dec. 31, 2018</u>
Drunk Driving Enforcement Fund	\$ <u>2,500.00</u>	\$ <u>2,500.00</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

TRUST FUNDS

Exhibit B-1

SCHEDULE OF CASH - TREASURER

	<u>Animal Control Trust</u>	<u>Other Trust</u>
Balance December 31, 2017	\$ 1,618.00	\$ 157,752.49
Increased by Receipts:		
Reserve for Animal Control Fees	615.20	
Interfunds:		
Current Fund	71.40	2,801.99
Animal Control Trust Fund	11.08	
Miscellaneous Reserves	<u>697.68</u>	<u>2,830,953.63</u>
	<u>2,315.68</u>	<u>2,833,755.62</u>
Decreased by Disbursements:		
Reserve for Animal Control Fees	1,095.64	
Interfund-Current Fund	71.40	
Miscellaneous Reserves	<u>1,167.04</u>	<u>2,788,198.89</u>
Balance December 31, 2018	<u>\$ 1,148.64</u>	<u>\$ 203,309.22</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**ANIMAL CONTROL TRUST FUND****Exhibit B-2****SCHEDULE OF RESERVE FOR ANIMAL CONTROL****TRUST FUND EXPENDITURES**

Balance December 31, 2017	Ref. B	\$ 1,322.50
Increased by:		
Receipts	B-1	615.20
		<u>1,937.70</u>
Decreased by:		
Expenditures Under R.S. 4:19-15.11		<u>1,095.64</u>
Balance December 31, 2018	B	\$ <u>842.06</u>

Animal License Fees Collected

<u>Year</u>	<u>Amount</u>
2017	\$ 837.80
2016	\$ 901.80
	<u>\$ 1,739.60</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

OTHER TRUST FUND

Exhibit B-3

SCHEDULE OF MISCELLANEOUS RESERVES

	Balance Dec. 31, 2017	Increases	Decreases	Balance Dec. 31, 2018
	\$	\$	\$	\$
Law Enforcement	817.23	2.76		819.99
Escrow	49,363.45	51,766.25	32,797.35	68,332.35
Donations	3,668.34	5,425.00		9,093.34
Marriage Licenses	125.00	50.00	75.00	100.00
Off-Duty Police	22,435.98	58,800.00	43,100.00	38,135.98
POAA	1,749.95	220.00		1,969.95
Public Defender	2,567.72	1,154.00	280.92	3,440.80
Recreation	24,230.62	49,205.00	44,343.23	29,092.39
Snow Trust	8,177.99		4,304.94	3,873.05
Benches	95.00			95.00
Other	1,040.48	1,700.00	1,200.00	1,540.48
Payroll	33,006.32	2,673,630.62	2,662,097.45	44,539.49
	\$ 147,278.08	\$ 2,841,953.63	\$ 2,788,198.89	\$ 201,032.82
	B	B-1	B-1	B
Cash		\$ 2,830,953.63	\$ 2,788,198.89	
Interfund - Current Fund		11,000.00		
		\$ 2,841,953.63	\$ 2,788,198.89	

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**OTHER TRUST FUND****Exhibit B-4****SCHEDULE OF INTERFUND - CURRENT FUND**

Balance December 31, 2017 - Due To	\$ 10,474.41
Increased by:	
Interest on Deposits	<u>2,801.99</u>
	13,276.40
Decreased by:	
Unemployment Due From Budget	<u>11,000.00</u>
Balance December 31, 2018 - Due To	\$ <u><u>2,276.40</u></u>

SCHEDULE OF RESERVE FOR LENGTH OF**SERVICE AWARDS PROGRAM (LOSAP)****Exhibit B-5****(UNAUDITED)**

Balance December 31, 2017	\$ 290,083.60
Increased by:	
Borough Contributions to Trustee	<u>14,700.00</u>
	304,783.60
Decreased by:	
Earnings on Contributions	\$ 13,130.53
Plan Administrative Fees	<u>850.00</u>
	<u>13,980.53</u>
Balance December 31, 2018	\$ <u><u>290,803.07</u></u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**GENERAL CAPITAL FUND****Exhibit C-2****SCHEDULE OF GENERAL CAPITAL CASH**

Balance December 31, 2017		\$ 413,524.45
Increased by Receipts:		
Grants Receivable	\$	
Serial Bond Sale Proceeds:		
Serial Bonds Issued	5,220,000.00	
Premium	426,824.52	
Bond Anticipation Notes	275,000.00	
Interfund - Current Fund		
Interest on Deposits	6,720.02	
Advances		
Bench Deposits		
		<u>5,928,544.54</u>
		6,342,068.99
Decreased by Disbursements:		
Improvement Authorizations	837,323.60	
Bond Anticipation Notes	4,365,350.00	
Interfund - Current Fund	403,214.83	
		<u>5,605,888.43</u>
Balance December 31, 2018		\$ <u>736,180.56</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-3

ANALYSIS OF CASH

Fund Balance	Balance Dec. 31, 2017	Serial Bonds Payable	Receipts	Miscellaneous	Improvement Authorizations	Bond Anticipation Notes	Transfers		Balance Dec. 31, 2018
							From	To	
Capital Improvement Fund	\$ 30,890.55						\$ 30,000.00		\$ 890.55
Grant Receivable	55,767.91						25,000.00		30,767.91
Interfund - Current Fund	(265,000.00)							125,000.00	(140,000.00)
Reserve for Encumbrances	9,327.33						140,000.00		162,832.52
Reserve for Debt Service	18,045.02		6,720.02				18,045.02		128,714.93
Reserve for Bench Deposits	1,213,822.42						735,947.48		492,874.94
Improvement Authorizations:	500.00							15,000.00	500.00
Ordinance Number	Improvement Description								
08-07	Purchase of Tractor and Attachments								(183.33)
10-02	Beach Club Improvements					107,000.00		107,000.00	
10-03	Acquisition of Public Works Equipment					28,000.00		28,000.00	4,502.21
10-05	Beach Club Improvements								(95,000.00)
10-06	Refurbishing Fire Truck								(21,383.16)
10-17	Acquisition of Fire and Related Equipment								
11-03	Beach Club Improvements								(71,250.00)
11-07	Acquisition of Police Radios								(749.82)
11-12	Main Street Road Improvements - Phase II								4,189.13
11-14	Acquisition of Fire Department Equipment								(496.15)
12-01	Beach Club Improvements						9,500.00	9,500.00	
14-06	Beach Club and Borough Park Improvements				8,700.10	190,000.00	601,007.10	87,515.38	1,199.65
13-02, 14-10	Various Capital Improvements	2,721,837.00	137,487.52			190,000.00		190,000.00	
14-11	Acquisition of Ambulance								
15-04	Improvements to Municipal Building								1,217.62
15-05	Acquisition of Public Works Equipment				1,519.90				135.09
15-06	Allen Avenue Park Improvements				4,542.50				11,858.56
15-11	Allenhurst Beach Club Improvements				218,307.95				199,072.90
15-13	Allenhurst Beach Club Emergency Improvements								
16-01	Allen Avenue Road Improvements				2,088.75				16,669.56
16-02	Allenhurst Beach Club Improvements				305,057.18				73,043.78
17-13	Improvements to Railroad Plaza Park				297,107.22				(63,226.33)
18-15	Various Capital Improvements								

	\$ 413,524.45	\$ 5,220,000.00	\$ 708,544.54	\$	\$ 837,323.60	\$ 4,365,350.00	\$ 1,677,707.43	\$ 1,677,707.43	\$ 736,180.56
Ref.	C	C-2	C-2	C-2	C-2	C-2	C-2	C	

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-5

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance Date	Amount	Balance Dec. 31, 2017		Reserve for Encumbrances	2018 Authorizations	Paid or Charged	Balance Dec. 31, 2018	
				Funded	Unfunded				Funded	Unfunded
10-03	Acquisition of Public Works Equipment	2/23/2010	130,000.00		4,502.21				4,502.21	
11-12	Main Street Road Improvements - Phase II	6/14/2011	175,000.00		4,374.13				4,189.13	185.00
11-14	Acquisition of Fire Department Equipment	10/11/2011	50,000.00		3.85	9,500.00		9,500.00		3.85
14-06	Beach Club and Borough Park Improvements	4/08/2014	200,000.00		1,199.65				1,199.65	
13-02, 14-10	Various Capital Improvements	3/12/2013	5,000,000.00							
		8/12/2014	1,000,000.00							
		11/18/2014	200,000.00		1,889.30	7,817.90		9,707.20		
14-11	Acquisition of Ambulance									
15-04	Imp. to Municipal Building and Computer Equipment				1,217.62				1,217.62	
15-05	Acquisition of Public Works Equipment				1,654.99			1,519.90	135.09	
15-06	Allen Avenue Park Improvements				16,401.06			4,542.50	11,858.56	
15-11	Allenhurst Beach Club and Park Improvements				417,380.85			218,307.95	199,072.90	
16-01	Allen Avenue Road Improvements	2/23/2016	350,000.00		18,738.31	132.50		2,221.25	16,669.56	
16-02	Allenhurst Beach Club Improvements	2/23/2016	500,000.00		304,462.56	594.62		305,057.18	73,043.78	
17-13	Improvements to Railroad Plaza Park	9/26/2017	400,000.00		275,000.00			326,956.22	500,000.00	
18-14	Improvements to Cedar Avenue		500,000.00	125,000.00						
18-15	Various Capital Improvements		500,000.00				500,000.00	88,226.33	411,773.67	
				<u>\$ 125,000.00</u>	<u>\$ 1,046,844.53</u>	<u>\$ 18,045.02</u>	<u>\$ 1,000,000.00</u>	<u>\$ 966,038.53</u>	<u>\$ 238,844.72</u>	<u>\$ 985,006.30</u>
	Disbursements									
	Reserve for Encumbrances						\$	837,323.60		
	Capital Improvement Fund							128,714.93		
	Deferred Charges Unfunded						25,000.00			
							<u>975,000.00</u>			
							<u>\$ 1,000,000.00</u>	<u>\$ 966,038.53</u>		

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**GENERAL CAPITAL FUND****Exhibit C-6****SCHEDULE OF INTERFUND - CURRENT FUND**

Balance December 31, 2017 - Due To		\$	9,327.33
Increased by:			
Anticipated As Current Fund Revenue	\$		
Capital Fund Balance		30,000.00	
Reserve for Debt Service		60,000.00	
Interest on Deposits		6,720.02	
Bond Anticipation Notes Refunded with Bond Proceeds		600,000.00	
			<u>696,720.02</u>
			706,047.35
Decreased by:			
Grant Proceeds Deposited in Current Fund		140,000.00	
Disbursements:			
Advances		366,365.82	
Budget Expenditures		36,849.01	
			<u>543,214.83</u>
Balance December 31, 2018 - Due To		\$	<u>162,832.52</u>

SCHEDULE OF CAPITAL IMPROVEMENT FUND**Exhibit C-7**

Balance December 31, 2017	\$	55,767.91
Decreased by:		
Utilized as Down Payment for Improvement Authorizations		<u>25,000.00</u>
Balance December 31, 2018	\$	<u>30,767.91</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-8

SCHEDULE OF GENERAL SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Serial Bonds Issued	Decreased	Balance Dec. 31, 2018
			Outstanding Date	Dec. 31, 2018 Amount				
General Improvements	2/01/2018	\$ 5,220,000.00	1/15/20	\$ 175,000.00	5.00%			
			1/15/21	180,000.00	5.00%			
			1/15/22	190,000.00	5.00%			
			1/15/23	200,000.00	5.00%			
			1/15/24	205,000.00	5.00%			
			1/15/25	220,000.00	5.00%			
			1/15/26	230,000.00	5.00%			
			1/15/27	240,000.00	5.00%			
			1/15/28	250,000.00	5.00%			
			1/15/29	265,000.00	5.00%			
			1/15/30	280,000.00	4.00%			
			1/15/31	290,000.00	4.00%			
			1/15/32	300,000.00	4.00%			
			1/15/33	310,000.00	4.00%			
			1/15/34	325,000.00	4.00%			
			1/15/35	340,000.00	4.00%			
			1/15/36	345,000.00	3.00%			
			1/15/37	350,000.00	3.00%			
			1/15/38	350,000.00	3.00%			
						\$ 5,220,000.00	\$ 175,000.00	\$ 5,045,000.00

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-9

SCHEDULE OF BOND ANTICIPATION NOTES

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2017</u>	<u>Issued</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2018</u>
10-02	Beach Club Improvements	3/26/2010	3/16/2017	3/15/2018	1.25%	107,000.00		107,000.00	
10-03	Acquisition of Public Works Equipment	3/26/2010	3/16/2017	3/15/2018	1.25%	28,000.00		28,000.00	
12-01	Beach Club Improvements	3/23/2012	3/16/2017	3/15/2018	1.25%	81,250.00		81,250.00	
13-02	Various Capital Improvements	12/05/2013	11/08/2017	1/31/2018	1.48%	1,931,600.00		1,931,600.00	
13-02, 14-10	Various Capital Improvements	12/31/2017	12/31/2017	3/31/2018	0.00%	600,000.00		600,000.00	
14-06	Beach Club and Borough Park Improvements	3/20/2015	3/16/2017	3/15/2018	1.25%	190,000.00		190,000.00	
14-11	Acquisition of Ambulance	3/20/2015	3/16/2017	3/15/2018	1.25%	190,000.00		190,000.00	
15-04	Imp. to Municipal Building and Acqui. Computer Equipment	3/20/2015	3/16/2017	3/15/2018	1.25%	90,000.00		90,000.00	
15-05	Acquisition of Public Works Equipment	3/20/2015	3/16/2017	3/15/2018	1.25%	332,500.00		332,500.00	
15-06	Allen Avenue Park Improvements	3/20/2015	3/16/2017	3/15/2018	1.25%	190,000.00		190,000.00	
15-11	Beach Club and Park Improvements	12/07/2016	3/16/2017	3/15/2018	1.25%	570,000.00		570,000.00	
16-01	Allen Avenue Road Improvements	12/07/2016	3/16/2017	3/15/2018	1.25%	180,000.00		180,000.00	
16-02	Allenhurst Beach Club Improvements	12/07/2016	3/16/2017	3/15/2018	1.25%	475,000.00		475,000.00	
17-13	Improvements to Railroad Plaza Park	8/20/2018	8/20/2018	8/20/2019	2.25%		275,000.00		275,000.00
						\$ 4,965,350.00	\$ 275,000.00	\$ 4,965,350.00	\$ 275,000.00

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTHGENERAL CAPITAL FUND

Exhibit C-10

SCHEDULE OF LEASES PAYABLE

<u>Due</u>	<u>\$ Principal</u>	<u>Interest</u>
2019	<u>\$ 82,631.24</u>	<u>\$ 3,784.52</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

GENERAL CAPITAL FUND

Exhibit C-11

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

Ordinance Number	Improvement Description	Balance Dec. 31, 2017 \$	2018 Authorizations \$	Decreases \$	Balance Dec. 31, 2018 \$
08-07	Purchase of Tractor and Attachments	183.33			183.33
09-08, 09-13, 10-06	Refurbishing of Fire Truck	21,383.16			21,383.16
10-05	Beach Club Improvements	95,000.00			95,000.00
11-03	Beach Club Improvements	71,250.00			71,250.00
11-07	Acquisition of Police Radios	749.82			749.82
11-12	Main Street Road Improvements - Phase II	185.00			185.00
11-14	Acquisition of Fire Department Equipment	500.00			500.00
13-02, 14-10	Various Capital Improvements	407,422.00		407,422.00	
15-11	Allenhurst Beach Club Improvements				
15-13	Allenhurst Beach Club Emergency Improvements	950,000.00		950,000.00	
17-13	Improvements to Railroad Plaza Park	275,000.00		275,000.00	
18-14	Improvements to Cedar Avenue		500,000.00		500,000.00
18-15	Various Capital Improvements		475,000.00		475,000.00
		<u>\$ 1,821,673.31</u>	<u>\$ 975,000.00</u>	<u>\$ 1,632,422.00</u>	<u>\$ 1,164,251.31</u>
		<u>C</u>	<u>C-8</u>	<u>C-9</u>	<u>C</u>
	Notes Issued			\$ 275,000.00	
	Serial Bond Issued			<u>1,357,422.00</u>	
				<u>\$ 1,632,422.00</u>	

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTHWATER-SEWER UTILITY FUND

Exhibit D-5

SCHEDULE OF WATER-SEWER UTILITY FUND - CASH

	<u>Operating</u>	<u>Capital</u>
Balance December 31, 2017	\$ 24,954.62	\$ 2,796.92
Increased by Receipts:		
Consumer Accounts Receivable	\$ 279,866.66	
Overpayments	2,814.25	
Interfunds:		
Current Fund		3,000.00
Water-Sewer Utility Operating Fund		33.92
Miscellaneous Revenue	<u>2,162.12</u>	
	284,843.03	<u>3,033.92</u>
	<u>309,797.65</u>	<u>5,830.84</u>
Decreased by Disbursements:		
Budget Appropriations	280,500.14	
Appropriation Reserves	4,380.44	
Improvement Authorizations		2,955.60
Interfunds:		
Current Fund	<u>5,000.00</u>	
	289,880.58	<u>2,955.60</u>
Balance December 31, 2018	<u>\$ 19,917.07</u>	<u>\$ 2,875.24</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-6

ANALYSIS OF CAPITAL CASH

	Balance Dec. 31, 2017	Receipts Miscellaneous	Disbursements Improvement Authorizations	Transfers		Balance Dec. 31, 2018
				From	To	
Fund Balance	\$ <u>.80</u>					\$ <u>.80</u>
Capital Improvement Fund	28,500.00					28,500.00
Interfunds:						
Current Fund		3,000.00				3,000.00
Water-Sewer Utility Operating Fund	25,533.73	33.92		7,000.00		18,567.65
Improvement Authorizations:						
Ordinance						
Number						
05-11	(51,237.61)		2,955.60		7,000.00	(47,193.21)
Improvement Description						
Sewer System Improvements	\$ <u>2,796.92</u>	\$ <u>3,033.92</u>	\$ <u>2,955.60</u>	\$ <u>7,000.00</u>	\$ <u>7,000.00</u>	\$ <u>2,875.24</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**WATER-SEWER UTILITY OPERATING FUND****Exhibit D-7****SCHEDULE OF CONSUMER ACCOUNTS RECEIVABLE**

Balance December 31, 2017			\$ 11,057.57
Increased by:			
Water-Sewer Levy			<u>283,916.10</u>
			294,973.67
Decreased by:			
Receipts	\$ 279,866.66		
Overpayments Applied	<u>3,085.92</u>		
			<u>282,952.58</u>
Balance December 31, 2018			\$ <u>12,021.09</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

WATER-SEWER UTILITY FUND

Exhibit D-8

SCHEDULE OF APPROPRIATION RESERVES

	<u>Balance Dec. 31, 2017</u>	<u>Reserve for Encumbrances</u>	<u>Balance After Transfers</u>	<u>Expended</u>	<u>Balance Lapsed</u>
Operating:					
Salaries and Wages	\$.20	\$	\$.20		\$.20
Other Expenses	5,165.69	1,746.69	6,912.38	4,380.44	2,531.94
Statutory Expenditures:					
Social Security System	7,000.00		7,000.00		7,000.00
Unemployment Compensation	700.00		700.00		700.00
Insurance					
	<u>\$ 12,865.89</u>	<u>\$ 1,746.69</u>	<u>\$ 14,612.58</u>	<u>\$ 4,380.44</u>	<u>\$ 10,232.14</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH**WATER-SEWER UTILITY CAPITAL FUND****Exhibit D-9****SCHEDULE OF RESERVE FOR DEFERRED AMORTIZATION**

Balance December 31, 2017	\$ 41,000.00
Increased by:	
Budget Appropriation	<u>7,000.00</u>
Balance December 31, 2018	<u>\$ 48,000.00</u>

SCHEDULE OF FIXED CAPITAL**Exhibit D-10**

<u>Improvement Description</u>	Balance Dec. 31, 2018 and 2017
Miscellaneous Land Capital	\$ 15,200.00
Meters, Meter Boxes and Vaults	3,700.32
Machinery and Sewer Improvements	49,245.98
Tractor and Bulldozer	1,578.00
Sewer System Connections to Loch Arbour	61,592.52
Improvements to Sewer System	274,545.41
Computer Equipment	29,870.39
Air Compressor	7,483.20
Storm Sewer System	76,499.71
Sewer Improvements on Allen Avenue	20,000.00
Sanitary Sewer System Repairs	<u>99,192.91</u>
	<u>\$ 638,908.44</u>

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-11

SCHEDULE OF IMPROVEMENT AUTHORIZATIONS

Ordinance Number	Improvement Description	Ordinance		Balance Dec. 31, 2017		Paid or Charged	Balance Dec. 31, 2018	
		Date	Amount	Unfunded	Unfunded			
05-11	Sewer System Improvements	10/11/2005	\$ 100,000.00.		\$ 7,762.39		\$ 4,806.79	

BOROUGH OF ALLENHURST - COUNTY OF MONMOUTH

WATER-SEWER UTILITY CAPITAL FUND

Exhibit D-12

SCHEDULE OF BONDS AND NOTES AUTHORIZED

BUT NOT ISSUED

<u>Ordinance Number</u>	<u>Improvement Description</u>	<u>Balance Dec. 31, 2018</u>
05-11	Sewer System Improvements	\$ <u>52,000.00</u>

BOROUGH OF ALLENHURST

COUNTY OF MONMOUTH

PART III

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS

YEAR ENDED DECEMBER 31, 2018

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1969-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

AND ON COMPLIANCE AND OTHER MATTERS BASED ON

AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN

ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members
of the Borough Council
Borough of Allenhurst
County of Monmouth
Allenhurst, New Jersey 07711

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the various funds and account group as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated August 15, 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, we considered the Borough's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion of the effectiveness of the Borough's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

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 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.

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and was not designed to identify all efficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's consolidated financial statements are free of material misstatement, we performed tests of it 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* and audit requirements as prescribed by the Division.

This report is intended solely for the information and use of the Borough's management, the Borough Council, others within the organization, the Division, and federal and state awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Robert A. Hulsart and Company
Independent Auditors

August 15, 2019

BOROUGH OF ALLENHURST

COUNTY OF MONMOUTH

PART IV

GENERAL COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

An audit of the financial accounts and transactions of the Borough of Allenhurst, in the County of Monmouth, for the year ended December 31, 2018, has recently been completed. The results of the audit are herewith set forth.

Scope of Audit

The audit covered the financial transactions of the Chief Financial Officer, Treasurer, Tax Collector, and the activities of the Mayor and Commissioners and the records of the various outside departments.

The audit did not and could not determine the character of services rendered for which payments had been made or for which reserves had not been set up, nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the internal review and control before approval of such claims by the governing body.

Cash on hand was counted and cash balances were reconciled with independent certifications obtained directly from the depositories.

The accrued and realized revenues for the various Borough Departments as shown on the Statement of Revenue and Schedule of Revenue Accounts Receivable are presented as recorded in the Borough records.

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 material or supplies, the cost or the 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 in the aggregate amount set forth in, or the amount calculated by the governor pursuant to, Section 3 of P.L. 1971, c. 198 (c.40A:11-2), except by contract or agreement". The amount set forth pursuant to the above statute was \$12,800.00 effective July 1, 1999. Effective July 1, 2015, the public contracts law was amended to change the bid threshold to \$40,000.00 if there is a certified purchasing agent. Effective January 1, 2011, if there is no Qualified Purchasing Agent the bid threshold remained at \$17,500.00 and \$2,625.00 for quotes. If there is a qualified purchasing agent the quote threshold was increased to \$6,000.00

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

The compliance review of expenditures did not reveal any individual payments or contracts in excess of the statutory limit 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.A. 40A:11-4.

N.J.S. 40A:11-6.1 states "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount... the contracting agent shall award the contract after soliciting at least two competitive quotations, if practicable."

Contracts and Agreements Required to be Advertised per N.J.S. 40A:11-4a (Continued)

We conducted a compliance review of the procedures and policies for securing quotations for purchases referred to above which indicated that the procedures were implemented to ensure statutory compliance and that quotes had been solicited as required by the statute.

Collection of Interest on Delinquent Taxes and Delinquent Water-Sewer Rents

N.J.S. 54:4-67, as amended, 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 9, 2018 adopted the following resolutions authorizing interest to be charged on delinquent taxes and utility charges:

1. The Tax collector is hereby authorized and directed to charge 8% per annum on the first \$1,500 of taxes becoming delinquent after due date and 18% per annum on any amount of taxes in excess of \$1,500 becoming delinquent after 10 days from the due date.
2. The Tax Collector is hereby authorized to charge a 6% penalty for a delinquency over \$10,000 if not paid prior to the end of the calendar year.

It appears from an examination of the collector's records that interest was generally collected in accordance with the foregoing resolution.

The governing body adopted a resolution authorizing interest to be charged on delinquent utility charges as follows:

BE IT RESOLVED, that upon the recommendation of the Borough Sewer Collector, interest at the rate of eight per centum (8%) per annum be charged on the first \$1,500.00 of the delinquency and eighteen per centum (18%) per annum on any amount in excess of \$1,500.00 be charged on the first quarterly installment of sewer charges for the year 2018 after February 1, 2018 and on the second quarterly installment after May 1, 2018 and on the third quarterly installment after August 1, 2018 and on the fourth quarterly installment after November 1, 2018 provided that no interest shall be charged if payment of any installment is made within the thirtieth calendar day following the date upon which the same became payable and if a delinquency is in excess of \$10,000.00 and remains in arrears beyond December 31st, an additional penalty of 6% shall be charged against the delinquency as provided for in NJSA 54:4-67; and,

BE IT FURTHER RESOLVED, as to tax sale certificates, the Sewer Collector is hereby directed to collect 2% when the sewer charges, interest and costs shall exceed the sum of \$200.00. When the sewer charges, interest and costs shall exceed the sum of \$5,000.00, such additional sum shall be equal to 4% of such amount paid; and when that sum exceeds \$10,000.00, such additional sum shall be equal to 6% of such amount paid as provided for in NJSA 54:5-61 and shall become effective immediately.

Delinquent Taxes and Tax Title Liens

The Borough did not have a tax sale in 2018.

Inspection of tax sale certificates on file revealed that all certificates were available for audit.

The Borough did not have any tax title liens for the year ended December 31, 2018.

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>
Information Tax	15
Information Water- Sewer	15

For those confirmation notices which were not returned by taxpayers, we examined subsequent cash collections as an alternative procedure when possible.

Miscellaneous

All sums of outstanding checks, reflected in cash reconciliations herein, are in agreement with the records of the Treasurer, as well as with independent lists made part of this audit.

A report summarizing collections of Dog License Fees and remittances of State Registration Fees has been prepared and filed with the New Jersey Department of Health and the Division of Local Government Services.

A statutory report on the operations of the Municipal Court has been prepared and copies filed with the New Jersey Administrative Office of the Courts, the Division of Local Government Services, the Municipal Court and the Borough Clerk.

Individual payments of the Local School District Tax by the municipality were confirmed as received by the Secretary of the Board of Education for the year 2018.

In our verification of expenditures, no attempt was made to establish proof of rendition, character or extent of services nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

The propriety of deductions from individual employee salaries for pensions, withholding tax, social security and other purposes was not verified as part of this examination. Remittances to authorized agencies, however, were ascertained.

A summary or synopsis of this report was prepared for publication and filed with the Borough Clerk.

FOLLOW-UP OF PRIOR YEAR FINDINGS

There were no prior year findings

FINDINGS/RECOMMENDATIONS

There were no findings and recommendations.

ACKNOWLEDGEMENT

We desire to express our appreciation for the assistance and courtesies rendered by the Borough officials and employees during the course of the audit.

The foregoing comments and resultant recommendation are not of sufficient materiality whereby they would affect our ability to express an opinion on the financial statements taken as a whole.

Should any questions arise as to our comments or recommendation, or should you desire assistance in implementing our recommendation, please contact us at your earliest opportunity.

* * * * *